

Annual Report 2012

InVision AG

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## Overview

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



Cloud platform with training, workforce management and industry network



Training, consulting and publications for call centre professionals



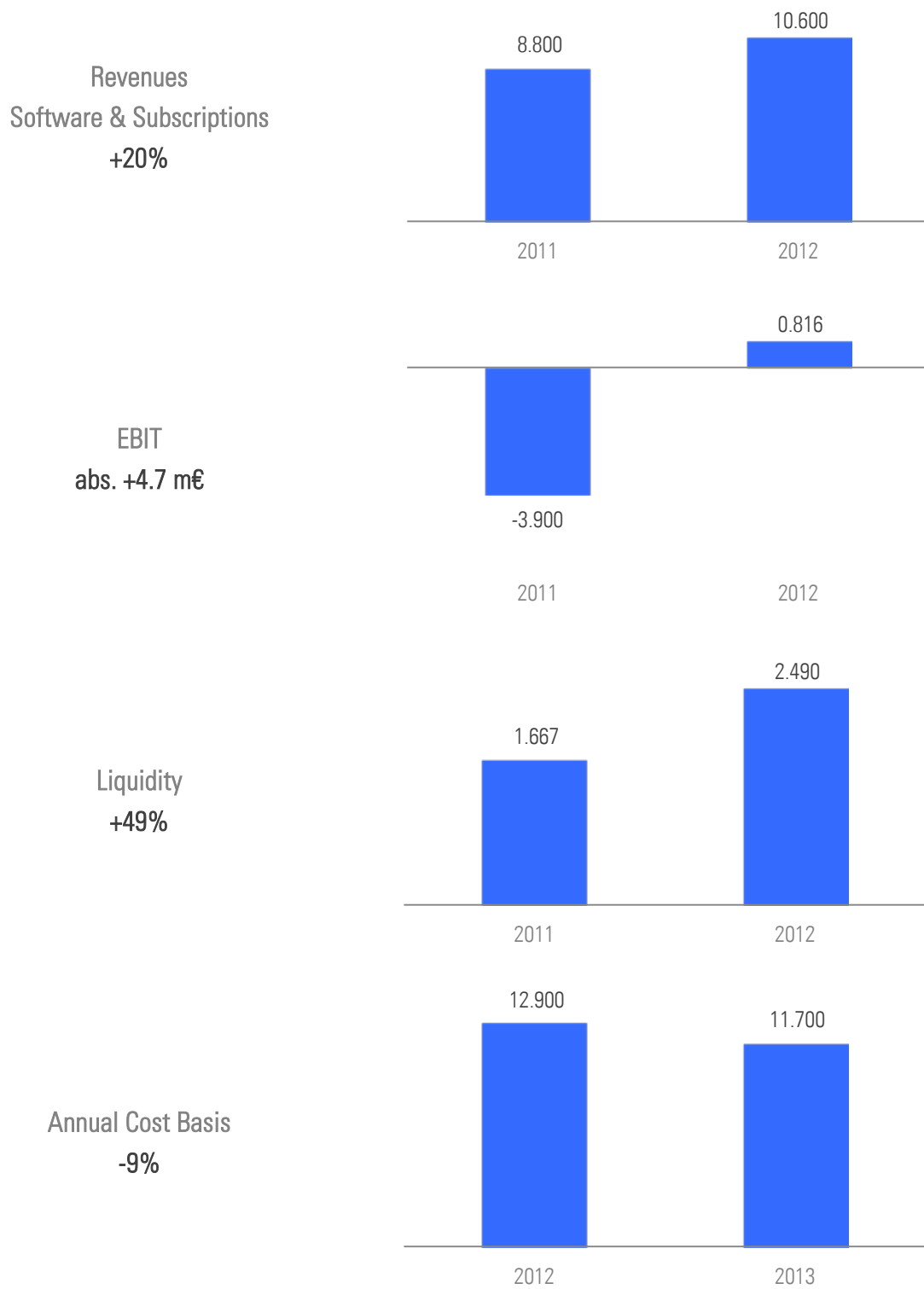
Strategic workforce management consulting



Software for workforce management

Additional information: [www.invisionwfm.com](http://www.invisionwfm.com)

# Highlights



All figures are stated in m€.

## Financial Summary

| Income (in TEUR)                   | 2012          | 2011          | Δ                  |
|------------------------------------|---------------|---------------|--------------------|
| <b>Revenues</b>                    | <b>13,228</b> | <b>12,384</b> | <b>+7%</b>         |
| Software & Subscriptions           | 10,554        | 8,824         | +20%               |
| Services                           | 2,674         | 3,560         | -25%               |
| <b>EBIT</b>                        | <b>816</b>    | <b>-3,860</b> | <b>abs. +4,676</b> |
| as a % of revenues                 | 6%            | -31%          | +37 PP             |
| <b>Consolidated result</b>         | <b>624</b>    | <b>-7,491</b> | <b>abs. +8,115</b> |
| as a % of revenues                 | 5%            | -61%          | +66 PP             |
| <b>Earnings per share (in EUR)</b> | <b>0.29</b>   | <b>-3.41</b>  | <b>abs. +3.70</b>  |

| Balance sheet (in TEUR)     | 31 Dec 2012  | 31 Dec 2011  | Δ           |
|-----------------------------|--------------|--------------|-------------|
| <b>Balance sheet total</b>  | <b>8,249</b> | <b>8,507</b> | <b>-3%</b>  |
| <b>Liquid funds</b>         | <b>2,490</b> | <b>1,667</b> | <b>+49%</b> |
| <b>Equity</b>               | <b>4,396</b> | <b>3,574</b> | <b>+23%</b> |
| as % of balance sheet total | 53%          | 42%          | +11 PP      |

| Employees                       | 31 Dec 2012 | 31 Dec 2011 | Δ           |
|---------------------------------|-------------|-------------|-------------|
| <b>Number of employees</b>      | <b>129</b>  | <b>166</b>  | <b>-22%</b> |
| Domestic                        | 65          | 70          | -7%         |
| Foreign                         | 64          | 96          | -33%        |
| Product and Content Development | 61          | 77          | -21%        |
| Market and Customer Support     | 49          | 68          | -28%        |
| Miscellaneous                   | 19          | 21          | -10%        |

| InVision share                               | 2012             | 2011             | Δ           |
|--|------------------|------------------|-------------|
| <b>Closing price per 31 December</b>         | <b>15.78 €</b>   | <b>12.80 €</b>   | <b>+23%</b> |
| <b>Year high</b>                             | <b>17.80 €</b>   | <b>23.99 €</b>   | <b>-26%</b> |
| <b>Year low</b>                              | <b>11.73 €</b>   | <b>8.60 €</b>    | <b>+36%</b> |
| <b>Market capitalisation per 31 December</b> | <b>34.6 m€</b>   | <b>28.0 m€</b>   | <b>+24%</b> |
| <b>Number of shares</b>                      | <b>2,235,000</b> | <b>2,235,000</b> | <b>±0</b>   |
| Of which treasury shares                     | 43,648           | 49,048           | abs. -5,400 |

All information is XETRA price data

# Corporate Governance Report

In accordance with section 3.10 of the German Corporate Governance Code, the corporate governance report of InVision AG is prepared jointly by the Executive Board and Supervisory Board.

Additional information regarding corporate governance, the management and control structure as well the policies on investor communications at InVision AG can be found on the Internet at [www.invisionwfm.com/corporate\\_governance](http://www.invisionwfm.com/corporate_governance).

## Compliance Statement

The Supervisory Board and Executive Board of InVision AG discussed the recommendations made by the Government Commission of the German Corporate Governance Code for Corporate Management and Supervision (15 May 2012 version) and determined which recommendations on conduct would not be followed.

