

INVISIO HEADSETS

Shareholder information

Annual General Meeting

The 2010 Annual General Meeting will be held at 9 a.m. on April 27, 2010, at the premises of Erik Penser Bankaktiebolag, Biblioteksgatan 9, Stockholm.

Notification of attendance

Shareholders who wish to participate in the Annual General Meeting must be registered in the shareholder register maintained by Euroclear Sweden AB (formerly VPC AB) no later than April 21, 2010. They must also notify the Company of their intention to participate in the Annual General Meeting by writing to INVISIO Headsets AB, 2010 Annual General Meeting, Box 49149, 100 29 Stockholm, or by e-mailing investor_relations@invisioheadsets.com. Notification


should include the shareholder's name, social security number or corporate identification number, address, phone number, shareholding, and, where necessary, information about a proxy, representative, or substitute. In cases where a proxy, representative, or substitute is to attend, the notification should also include complete authorization documentation as well as a registration document and power of attorney for the proxy or representative.

Financial calendar

Publication dates for financial information in 2010:

Interim report January–March: April 22, 2010
Interim report April–June: July 22, 2010
Interim report July–September: November 3, 2010
Year-end report 2010: February 17, 2011

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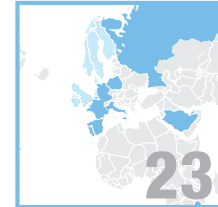
Read about how INVISIO's new X50 communication system and X5 headset are used by SWAT teams and military special forces



Read about how firefighters use the INVISIO M4 Fire headset



Read about INVISIO's collaboration with Motorola and about consumer headsets



Read about the market and market forces

THE YEAR AT A GLANCE

- Total income amounted to SEK 61.1 m (40.7), including the sale of the VoIP patent for SEK 32.5 m (0). Total income excluding the sale of the VoIP patent amounted to SEK 28.6 m (40.7).
- Gross profit totaled SEK 42.7 m (12.8) or, excluding the sale of the VoIP patent, SEK 10.2 m (12.8).
- The gross margin was 69.9 percent (31.6) or, excluding the sale of the VoIP patent, 35.8 percent (31.6).
- The operating loss was SEK -13.4 m (-43.2) or, excluding the sale of the VoIP patent, SEK -45.9 m (-43.2).
- Loss after tax was SEK -17.3 m (-44.9).
- Loss per share was SEK -0.82 (-2.24).
- At year-end, the order book totaled SEK 4.4 m (4.1).

Important events in 2009

- In the latter half of the year, INVISIO began delivering the INVISIO X50, a new digital communication system with certified hearing protection for professional users, providing a substantial boost to sales during the fourth quarter. The system is supplied together with the INVISIO X5, a new two-channel headset, or the INVISIO X6, the world's first individually customized headset with hearing protection and Bone Conduction. Both headsets feature certified hearing protection and the patented INVISIO Bone Conduction technology, which enables undisturbed communication under extreme conditions.
- In December, INVISIO received a breakthrough order in the so-called TETRA market. The order was for headsets for blue light services in Portugal and comprises an important reference for further penetration of this market.
- INVISIO's entire product range for professional users was presented at several strategically important trade fairs, such as IDEX 2009 (International Defense Exhibition & Conference) in Abu Dhabi, TETRA World Congress in Munich, and DSEi 2009 (Defense Systems & Equipment International) in London.
- Motorola's Endeavor HX-1 Bluetooth headset, the world's first headset featuring the patented INVISIO Bone Conduction technology, was launched in the international consumer market at the end of the second quarter. INVISIO also featured in Motorola's publicity film for the Endeavor HX-1, which was shown at airports throughout the US in November.
- INVISIO's VoIP patent (Voice over Internet Protocol) was sold during the first half of the year for approximately SEK 32.5 m after transaction costs.
- In July 2009, INVISIO Headsets AB was listed on NASDAQ OMX First North Premier Segment as part of the planned listing on NASDAQ OMX Small Cap.
- INVISIO met with investors at well attended capital market days in Stockholm in September and November.
- A directed new share issue, corresponding to approximately 2.5 percent of the total number of shares in the Company after the issue, was implemented in September, providing the Company with approximately SEK 10 m. The majority of the shares were subscribed for by Handelsbanken Life & Pension Ltd EP, Catella Institutionell Relativ, and Beijerinvest AB. A further directed new share issue, corresponding to approximately 2.3 percent of the total number of shares in the Company after the issue, was implemented in December, providing the Company with approximately SEK 9 m. The issue was directed at a smaller group of external investors, including Ålands Ömsesidiga Försäkringsbolag.
- INVISIO appointed PR firm Hill & Knowlton as its communication partner.