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

- For reasons of cost and in view of the Company's size and relatively low number of free-floated shares, the Company does not allow its shareholders – contrary to section 2.3.4 of the Code – to use modern means of communications to track and follow the Shareholders' Meeting.
- Compliance statements that are no longer up to date are not published on the Company's website (pursuant to section 3.10 of the Code). In the Company's opinion, the related administrative effort is simply disproportionate to the added value that such information provides.
- The compensation arrangements for the Executive Board provide no variable components for the members of the Executive Board (section 4.2.3 of the Code). The Company assumes that the large ownership interest held by the members of the Executive Board in the Company's registered share capital provides an adequate incentive for them to engage in dedicated and responsible management of the Company.
- No age limit or quota for women was set for members of the Executive and Supervisory Boards (sections 5.1.2 and 5.4.1 of the Code). Given the age of the Executive and Supervisory Board members, there has been no reason so far for establishing an age limit. In constituting its governing bodies, the Company prefers to pursue simply its own best interests – and not any kinds of quotas.
- The Company's articles of association (Satzung) and the Supervisory Board's internal rules of procedure (Geschäftsordnung) grant the Supervisory Board the authority to form committees (section 5.3 of the Code). Given the current size of the Company, the Supervisory Board currently consists of only three members. Thus, the act of forming committees would not simplify or streamline the work of the Supervisory Board.

## Composition of the Supervisory Board

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

## Annual accounts auditor

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

On the basis of the shareholders' appointment of the annual accounts auditor, the Supervisory Board of InVision AG authorised the annual accounts auditor to engage in the annual audit and agreed on a fee arrangement with those auditor. In

connection with assigning the auditing job, the Supervisory Board has also agreed with the auditor on the reporting duties under the German Corporate Governance Code.

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

Ratingen, 20 February 2013

The Executive Board and Supervisory Board of InVision AG

# Report by the Supervisory Board

During fiscal year 2012, the Supervisory Board of InVision AG supervised the Executive Board in accordance with the German Corporate Governance Code and, by reviewing all key business transactions, gathered detailed information about the Group's performance. The Supervisory Board held four meetings during the reporting year.

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

The discussions covered not only the business situation at InVision AG and its subsidiaries, but also the Company's current and long-term development and its product, sales and marketing strategy. Furthermore, if needed, the Executive Board reported to the Supervisory Board and the Supervisory Board Chairman, either by telephone or in writing, about the ongoing course of business.

The Supervisory Board also dealt with the issues of corporate governance and the German Corporate Governance Code. During the reporting year, the Supervisory Board and Executive Board took measures that were necessary to comply with most of the Code's recommendations.

The compliance statement, which is jointly issued with the Executive Board pursuant to § 161 of the German Stock Corporation Act (AktG), concludes that, subject to a few exceptions, InVision AG complied with the recommendations of the Code (in its 15 May 2012 version) in fiscal year 2012, and that it will to a large extent also comply with the Code in the future. The compliance statement has been published in the 2012 annual report and on the Company's website, [www.invisionwfm.com/corporate\\_governance](http://www.invisionwfm.com/corporate_governance).

In fiscal year 2012, the Supervisory Board meetings focused on the following issues:

- At the meeting held on 27 March 2012, the annual financial statements and the consolidated financial statements for 2011 as well as the management report and group management report were discussed in detail and the requisite resolutions adopted. Meeting participants also conferred on the course of business, specifically the Company's situation, sales and profitability. The Company's auditors attended the meeting.
- The meeting held on 11 June 2012 addressed the status of the business model transformation to cloud computing and the general course of business, including the Company's condition, revenues and profitability. In addition, the Annual Shareholders' Meeting, which took place on 29 August 2012, was prepared.
- The meeting held on 28 August 2012 addressed the draft business policy and other fundamental issues of corporate planning (including financial, investment, and personnel planning) were discussed in the context of the business model transformation, including any variances between the actual developments and the previously reported targets (indicating the reasons for such variances).
- The meeting held on 14 November 2012 addressed the general course of business during the second half of 2012, including the Company's condition, revenues and profitability, as well as a conservative three-year plan.

In order to audit the annual financial statements and consolidated financial statements for fiscal year 2012, the Supervisory Board duly engaged the accounting firm of Verhülsdonk & Partner Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, which had been selected by the Shareholders' Meeting to serve as the Company's annual accounts auditor.

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



The subject matter of the audit were the annual financial statements and consolidated financial statements as of 31 December 2012 as well as the management report, which were all based on bookkeeping performed by Verhülsdonk & Partner Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf. The accounting firm issued an unrestricted auditor's report [*uneingeschränkten Bestätigungsvermerk*]. The audit reports were submitted to the Supervisory Board, and the auditors responsible for conducting the audit then explained the report in person to the entire Supervisory Board and to the Executive Board. The Supervisory Board closely reviewed the reports and concurred with the audit findings and approved the annual financial statements and consolidated financial statements. The submitted annual financial statements have been thereby formally adopted.

There were no changes in the membership of the Executive Board in the 2012 fiscal year. At the Annual Shareholders' Meeting, which took place on 29 August 2012, all members of the Supervisory Board were re-elected for a period of five years. Immediately after the Annual Shareholders' Meeting, the Supervisory Board elected Dr. Thomas Hermes as Chairman and Dr. Christof Nesemeier as his Deputy in its constituent meeting.

The Supervisory Board thanks the Executive Board and all employees for their dedication and work performed in fiscal year 2012.

Ratingen, 19 March 2013

The Supervisory Board

# Consolidated Financial Statements

of InVision AG as of 31 December 2012 in accordance with IFRS and § 315a of the German Commercial Code as well as the management report pursuant to § 315 of the German Commercial Code

# Consolidated Balance Sheet

| Assets (in EUR)  | Note     | 31 Dec 2012      | 31 Dec 2011      |
|--|----------|------------------|------------------|
| <b>Short-term assets</b>   |          |                  |                  |
| Liquid funds   | (24)     | 2,490,000        | 1,667,423        |
| Inventories  | (25)     | 12,143           | 17,100           |
| Trade receivables  | (26)     | 2,833,092        | 3,844,992        |
| Income tax claims  | (27)     | 518,234          | 33,593           |
| Prepaid expenses and other short-term assets                         | (28)     | 281,193          | 267,711          |
| <b>Total short-term assets</b>                                       |          | <b>6,134,662</b> | <b>5,830,819</b> |
| <b>Long-term assets</b>  |          |                  |                  |
| Intangible assets  | (29)     | 1,049,584        | 1,253,236        |
| Tangible assets  | (30)     | 253,715          | 308,144          |
| Deferred tax assets  | (32)     | 773,130          | 1,072,323        |
| Other long-term assets   | (33)     | 37,711           | 42,366           |
| <b>Total long-term assets</b>  |          | <b>2,114,140</b> | <b>2,676,069</b> |
| <b>Total assets</b>  |          | <b>8,248,802</b> | <b>8,506,888</b> |
| <b>Equity and liabilities (in EUR)</b>                               |          |                  |                  |
| <b>Short-term liabilities</b>  |          |                  |                  |
| Short-term liabilities owed to financial institutions                | (35)     | 0                | 19,966           |
| Trade payables   | (35)     | 149,947          | 236,428          |
| Provisions   | (36)     | 1,135,009        | 1,491,749        |
| Income tax liabilities   | (36)     | 31,723           | 25,954           |
| Short-term share of deferred income and other short-term liabilities | (37)     | 2,535,911        | 3,159,244        |
| <b>Total short-term liabilities</b>                                  |          | <b>3,852,590</b> | <b>4,933,341</b> |
| <b>Equity</b>  |          |                  |                  |
| Subscribed capital   | (38)     | 2,235,000        | 2,235,000        |
| Treasury shares  | (38)     | -43,648          | -49,048          |
| Reserves   | (39, 40) | 21,199,927       | 21,276,134       |
| Equity capital difference from currency translation                  | (41)     | -646,759         | -695,726         |
| Losses carried forward   |          | -18,972,178      | -11,481,657      |
| Group/consolidated result  |          | 623,870          | -7,490,521       |
| Minority shares  |          | 0                | -220,635         |
| <b>Total equity</b>  |          | <b>4,396,212</b> | <b>3,573,547</b> |
| <b>Total equity and liabilities</b>                                  |          | <b>8,248,802</b> | <b>8,506,888</b> |

## Consolidated Statement of Comprehensive Income

| in EUR   | Note | 2012              | 2011              |
|--|------|-------------------|-------------------|
| <b>Revenues</b>  | (42) | <b>13,227,934</b> | <b>12,383,942</b> |
| Other operating income   | (43) | 337,905           | 100,240           |
| Cost of materials/cost of goods and services purchased                 | (44) | -340,425          | -177,880          |
| Personnel expenses   | (45) | -8,569,698        | -10,037,827       |
| Amortisation/depreciation of intangible and tangible assets            | (46) | -351,934          | -217,089          |
| Other operating expenses   | (47) | -3,487,318        | -5,911,767        |
| <b>Operating result (EBIT)</b>   |      | <b>816,464</b>    | <b>-3,860,381</b> |
| Financial result   | (48) | 12,943            | 47,582            |
| Currency losses/gains  |      | -124,665          | 104,144           |
| <b>Result before taxes (EBT)</b>                                       |      | <b>704,742</b>    | <b>-3,708,655</b> |
| Income tax   | (49) | 145,881           | -3,887,067        |
| <b>Consolidated net loss/profit</b>                                    |      | <b>850,623</b>    | <b>-7,595,722</b> |
| Minority shares  |      | -226,753          | 105,201           |
| Exchange rate differences from converting foreign financial statements |      | 48,967            | -82,958           |
| <b>Consolidated result</b>   |      | <b>672,837</b>    | <b>-7,573,479</b> |

# Consolidated Cash Flow Statement

| in EUR   | 2012             | 2011              |
|--|------------------|-------------------|
| <b>Consolidated net loss/profit incl. minority shares</b>                  | <b>623,870</b>   | <b>-7,490,521</b> |
| Depreciation and amortisation of fixed assets                              | 351,934          | 217,089           |
| Profits/losses from the disposal of intangible and tangible assets         | 13,423           | 0                 |
| Decrease/increase in provisions  | -356,740         | 258,427           |
| Decrease/increase in deferred taxes  | 299,193          | 3,816,633         |
| Other non-cash income  | 284,406          | -187,189          |
| Decrease/increase in trade receivables and contract manufacturing          | 1,016,857        | 798,001           |
| Decrease/increase in other assets and prepaid expenses                     | -8,827           | 28,372            |
| Decrease/increase in income tax claims/liabilities                         | -478,872         | 24,346            |
| Decrease/increase in trade payables  | -86,481          | -330,910          |
| Decrease/increase in other liabilities and deferred income                 | -364,862         | 763,366           |
| <b>Cash flow from operating activities</b>                                 | <b>1,293,901</b> | <b>-2,102,386</b> |
| <b>Investing activities</b>  |                  |                   |
| Payments made for investments in tangible fixed assets                     | -122,799         | -126,966          |
| Payments made for investments in intangible assets                         | -279,433         | -901,239          |
| Payments made for investments in consolidated subsidiaries                 | -147,745         | 0                 |
| Payments received from the disposal of intangible and tangible assets      | 27,798           | 0                 |
| Payments received from/made for other lending activities                   | 0                | 150,092           |
| <b>Cash flow from investing activities</b>                                 | <b>-522,179</b>  | <b>-878,113</b>   |
| <b>Financing activities</b>  |                  |                   |
| Payments received from equity contributions (issuance of Company's shares) | 70,821           | 328,500           |
| Payments made in order to repurchase the Company's outstanding shares      | 0                | -1,131,770        |
| <b>Cash flow from financing activities</b>                                 | <b>70,821</b>    | <b>-803,270</b>   |
| <b>Change in cash and cash equivalents</b>                                 | <b>842,543</b>   | <b>-3,783,769</b> |
| <b>Cash and cash equivalents at the beginning of the period</b>            | <b>1,647,457</b> | <b>5,431,226</b>  |
| <b>Cash and cash equivalents at the end of the period</b>                  | <b>2,490,000</b> | <b>1,647,457</b>  |

## Consolidated Statement of Equity

| in EUR   | 1 Jan 2011        | Result 2011       | 31 Dec 2011      | Result 2012    | 31 Dec 2012      |
|--|-------------------|-------------------|------------------|----------------|------------------|
| Subscribed capital                                     | 2,235,000         | -49,048           | 2,185,952        | 5,400          | 2,191,352        |
| Reserves   | 22,030,356        | -754,222          | 21,276,134       | -76,207        | 21,199,927       |
| Equity capital difference<br>from currency translation | -612,768          | -82,958           | -695,726         | 48,967         | -646,759         |
| Losses carried forward                                 | -11,481,657       | -7,490,521        | -18,972,178      | 623,870        | -18,348,308      |
| <b>Equity capital of the<br/>Company shareholders</b>  | <b>12,170,931</b> | <b>-8,376,749</b> | <b>3,794,182</b> | <b>602,030</b> | <b>4,396,212</b> |
| Minority shares  | -115,435          | -105,201          | -220,636         | 220,636        | 0                |
| <b>Equity</b>  | <b>12,055,496</b> | <b>-8,481,950</b> | <b>3,573,546</b> | <b>822,666</b> | <b>4,396,212</b> |

# Consolidated Notes

to the Consolidated Financial Statements of InVision AG as of 31 December 2012

## GENERAL INFORMATION

### 1. General information about the Company

The business activities of InVision Aktiengesellschaft, Ratingen (hereinafter also referred to as "InVision AG" or the "Company"), together with its subsidiaries (hereinafter also referred to as the "InVision Group" or the "Group"), include cloud-based services for contact centres offered under the injixo brand, learning content for contact centres offered under The Call Center School brand, consulting and training in human resources offered under the Core Practice brand, and workforce management software offered under the InVision WFM brand. The InVision Group does business primarily in Europe and the United States.

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

The IFRS consolidated financial statements are expected to be approved by the Supervisory Board of InVision AG on 19 March 2013 and then cleared for publication.

### 2. Basis of the accounting

Because it is listed on a regulated market, InVision AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements as of 31 December 2012 were prepared in accordance with the IFRS, which were promulgated by the International Accounting Standards Board (IASB), in force on the balance sheet closing date, and applicable in the European Union. The designation "IFRS" also encompasses the still valid International Accounting Standards (IAS), as well as the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC). The requirements prescribed under § 315a of the German Commercial Code (HGB) must also be observed.

All provisions of the IFRS, IAS, IFRIC and SIC, which are valid for fiscal year ending 31 December 2012, have been applied in the consolidated financial statements.

In fiscal year 2012, the following provisions under the IAS/IFRS/IFRIC were endorsed by the EU for adoption into EU law and/or must be applied for the first time. Most of them have little or no effect on the consolidated financial statements of InVision AG.

| IFRS  | Material effect |
|---|-----------------|
| IAS12 Income Taxes: Recovery of Underlying Assets | None            |
| IFRS1 Hyperinflation: Fixed Date of Transition    | None            |
| IFRS7 Financial Instruments: Disclosure           | None            |

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

| IFRS  | Material effect |
|---|-----------------|
| IFRS7 Financial Instruments: Disclosure of Offsetting of Financial Assets and Liabilities     | None            |
| IFRS9 Financial Instruments: Classification and Valuation of Financial Assets and Liabilities | None            |
| IFRS10 Consolidated Financial Statements – New Definition of Control                          | None            |
| IFRS11 Joint Arrangements: Guidelines for the Accounting of Joint Agreements                  | None            |
| IFRS12 Disclosure of Interest in Other Entities   | None            |
| IFRS13 Fair Value Measurement   | None            |
| IAS19 Employee Benefits   | None            |
| IAS27 (2011) Separate Financial Statements  | None            |
| IAS28 (2011) Investments in Associates and Joint Ventures                                     | None            |
| IAS32 (2011) Financial Instruments: Presentation  | None            |
| Annual Improvements of IFRS 2009 - 2011   | None            |
| Amendments to IFRS10, IFRS12 and IAS27 Investment Companies                                   | None            |

### 3. Group of consolidated companies

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

- injixo Limited, London, United Kingdom
- WFM Software AB, Stockholm, Sweden
- InVision Software OÜ, Tallinn, Estonia
- InVision Software SAS, Paris, France
- InVision Software S.r.l.i.l., Milan, Italy
- InVision Software Systems S.L., Madrid, Spain
- InVision South Africa (Pty) Ltd., Cape Town, South Africa
- InVision Software GmbH, Zurich, Switzerland
- injixo B.V., Arnhem, The Netherlands
- InVision Software GmbH, Vienna, Austria
- injixo Inc., Naperville, United States
- injixo AG, Cham, Switzerland
- InVision Software (Deutschland) GmbH, Ratingen, Germany

InVision AG holds a direct 100% ownership interest in each of the consolidated subsidiaries. With effect from 1 January 2012, InVision AG increased its 80% share of InVision Consulting International GmbH to 100%. InVision Consulting International GmbH increased its 51% share of Core Practice LLC to 100% and sold it to injixo Inc., with effect from 1 January 2012. With effect from 1 July 2012, InVision Consulting International GmbH was merged with InVision Software GmbH, Zurich. With effect from 24 July 2012, the liquidation of InVision Software S.r.l. was initiated. With effect from 7 August 2012, Core Practice LLC was merged with injixo Inc.