Important events after the end of the year

- INVISIO has received several orders from military customers, including the US Navy. These orders include INVISIO's new communication system with certified hearing protection comprised of the INVISIO X50 control unit and the INVISIO X5 two-channel headset.
- INVISIO has appointed Erik Penser Bankaktiebolag as its financial advisor for the planned listing on NASDAQ OMX Small Cap.
- A directed new share issue, corresponding to approximately 1.7 percent of the total number of shares in the Company after the issue, was implemented in March, providing the Company with approximately SEK 7 m. The issue was directed at a smaller group of external investors.
- A new line of credit totaling SEK 14 m was secured in March.

INVISIO's product portfolio includes advanced headsets, control units, and accessories for use with two-way radio. Our strengths include expertise in radio and user interfaces. Read more about this on pages 16–21.



INVISIO AT A GLANCE

INVISIO wants to make it possible to communicate in all environments, whether subject to incredible noise, surrounded by extreme heat, or underwater. With our unique expertise and technology, INVISIO offers professional users advanced world-class headsets and control units for use with two-way radio.

INVISIO develops, manufactures, markets, and sells communication equipment such as advanced headsets and control units, primarily for demanding professional users of two-way radio. Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. Bluetooth headsets using INVISIO's patented technology are being developed together with Motorola. These headsets are produced, marketed, and sold to consumers by Motorola.

INVISIO's patented technology and expertise in sound and communication enables clear communication free from background sounds even under extreme conditions, such as loud noise, heat, and underwater. Certain headsets also offer protection against hearing loss and tinnitus.

INVISIO Headsets AB (PLC) is a Swedish limited liability company listed on NASDAQ OMX First North Premier Segment (ticker IVSO), an alternative securities market operated by NASDAQ OMX Stockholm. The plan to list INVISIO on NASDAQ OMX Small Cap in 2010 remains.

Vision

To enable people to communicate comfortably in all sound environments.

Mission

To provide world leading products and technologies for sending and receiving high quality speech for communication in all sound environments.

Business concept

To develop, market, and sell products for audio communication under our own brand and in collaboration with others.

Business objective

To be a market-leader in all customer segments in communication equipment featuring the best possible speech and sound quality and to thereby achieve good profitability.

CEO'S COMMENTS

As we close the books for 2009, we can look back at an unusually challenging year. The financial crisis affected willingness to invest, consumption, and global demand. Despite this, INVISIO further approached its goal to turn a profit as the year unfolded.

INVISIO developed well in 2009. Our strategy to focus on professional products and the collaboration with Motorola reached fruition during the year and delivered good results. Today, we are focused on the world market for professional users and their need for durable and functional communication solutions for use in demanding environments. In 2009, we launched a new series of world-leading professional products, conducting many market activities aimed at this segment and substantially increasing the number of resellers in the professional market. In June, our collaboration with Motorola resulted in the launch of the Motorola Endeavor HX-1, the world's first wireless consumer headset to feature our patented INVISIO Bone Conduction technology. We also sold INVISIO's VoIP patent during the year, generating considerable capital. Since the patent was not relevant to our two primary business areas, a sale was considered the best way to capitalize the value.

As for financial performance, we did not fulfill our internal goals. Allowing for the sale of the VoIP patent, total income fell by 30 percent, while operating profit dropped 6 percent. The drop was due to our altered business model for consumer products, wherein we no longer manage sales but instead receive royalties in accordance with the licensing and collaboration agreement with Motorola.

Sales of our professional products increased for the year as a whole, and we ended 2009 with our highest sales figures ever.

New leading products for professional users

In 2009, we completed the largest development project in INVISIO's history with the launch of a new series of products for professional users – the INVISIO X50 control unit and the INVISIO X5 headset. This solution is the first digital communication system in the world to feature certified hearing protection and our patented INVISIO Bone Conduction technology, which enables disruption-free communication under extreme conditions. A number of evaluations of the communication system by potential customers resulted in orders already last year, and the reactions from these very demanding users speak for themselves¹.

The new product series helped boost sales of our professional products toward the end of the year. We ended 2009 with the highest sales figures for our professional products ever. Moreover, we received a strategically important order for headsets for TETRA for blue light services in Portugal. Since TETRA (Terrestrial Trunked Radio) is the technology that increasingly more police and emergency services are

using, it is important that INVISIO retains a leading position in this field.