### 4. Consolidation principles

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

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

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



Subsidiaries are fully consolidated as of the date of their formation or acquisition (i.e., as of the date on which the Group acquires control over them), provided that they are not of minor importance for the Group's net assets, financial position and results of operations. The inclusion of these subsidiaries in the consolidated accounts ends as soon as the parent company's control no longer exists.

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

## **ACCOUNTING AND VALUATION PRINCIPLES**

### **5. In general**

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

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

### **6. Reporting currency**

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

### **7. Currency translation**

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

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

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

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

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

| Currency | Exchange rate on reporting date |         | Average annual exchange rate |         |
|----------|---------------------------------|---------|------------------------------|---------|
|          | 2012                            | 2011    | 2012                         | 2011    |
| USD      | 1.3183                          | 1.2939  | 1.2858                       | 1.3920  |
| GBP      | 0.8154                          | 0.8353  | 0.8112                       | 0.8678  |
| CHF      | 1.2072                          | 1.2156  | 1.2053                       | 1.2342  |
| SEK      | 8.5842                          | 8.9120  | 8.7077                       | 9.0283  |
| ZAR      | 11.1897                         | 10.4830 | 10.5564                      | 10.0951 |

## 8. Intangible assets

Acquired intangible assets are valued at the time of their receipt according to their cost of acquisition or cost of production.

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

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

## 9. Tangible assets

Tangible assets (computer hardware, tenant installations, furnishings and equipment) are recognised at the cost of acquisition or production less the accumulated depreciation. These assets are depreciated on a straight-line basis over the estimated useful life of the individual asset. The useful life for computer hardware is 3 to 5 years, and for furnishings and equipment, 5 to 10 years. Tenant installations are depreciated over the term of the lease or over their useful life, if that period is shorter.

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

## 10. Accounting for leases

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

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

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

### **11. Borrowing costs**

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

### **12. Impairment of non-financial assets**

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

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

### **13. Financial investments and other financial assets**

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

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

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

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

Financial assets are tested for impairment as of each balance sheet date. If it is likely that with respect to financial assets recognised at their amortised costs, the Company will be unable to collect all of the amounts, which are owed under loans, receivables or held-to-maturity investments pursuant to applicable contract terms and conditions, an impairment or write-down of the receivables will be recognised on the income statement. The impairment loss is defined as the difference between the asset's book value and the present cash value of the anticipated future cash flows calculated using the effective interest method. The book value of the asset is reduced using a value adjustment account. The impairment loss will be recognised on the income statement. An impairment previously recognised as a cost will be reversed into income on the income statement, if some of the value subsequently recovered (or a reduction in the impairment amount) can be objectively attributed to the set of facts that transpired following the original impairment. Any recovered value will be recognised,

however, only to the extent that it does not exceed the amount of the amortised cost which would have resulted had the impairment not occurred. The financial asset will be derecognised, if it is classified as non-recoverable.

As in 2011, the book values of the assets and liabilities for the most part match their fair values.

#### **14. Unfinished goods and services**

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

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

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

#### **15. Short-term financial assets**

Short-term financial assets comprise accounts receivable and other receivables. A bad debt allowances for accounts receivable will be made if it is likely that the total amount of the original invoice cannot be collected. The amount of the bad debt allowances will be the face value of the account less the realisable amount that equals the present cash value of the anticipated cash flows.

#### **16. Other short-term assets**

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

#### **17. Cash and cash equivalents**

Cash and cash equivalents consist of credit balances held with financial institutions as well as securities which may be redeemed for cash on short notice. These credit balances held with financial institutions are measured at face or nominal value.

#### **18. Taxes**

The actual tax refund claims and tax debts for the current period and for earlier periods must be valued at the amount at which a refund is expected from the tax authorities or a payment must be made to the tax authorities.

Deferred taxes are recognised under the liabilities method for all temporary differences between the tax basis of the assets / liabilities and their respective book values in the IFRS financial statements. In addition, any deferred taxes based on losses carried forward are entered on the balance sheet.

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

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

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

## 19. Provisions

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

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

## 20. Liabilities

Liabilities comprise the trade payables, liabilities, tax liabilities, interest owed, liabilities owed to employees, and other liabilities. When such items are recognised for the first time, they are booked at their cost of acquisition, which corresponds to the fair value of the consideration received. All liabilities are measured in subsequent years at the adjusted cost of acquisition under the effective interest method. The liability is derecognised when it has been settled, cancelled or expired.

## 21. Revenue and cost recognition

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

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

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

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

Costs are recognised when the good or service is used or at the time they were generated. Interest is recognised as either an expense and/or income according to the period in which it arose under the effective interest method. Rental payment costs under operating leases are likewise recognised on a straight-line basis over the entire term of the lease, irrespective of the payment arrangements made under such leases.

## 22. Contingent liabilities and contingent receivables

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

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

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

## 23. Management discretion and the main sources of forecasting uncertainty

When preparing the consolidated financial statements, some assumptions and estimates must be made, which have an effect on the amount and reporting of the recognised assets and liabilities, the income and expenses, and the contingent liabilities

for the reporting period. These assumptions relate primarily to the assessment of the carrying value of assets, the assessment of deferred tax assets, the percentage-of-completion measurement with respect to jobs in progress, uniform group determination of the economic useful lives of tangible assets, and the recognition and measurement of provisions. The assumptions and estimates are based on premises delivered from available information at the time in question. The basis for the anticipated future business development is the circumstances present at the time the consolidated financial statements are prepared in a realistic scenario of the future development of the overall environment. If these overall conditions deviate from the assumptions made and cannot be influenced by management, then the resulting figures could deviate from the originally anticipated estimates.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 24. Liquid funds (cash and cash equivalents)

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

### 25. Inventories

The inventories include book inventories in the United States.

### 26. Trade receivables

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

|                     | 31 Dec 2012  | 31 Dec 2011  |
|---------------------|--------------|--------------|
| Trade receivables   | 2,966        | 4,223        |
| Bad debt allowances | -136         | -378         |
| <b>Total</b>        | <b>2,833</b> | <b>3,845</b> |

### 27. Income tax claims

The income tax claims include refund claims of various subsidiaries.

### 28. Prepaid expenses and other short-term assets

|                            | 31 Dec 2012 | 31 Dec 2011 |
|----------------------------|-------------|-------------|
| Prepaid and deferred items | 240         | 185         |
| Other miscellaneous assets | 41          | 83          |
| <b>Total</b>               | <b>281</b>  | <b>268</b>  |

### 29. Intangible assets

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

### 30. Tangible assets

Tangible assets consist of furnishings and office equipment, which are recognised at their historical costs of acquisition, less any scheduled depreciation if the assets are subject to wear and tear. Tangible assets are depreciated on a straight-line basis over their useful lives (3 – 10 years). The carrying value of the tangible assets is subject to impairment testing. None of the assets have been subject to non-scheduled depreciation.

### 31. Development of the long-term assets

| Fiscal year 2012  | 01 Jan 2012 | Additions | Disposals | Currency differences | 31 Dec 2012 |
|---|-------------|-----------|-----------|----------------------|-------------|
| Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets |             |           |           |                      |             |
| Gross   | 1,506       | 21        | 24        | -12                  | 1,491       |
| Value adjustment  | 252         | 192       | 1         | -2                   | 441         |
| Net   | 1,254       | -171      | 23        | -10                  | 1,050       |
| Other equipment, furnishings and office equipment   |             |           |           |                      |             |
| Gross   | 1,072       | 123       | 149       | 4                    | 1,050       |
| Value adjustment  | 764         | 160       | 130       | 2                    | 796         |
| Net   | 308         | -37       | 19        | 2                    | 254         |
| Long-term assets  |             |           |           |                      |             |
| Gross   | 2,578       | 161       | 173       | -8                   | 2,541       |
| Value adjustment  | 1,017       | 352       | 131       | 0                    | 1,238       |
| Net   | 1,561       | -208      | 42        | -8                   | 1,303       |

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

### 32. Deferred taxes

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

|   | 31 Dec 2012 | 31 Dec 2011  |
|---|-------------|--------------|
| Deferred taxes based on temporary differences from licence valuations | 260         | 482          |
| Deferred taxes based on losses carried forward                        | 513         | 590          |
| <b>Total</b>  | <b>773</b>  | <b>1,072</b> |

The tax loss carry-forwards for the Group totalled TEUR 12,691. Of this amount, TEUR 1,711 was valued, and thereupon TEUR 513 was recognised as deferred taxes. For the TEUR 10,980 in other losses carried forward, no deferred taxes were recognised.

### 33. Other long-term assets

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

### 34. Research and development

The expenses for research and development totalled TEUR 4,610 (2011: TEUR 5,280) in the fiscal year.

### 35. Liabilities

Liabilities are allocated as follows:

|  | Short-term   |              | Long-term |          | Total        |              |
|--|--------------|--------------|-----------|----------|--------------|--------------|
|  | 2012         | 2011         | 2012      | 2011     | 2012         | 2011         |
| Liabilities owed to financial institutions | 0            | 20           | 0         | 0        | 0            | 20           |
| Trade payables                             | 150          | 236          | 0         | 0        | 150          | 236          |
| Provisions                                 | 1,135        | 1,492        | 0         | 0        | 1,135        | 1,492        |
| Income tax liabilities                     | 32           | 26           | 0         | 0        | 32           | 26           |
| Deferred income                            | 1,923        | 1,928        | 0         | 0        | 1,923        | 1,928        |
| Other liabilities                          | 613          | 1,231        | 0         | 0        | 613          | 1,231        |
| <b>Total</b>                               | <b>3,853</b> | <b>4,933</b> | <b>0</b>  | <b>0</b> | <b>3,853</b> | <b>4,933</b> |

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

### 36. Income tax liabilities and provisions

Income tax liabilities and provisions developed as follows:

|                         | 1 Jan 2012   | Utilisation | Transfer   | Reversal   | Allocation | Currency difference | 31 Dec 2012  |
|-------------------------|--------------|-------------|------------|------------|------------|---------------------|--------------|
| Income tax liabilities  | 26           | 1           | -15        | 5          | 27         | 0                   | 32           |
| Provisions for:         |              |             |            |            |            |                     |              |
| - Personnel expenses    | 512          | 410         | 0          | 103        | 421        | -1                  | 419          |
| - Contingent losses     | 179          | 0           | 0          | 179        | 0          | 0                   | 0            |
| - Annual accounts costs | 147          | 138         | 0          | 8          | 125        | 1                   | 127          |
| - Outstanding invoices  | 120          | 91          | 0          | 29         | 75         | 0                   | 75           |
| - Litigation costs      | 61           | 10          | -10        | 18         | 18         | 0                   | 41           |
| - Trade associations    | 14           | 14          | 0          | 0          | 17         | 0                   | 17           |
| - Other                 | 458          | 18          | 10         | 91         | 95         | 2                   | 456          |
| Total provisions        | 1,491        | 681         | 0          | 428        | 751        | 2                   | 1,135        |
| <b>Total</b>            | <b>1,517</b> | <b>682</b>  | <b>-15</b> | <b>433</b> | <b>778</b> | <b>2</b>            | <b>1,167</b> |

The provisions for personnel expenses related primarily to outstanding bonus and commission payments as well as holiday entitlements and holiday pay. The transfer of income tax liabilities in the amount of 15 TEUR includes the offsetting of income taxes in Italy.

### 37. Deferred income and other liabilities

Deferred income and other liabilities include the following:

|                                 | Short-term   |              | Long-term |          | Total        |              |
|---------------------------------|--------------|--------------|-----------|----------|--------------|--------------|
|                                 | 2012         | 2011         | 2012      | 2011     | 2012         | 2011         |
| Deferred income                 | 1,923        | 1,928        | 0         | 0        | 1,923        | 1,928        |
| Value added tax                 | 386          | 342          | 0         | 0        | 386          | 342          |
| Payroll tax                     | 105          | 258          | 0         | 0        | 105          | 258          |
| Social security charges         | 75           | 198          | 0         | 0        | 75           | 198          |
| Salaries                        | 21           | 75           | 0         | 0        | 21           | 75           |
| Other miscellaneous liabilities | 26           | 358          | 0         | 0        | 26           | 358          |
| <b>Total</b>                    | <b>2,536</b> | <b>3,159</b> | <b>0</b>  | <b>0</b> | <b>2,536</b> | <b>3,159</b> |

### 38. Subscribed capital

The registered share capital of InVision AG is reported as the subscribed capital. The subscribed capital is divided into 2,235,000 no-par value shares (*Stückaktie*), each such share representing a notional amount of EUR 1.00 of the Company's



registered share capital. At the end of the reporting period, the Company holds 43,648 of its own no-par value shares. Thus, the balance sheet shows the amount of subscribed capital at EUR 2,191,352.

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

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

### 39. Capital reserves

The capital reserves include the net proceeds from the capital increase carried out on 18 June 2007 in connection with the Company's initial listing on the Frankfurt Stock Exchange. The IPO costs (while factoring in tax effects) and the purchase and sale of the Company's own treasury shares were recognised in the amount of TEUR 689 in capital reserves and not included in profit and loss.

### 40. Earnings reserves

The earnings reserves account includes the appropriations to the statutory reserves and the adjustments to the opening consolidated balance sheet as of 1 January 2004 as well as a premium for the acquisition of minority shares.

### 41. Equity capital difference based on currency conversion

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

## NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### 42. Revenues

Revenues categorised as follows:

| By Business Activities           | 2012          | 2011          |
|----------------------------------|---------------|---------------|
| Software & Subscriptions         | 10,554        | 8,824         |
| Services                         | 2,674         | 3,560         |
| <b>Total</b>                     | <b>13,228</b> | <b>12,384</b> |
| By Regions                       | 2012          | 2011          |
| Germany, Austria and Switzerland | 6,674         | 6,436         |
| Other foreign countries          | 6,554         | 5,948         |
| <b>Total</b>                     | <b>13,228</b> | <b>12,384</b> |

### 43. Other operating income

Other operating income is broken down as follows:

|  | 2012       | 2011       |
|--|------------|------------|
| Income from reducing bad debt allowances | 208        | 0          |
| Income attributable to other periods     | 112        | 64         |
| Other miscellaneous income               | 18         | 36         |
| <b>Total</b>                             | <b>338</b> | <b>100</b> |

#### 44. Cost of materials

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

#### 45. Personnel expenses

Personnel expenses consisted of the following:

|   | 2012         | 2011          |
|---|--------------|---------------|
| Wages and salaries                          | 7,362        | 8,521         |
| Social charges and other pension provisions | 1,208        | 1,517         |
| <b>Total</b>                                | <b>8,570</b> | <b>10,038</b> |
| - of which for pensions (direct insurance)  | 21           | 25            |

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

#### 46. Depreciation and amortisation of tangible and intangible assets

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

#### 47. Other operating expenses

Other operating expenses are itemised as follows:

|  | 2012         | 2011         |
|--|--------------|--------------|
| Office space expenses                            | 853          | 924          |
| Consulting costs                                 | 526          | 867          |
| Leasing and maintenance costs                    | 433          | 421          |
| Travel expenses                                  | 418          | 578          |
| Communication expenses                           | 341          | 301          |
| Marketing and advertising costs                  | 323          | 486          |
| Vehicle expenses                                 | 275          | 418          |
| Receivable write-offs and bad debt allowances    | 106          | 422          |
| Creation of provisions for project-related risks | 0            | 518          |
| Other third party services                       | 0            | 337          |
| Miscellaneous expenses                           | 645          | 713          |
| Income from reversing or liquidating provisions  | -433         | -73          |
| <b>Total</b>                                     | <b>3,487</b> | <b>5,912</b> |

#### 48. Financial result

The financial result is divided into the following:

|                               | 2012      | 2011      |
|-------------------------------|-----------|-----------|
| Interest and similar income   | 23        | 58        |
| Interest and similar expenses | -10       | -10       |
| <b>Total</b>                  | <b>13</b> | <b>48</b> |

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

#### 49. Income taxes

Income taxes are divided as follows:

|              | 2012       | 2011          |
|--------------|------------|---------------|
| Income tax   | 446        | -70           |
| Deferred tax | -300       | -3,817        |
| <b>Total</b> | <b>146</b> | <b>-3,887</b> |

Detailed information about the deferred tax assets and liabilities, which must be set aside, can be found in note 27 above. The basis, upon which the deferred taxes were set aside, is an income tax rate of 30 percent for the domestic corporation and the future local tax rate for the foreign subsidiaries. It is also assumed that on the basis of the current tax legislation, any existing tax loss carry-forwards may continue to be used indefinitely into the future. The deferred tax assets will be reduced in the future by the recognised tax loss carry-forwards to the extent that the Company generates profits.

The actual tax rate is computed as follows:

|   | 2012        | 2011        |
|---|-------------|-------------|
| Consolidated net income/loss before taxes and minority shares | 705         | -3,709      |
| Income tax  | 146         | -3,887      |
| <b>Actual tax rate</b>  | <b>-21%</b> | <b>105%</b> |

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

|  | 2012       | 2011          |
|--|------------|---------------|
| Result before income tax   | 705        | -3,709        |
| Theoretical income tax expense 30% (previous year: 30%)                      | -211       | 1,113         |
| Impairment of deferred tax assets recognised based on losses carried forward | 0          | -3,795        |
| Change in deferred tax assets based on losses incurred in the fiscal year    | 407        | -1,337        |
| Tax add-backs (attributions)/abatements                                      | -154       | 39            |
| International tax rate differences   | 148        | 205           |
| Other tax effects  | -44        | -112          |
| <b>Total</b>   | <b>146</b> | <b>-3,887</b> |

#### NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows changes in the cash position of the InVision Group in the fiscal year due to incoming and outgoing cash payments. Under IAS 7, cash flow is distinguished between cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

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

|                   | 2012 | 2011 |
|-------------------|------|------|
| Interest received | 23   | 58   |
| Interest paid     | -10  | -10  |
| Income taxes paid | -3   | -70  |

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

|                               | 2012         | 2011         |
|-------------------------------|--------------|--------------|
| Liquid funds                  | 2,490        | 1,667        |
| less short-term liabilities   | 0            | -20          |
| <b>Net financial position</b> | <b>2,490</b> | <b>1,647</b> |

## OTHER INFORMATION

### 50. Miscellaneous financial obligations

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

|                       | < 1 year | 1 - 5 years | Total |
|-----------------------|----------|-------------|-------|
| Obligations as lessee | 589      | 745         | 1,334 |
| Obligations as lessor | 248      | 265         | 513   |

### 51. Contingent liabilities

|                       | 2012 | 2011 |
|-----------------------|------|------|
| Non-payment guarantee | 124  | 124  |

### 52. Financial assets and liabilities

The financial liabilities existing in the Group are short-term liabilities arising from accounts payable. The significant financial assets of the Group consist of cash and cash equivalents, securities and accounts receivable. The book value of these positions, less any liabilities to financial institutions and less any trade payables, represents the maximum default risk and totals TEUR 5,173 (previous year: TEUR 5,356). Business relationships are established with creditworthy contracting parties (counter-parties) only. In order to evaluate the creditworthiness of counter-parties (above all, large customers), the Group relies on available financial information and on its own internal trading records. The Group holds trade receivables against a number of customers from a wide range of industries and regions. Credit assessments regarding the financial strength of the receivables are constantly performed. The typical terms of payment granted (with no discounts or deductions) are 30 days. With respect to all trade receivables, which were overdue by more than 30 days as of the balance sheet date, bad debt allowances were created.

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

Neither in 2012 nor in 2011 did the Company hold any assets for trading purposes and any financial liabilities, which were recognised in the income statement at their fair value. The Group also did not execute any derivatives or hedging transactions. Reclassifications were not made either in 2012 or in 2011.

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

### 53. Capital risk management

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

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

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

|                                    | 31 Dec 2012 | 31 Dec 2011 |
|------------------------------------|-------------|-------------|
| Equity capital                     | 4,396       | 3,574       |
| - as a percentage of total capital | 53%         | 42%         |
| Liabilities                        | 3,853       | 4,933       |
| - as a percentage of total capital | 47%         | 58%         |
| Short-term liabilities             | 3,853       | 4,933       |
| - as a percentage of total capital | 47%         | 58%         |
| Net gearing*                       | 31%         | 91%         |

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

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

### 54. Finance risk management

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

The Group's primary risks resulting from financial instruments involve liquidity and credit risks. As a rule, business transactions are executed only with creditworthy contracting parties. Moreover, the amounts of any receivables are constantly monitored in order to avoid exposing the InVision Group to any significant credit risk. The maximum default risk is limited to the book value of the asset as reported in the balance sheet.

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

### 55. Market risks

Market risks can arise from changes in exchange rates (currency risk) or interest rates (interest risk). Given the limited relevance these risks have for the Group, the Group has not heretofore hedged such risks using derivative financial instruments. These risks are managed through constant monitoring. Currency risks are largely avoided by virtue of the fact that the Group invoices primarily in euro or in the local currency. As of the balance sheet date, the receivables denominated in foreign currencies equalled TEUR 929 (2011: TEUR 778) and the payables denominated in foreign currencies equalled TEUR 22 (2011: TEUR 40). Had the euro appreciated by 10 percent compared to other currencies relevant to the Group as of 31 December 2012, then the pre-tax result would have been TEUR 87 (2011: TEUR 20) lower.

### 56. Transactions between related parties

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

|  | 2012     | 2011       |
|--|----------|------------|
| eTimum Software GmbH Consulting services | 0        | 233        |
| <b>Total</b>                             | <b>0</b> | <b>233</b> |

### 57. Events after the balance sheet closing date

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

## 58. Number of employees

In fiscal year 2012, the Company employed on average 139 employees (2011: 166), not including the Executive Board.

## 59. Information on the Company's governing bodies

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

- Peter Bollenbeck (Chairman), Düsseldorf
- Armand Zohari, Bochum

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

|  | 2012           | 2011           |
|--|----------------|----------------|
| <b>Peter Bollenbeck</b>                                  | <b>206,705</b> | <b>206,499</b> |
| of which fixed salary                                    | 180,000        | 180,000        |
| of which other benefits                                  | 26,705         | 26,499         |
| <b>Armand Zohari (since 1 July 2011)</b>                 | <b>207,555</b> | <b>103,684</b> |
| of which fixed salary                                    | 180,000        | 90,000         |
| of which other benefits                                  | 27,555         | 13,684         |
| <b>Matthias Schroer (until 30 June 2011)</b>             | <b>0</b>       | <b>108,546</b> |
| of which fixed salary                                    | 0              | 90,000         |
| of which other benefits                                  | 0              | 18,546         |
| <b>Mauro Marengo (1 October 2010 - 31 December 2011)</b> | <b>0</b>       | <b>172,204</b> |
| of which fixed salary                                    | 0              | 149,583        |
| of which other benefits                                  | 0              | 22,621         |
| <b>Total remuneration Executive Board</b>                | <b>414,260</b> | <b>590,933</b> |

The Executive Board holds, either directly or indirectly, 58.2 percent of the Company's registered share capital.

The Supervisory Board consists of:

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

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

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

| in EUR                                      | 2012          | 2011          |
|---|---------------|---------------|
| <b>Dr. Thomas Hermes</b>                    | <b>12,000</b> | <b>12,000</b> |
| of which fixed compensation                 | 10,000        | 10,000        |
| of which meeting fees and expenditures      | 2,000         | 2,000         |
| <b>Dr. Christof Nesemeier</b>               | <b>9,500</b>  | <b>9,500</b>  |
| of which fixed compensation                 | 7,500         | 7,500         |
| of which meeting fees and expenditures      | 2,000         | 2,000         |
| <b>Prof. Dr. Wilhelm Mülder</b>             | <b>7,000</b>  | <b>7,000</b>  |
| of which fixed compensation                 | 5,000         | 5,000         |
| of which meeting fees and expenditures      | 2,000         | 2,000         |
| <b>Total compensation Supervisory Board</b> | <b>28,500</b> | <b>28,500</b> |

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

#### 60. Information on the fees of the Company auditors

The fee for the Company's annual accounts auditor, which was recognised for fiscal year 2012, consists of the following:

|  | 2012      | 2011      |
|--|-----------|-----------|
| Auditing service for the annual accounts | 50        | 50        |
| Tax advisory services                    | 10        | 8         |
| Other services                           | 0         | 5         |
| <b>Total</b>                             | <b>60</b> | <b>63</b> |

#### 61. Information on segment reporting

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

#### 62. Earnings per share

Earnings per share were calculated by dividing the periodic result, which is attributable to InVision AG's shareholders, by the average weighted number of shares issued and outstanding during the reporting period. InVision AG has issued only ordinary shares. In fiscal year 2012, there was an average of 2,188,494 shares issued and outstanding. Earnings per share for this period were therefore EUR 0.29, compared to EUR -3.41 in the previous year, based on 2,198,566 shares issued.


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

On 20 February 2013, the Executive Board and Supervisory Board issued a statement under § 161 of the German Stock Corporation Act regarding the extent to which it has elected to comply with the recommendations of the "Government Commission of the German Corporate Governance Code" and published this statement on the Internet at [www.invisionwfm.com/corporate\\_governance](http://www.invisionwfm.com/corporate_governance).

#### 64. Responsibility statement by the Executive Board

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

Ratingen, 11 March 2013



Peter Bollenbeck



Armand Zohari

# Group Management Report

of InVision AG as of 31 December 2012

The following management report was prepared in accordance with the requirements under § 315 of the German Commercial Code (HGB) and contains information about InVision AG, Ratingen (hereinafter also referred to as "AG" or "Company"), and its consolidated subsidiaries (hereinafter together with the Company also collectively referred to as "InVision", "InVision Group" or "the Group"). As the Group's parent company, InVision AG performs group management functions and, at the same time, is the key member of the InVision Group. The explanations below generally relate to the Group, unless there has been an express reference to the Company itself.

## THE COMPANY

### Business

The InVision Group develops and markets products and services for optimising workforce management, increasing the productivity, improving the quality of work, and reducing costs.

### Employees

On 31 December 2012, InVision employed 129 employees worldwide (including the Executive Board members). Compared to the end of 2011, the number of employees declined by 22 percent (31 December 2011: 166 employees).

At the end of the year, 65 employees (31 December 2011: 70 employees) were employed in Germany, while 64 employees (31 December 2011: 96 employees) were employed in foreign subsidiaries.

The number of employees working in Research and Development declined by 21 percent to 61 (2011: 77 employees). The number of employees in Market Support declined by 28 percent to 49 (2011: 68 employees).

### Research & Development

The research and development costs in the fiscal year totalled TEUR 4,610 and declined by 13 percent (2011: TEUR 5,280). Research and development costs as a percentage of revenues are 35 percent (2011: 43 percent).

### Information pursuant to § 315 (4) HGB

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

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

Pursuant to a resolution adopted by the Company's Shareholders' Meeting on 24 August 2010, the Executive Board was authorised in accordance with § 4 (4) of the Company's articles of association but subject to the consent of the Company's Supervisory Board, to increase the Company's registered share capital one or more times by a total of up to EUR 1,117,500 on or before 23 August 2015 and to do so by issuing new, no-par bearer shares in exchange for cash and/or non-cash capital contributions (Authorised Capital Account 2010). Shareholders must generally be granted a pre-emptive right, which gives them an indirect option to subscribe shares (§ 186 (5) AktG). The Executive Board is authorised, however, with the consent of the Supervisory Board, to exclude the shareholders' pre-emptive right to subscribe shares in the following cases:

- for fractional amounts,
- if the capital increase is carried out against cash capital contributions and the *pro rata* amount of registered share capital attributable to the new shares, for which the pre-emptive right is excluded, does not exceed 10 percent of the registered share capital available on the date that the new shares are issued and, in accordance with §§ 203 (1) and (2), 186 (3) sentence 4 AktG, the issue price of the new shares is not significantly lower than the stock market price of the same class of existing publicly listed shares (with the same features) at the time



that the Executive Board definitively sets the issue price. Included in this maximum threshold amount for a pre-emptive right's exclusion is the *pro rata* amount of the registered share capital that is attributable to shares, which had already been issued since 24 August 2010 from the authorised capital account or which could be subscribed on the basis of the option and conversion rights granted since 24 August 2010 or on the basis of conversion duties also established since that time, if - upon utilising the authorised capital account or upon the granting of the warrant-linked and/or convertible bonds, the shareholder's pre-emptive rights would be excluded pursuant to or consistently with § 186 (3) sentence 4 AktG. Also added to the maximum threshold is the *pro rata* amount of the registered share capital attributable to treasury (own) shares, which the Company has bought back since 24 August 2010 on the basis of the authorisation granted pursuant to § 71 (1) no. 8 AktG and have been sold to third parties in exchange for a cash payment without having granted a shareholder pre-emptive right, unless the sale was carried out either on the open stock market or based on a public offer made to the shareholders;

- to the extent it would be necessary to grant to the holders of conversion or option rights under any convertible or warrant-linked bonds a subscription right, to which they would be entitled as shareholders after having exercised a conversion right or option right or after having discharged a conversion duty;
- for capital increases in exchange for the non-cash capital contributions, specifically for purposes of acquiring companies, divisions of companies and equity holdings;
- the new shares may also be underwritten by financial institutions, which are designated by the Executive Board but which are subject to the obligation that they offer the shares to the shareholders (indirect subscription right).

Pursuant to a shareholder resolution adopted on 24 August 2010, the registered share capital was increased conditionally by up to EUR 1,117,500 (Conditional Capital Account 2010). The conditional capital increase must be carried out only to the extent that the creditors, to whom convertible or warrant-lined bonds

were issued by the Company on the basis of the authorising resolution of the Shareholders' Meeting on 24 August 2010, exercise their conversion rights on or before 23 August 2015 and the Company has not satisfied the conversion claim in some other manner. The new shares will be entitled to draw dividends as of the beginning of the fiscal year in which they are issued. The Executive Board is authorised, with the consent of the Supervisory Board, to stipulate the details concerning the implementation of the respective conditional capital increase.

Pursuant to the shareholder resolution adopted on 24 August 2010, the Company was authorised to buy back its own shares in an amount representing a 10 percent *pro rata* amount of the registered share capital of EUR 223,500. The repurchased shares, together with the other treasury shares, which the Company has previously acquired and still holds or which must be attributed to the Company under § 71a *et seq.* AktG, cannot exceed 10 percent of the Company's registered share capital. The authorisation is in effect until 23 August 2015. The shares purchased on the basis of the authorisation may be used for all legally permissible purposes. At the end of the reporting period, the Company held 43,648 of its own no-par value shares.

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

To the Company's knowledge, as of 31 December 2012, the following shareholders held more than 10 percent of the Company's registered share capital:

- InVision Holding GmbH, Ratingen (24.2%)
- Peter Bollenbeck, Düsseldorf (17.0%)
- Armand Zohari, Bochum (17.0%)
- Günther Müller, Hösbach (11.6%)
- Matthias Schroer, Mülheim an der Ruhr (11.3%)

Executive Board members are appointed and dismissed in accordance with §§ 84 *et seq.* of the AktG. Pursuant to § 6 (1) of the articles of association, the Executive Board consists of at least two persons. Alternative members of the Executive Board may be appointed. Pursuant to § 6 (2) of the articles of association, the Supervisory Board is

responsible for determining the number of, and appointing the regular Executive Board members and alternate Executive Board members and has the authority to revoke such appointments. The Supervisory Board is also responsible for selecting a member of the Executive Board to serve as that body's chairman and for selecting other Executive Board members to serve that body's deputy chairmen.

Amendments to the articles of association are adopted by the Shareholders' Meeting if, in accordance with § 179 AktG, a majority of at least three-quarters of the registered share capital represented at the meeting votes in favour of the amendment.

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

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

## GENERAL BUSINESS CONDITIONS

According to the International Monetary Fund, the economic output in the euro area decreased by 0.4 percent in 2012, whereas the economic output in the United States increased by 2.3 percent.

## BUSINESS DEVELOPMENT

### Results of operation

Consolidated revenues during the reporting year equalled TEUR 13,228 (2011: TEUR 12,384) and therefore increased by 7 percent. Revenues from software and subscriptions increased by 20 percent to TEUR 10,554 (2011: TEUR 8,824). Service revenues decreased by 25 percent to TEUR 2,674 (2011: TEUR 3,560).

Revenues in the region of Germany, Austria and Switzerland increased by 4 percent to TEUR 6,674 (2011: TEUR 6,436), which represents a share of 50 percent (2011: 52 percent). Revenues generated in other foreign countries increased to TEUR 6,554 (2011: TEUR 5,948) and is therefore 10 percent higher than the previous year. Revenues from other foreign countries as a percentage of total revenues therefore equal 50 percent (2011: 48 percent).

Personnel expenses declined in the reporting year to TEUR 8,570 (2011: TEUR 10,038).

Other operating expenses declined by 41 percent to TEUR 3,487 (2011: TEUR 5,912). Office space expenses fell by 8 percent to TEUR 853 (2011: TEUR 924) and consulting expenses declined by 39 percent to TEUR 526 (2011: TEUR 867). Miscellaneous expenses declined by 10 percent to TEUR 645 (2011: TEUR 713). The income from reversing the provisions rose to TEUR 433 (2011: TEUR 73).

The operating result (EBIT) moved in the reporting period up to TEUR 816 TEUR (2011: TEUR -3,860). The EBIT margin in the reporting period was 6 percent (2011: -31 percent).

Interest income fell by 64 percent to TEUR 21 (2011: TEUR 58). Interest expense also declined, falling by 20 percent to TEUR 8 (2011: TEUR 10).

The heavy exchange rate volatility mostly in the US dollar and British pound led to a currency loss of TEUR 125 (2011: currency gain: TEUR 104).

In fiscal year 2012, consolidated net profit including minority shares equalled TEUR 624 (2011: net loss of EUR -7,491). Accordingly earnings per share totalled EUR +0.29 (2011: EUR -3.41), in 2011 based on 2,198,566 shares, and in 2012 based on an average of 2,188,494 shares.

### Net assets and financial position

As of the end of the fiscal year, liquid funds increased to TEUR 2,490 (2011: TEUR 1,667) due to the positive annual result. Trade receivables declined by 26 percent to TEUR 2,833 as of the end of the fiscal year (2011: TEUR 3,845). The income tax claims increased to TEUR 518 (2011: TEUR 34). The prepaid expenses and other short-term assets increased slightly up to TEUR 281 (2011: TEUR 268). During the reporting year, intangible assets decreased to TEUR 1,050 (2011: TEUR 1,253) due

to depreciation. Tangible assets declined to TEUR 254 (2011: TEUR 308). Deferred tax assets fell by 28 percent to TEUR 773 (2011: TEUR 1,072).

There are no financial liabilities in the reporting year 2012 (2011: TEUR 20). Trade payables fell by 37 percent to TEUR 150 (2011: TEUR 236). The provisions declined by 24 percent to TEUR 1,135 (2011: TEUR 1,492). The tax reserves rose by 23 percent to TEUR 32 (2011: TEUR 26). The short-term share of the deferred income and other short-term liabilities decreased by 20 percent to TEUR 2,535 (2011: TEUR 3,159).

The balance sheet total as of 31 December 2012 equalled TEUR 8,249 (2011: TEUR 8,507). Equity capital is now at TEUR 4,396 (2011: TEUR 3,574), and the equity ratio equals 53 percent (2011: 42 percent).

Cash flow from operating activities reached TEUR 1,294 in the reporting period (2011: TEUR -2,102) and corresponds to a share of 10 percent of the Group revenues (2011: -17 percent). Cash flow was affected significantly by the positive consolidated result.

## **BASIC PRINCIPLES OF THE COMPENSATION SYSTEM**

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

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

## **RISK REPORT**

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

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

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

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

The Executive Board is responsible for administering the risk management. A fundamental review of all risks is made once each year. There are standardised accounting rules used in the Group's companies, the compliance with which is continuously monitored. This also guarantees that the accounts conform to the standard accounting rules applicable from time to time. An internal ad hoc report is prepared in the event that there are significant changes or newly emerged risks. All risk-relevant topics and the then-current economic situation compared to the business plans are discussed at regularly convened review meetings. If necessary, the individual specialty departments together with the relevant department head are called in to participate.

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

### Significant risks related to the business

In 2011 and 2012, the InVision Group has profoundly transformed its business model. This transition gradually replaced one-time licence revenues with recurring revenues from subscriptions. If the revenue from subscriptions and other cloud-based services is not enough to make up for the lost licence revenue, then InVision can, only to a limited extent, adjust the costs on a short notice.

With the transformation of its business model, InVision increasingly offers cloud-based services. If customers do not accept this offering, due to data security issues or any other considerations in principle, revenues of the InVision Group could decrease accordingly.

InVision relies on seasoned and well-trained teams of employees. The future success of InVision will also depend on finding and retaining, on a long-term basis, highly qualified employees. The competition for employees with scientific, technical or industry-specific expertise is quite intense. It is therefore possible that the Company will be unable to promptly recruit new staff on the open labour market and that this may give rise to additional costs. The loss of qualified staff or long-term difficulties in hiring suitable employees could result in InVision's inability to successfully implement important decisions and courses of action, which in turn would impair its business operations.

Just as the Group's active business operations as a whole require it to deploy a wide range of resources so, too, do its efforts to develop new and improve existing products and services. It cannot be ruled out that the Company must require additional funding from public and private sources, including debt and equity financing, or that it will enter into other agreements, particularly if there are negative variances from the Company's liquidity budget. Each time additional equity capital is raised, the ownership interest held by shareholders could be diluted. Debt capital financing could also subject the Company to

limitations on its ability to pay dividends or impose other restrictions, and could have an adverse effect on the Company's business risks. It may also be that adequate levels of funding (whether on the capital markets or from other sources) might not be available in a timely manner, or if such funding is indeed available, it could be subject to conditions that are unacceptable to the Company.

The aforementioned risks, both individually and collectively, could have adverse effects on the net assets, financial position and results of operation of the Company and of the InVision Group as a whole.

### SUPPLEMENT REPORT

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

### FORECAST REPORT AND OPPORTUNITIES

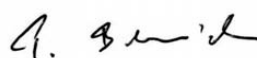
#### Anticipated global economic developments

According to the forecasts made by the International Monetary Fund, the economic output in the euro area will decrease by 0.2 percent in 2013, whereas the economic output in the United States will increase by 2 percent.

#### Anticipated development of InVision

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

Ratingen, 11 March 2013



Peter Bollenbeck



Armand Zohari

# Independent Auditor's Report

To InVision Aktiengesellschaft

We have audited the consolidated financial statements prepared by InVision Aktiengesellschaft – consisting of the balance sheet, income statement, statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements together with the Group management report – for the period 1 January 2012 through 31 December 2012. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and with the additional requirements of the German Commercial Code under § 315a (1) HGB is the responsibility of the Executive Board of InVision Aktiengesellschaft. Our responsibility is to express an opinion on the IFRS consolidated financial statements and the Group management report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the German generally accepted standards for the audits of financial statements promulgated by the German Institute of Auditors (*Institute of Wirtschaftsprüfer* or IDW). Those standards require that we plan and perform the audit such that any misstatements and violations, which materially affect the presentation of the net assets, financial position and results of operation in the IFRS consolidated financial statements and Group management report, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by statutory representatives, as well as the evaluation of the overall presentation of the IFRS consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operation of the Group in accordance with these requirements. The Group management report is consistent with the IFRS consolidated financial statements and as a whole provides a suitable view of the Company's situation and suitably presents the opportunities and risks of future development.

Düsseldorf, 18 March 2013

Verhülsdonk & Partner GmbH  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Dr. Hüchtebrock  
Wirtschaftsprüfer

Grote  
Wirtschaftsprüfer

# Financial Calendar

|  |                     |
|--|---------------------|
| Annual Report 2012   | 25 March 2013       |
| Preliminary Results 3M 2013  | 18 April 2013       |
| Interim Report 3M 2013   | 13 May 2013         |
| Annual Shareholders' Meeting 2013                                  | 12 June 2013        |
| Preliminary Results 6M 2013  | 15 July 2013        |
| Interim Report 6M 2013   | 12 August 2013      |
| Preliminary Results 9M 2013  | 14 October 2013     |
| Interim Report 9M 2013   | 11 November 2013    |
| Analysts' Conference (German Equity Forum 2013, Frankfurt am Main) | 11-13 November 2013 |

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