With the new professional products, we have confirmed our conscious evolution from headset company to communication company. Our current product portfolio includes advanced headsets as well as control units and accessories for use with two-way radio. We now have expertise in radio and user interfaces that is hard to match, which means we can customize and optimize our solutions. The broad expertise, the comprehensive offering, and the cutting-edge technology of our products afford us a favorable position in the growing world market. As a consequence, we can say with pride and great confidence that with our new products^{1,2} we will be a world-leading company in communication equipment for professional users.

Several new trial projects with potential customers are always underway. In this context it is, however, important to emphasize that the trials, and therefore lead times to orders, can sometimes be lengthy, which can result in continued broad variations in the quarterly sales figures.

The Motorola Endeavor HX-1 with INVISIO's disruption-free sound

The collaboration with Motorola in our business area for consumer products continues to progress according to plan. In 2009, the collaboration entered a new phase when the Motorola Endeavor HX-1 was launched. This product is the first wireless headset in the consumer market that combines traditional technology with INVISIO Bone Conduction. Since its launch, the Endeavor HX-1 has received widespread praise from the media³, which we believe will create greater demand from consumers.

As of the end of 2009, all direct sales of consumer products ceased. Income from the collaboration for the fourth quarter did not meet our internal goal, which is explained by Motorola's distribution in the US having been limited until now, with telecom operator Sprint as the only market channel. However, as of the new year, the number of retailers was increased, including the addition of Apple Stores, and the launch of the Endeavor HX-1 in selected European markets has begun. Moreover, the Endeavor HX-1 is a recommended accessory for Motorola's new and promising DROID smart phone. However, it is not easy for us to predict the speed of the Motorola rollout in terms of the number of distribution channels or markets.

Strength through active governance and control

Financial governance and control, with follow-ups of goals and plans and clear divisions of responsibility for income and costs, continued to remain in focus throughout the entire organization in 2009. Essential processes and procedures in several departments have been verified and doc-

umented as a part of our continual quality development. Costs are now stable and under control, while our market visibility and cooperation with strategic partners and retailers have developed well.

One of INVISIO's strengths is its considerable institutional and long-term ownership structure. We successfully increased institutional ownership via a number of investor relations activities during the year, while two directed new share issues secured our financial position. This year, 2010, we conducted another directed new share issue, and we have also received a new line of credit. Together, these factors secure our financial position and enable us to tie up more capital in efforts to increase sales of professional products.

Global trends will favor INVISIO in 2010

Most of the people using our products are active in the professional segment for military, police, fire and emergency services, commercial applications, and industry. Within these areas, work is often conducted under difficult and noisy conditions, making our product range particularly applicable and competitive. INVISIO has been well renowned in these markets for many years.

The market for professional products is continually expanding, mostly as a result of global trends such as a growing preference for in-ear headsets, new headset/hearing protection combinations⁴, and a transition from analog to digital communication solutions, such as TETRA⁵.

If I am to look to the future – in the light of all that I have said here – then 2010 has all the prospects for being an even better year. We will continue to focus on sales and marketing, deliveries, logistics, and technical innovation. The plan to list INVISIO on NASDAQ OMX Small Cap sometime in 2010 stands.

I would like to thank all our loyal, skilled, and dedicated employees for the past year. Without you, none of this would be possible, and you have all contributed tremendously. I would also like to thank the Board of Directors for its dependable support throughout the year, and our owners for continuing to believe in our future.

Lars Højgård Hansen
President and CEO

¹Pages 14–15 – read about what some very demanding users think of the INVISIO X50 and X5

²Pages 18–21 – read more about INVISIO's products

³Page 22 – read more about our collaboration with Motorola and press reviews of the Motorola Endeavor HX-1

⁴Pages 24–25 – read more about hearing loss and tinnitus in the US and Sweden

⁵Page 26 – read more about TETRA and the worldwide rollout



ABOUT THE COMPANY

With world-class expertise and technology, INVISIO offers communication equipment for users in fields such as the military, fire and emergency services, industry, and law enforcement. The company has 29 employees of no less than ten different nationalities, and roughly half of them are engineers with specialist skills in fields such as acoustics, mechanics, and software development.

Business Description

INVISIO develops, manufactures, markets, and sells communication equipment such as advanced headsets and control units, primarily for demanding professional users of two-way radio. Customers are found, for example, in the military and special military forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. Bluetooth headsets using INVISIO's patented technology are being developed together with Motorola. These headsets are produced, marketed, and sold to consumers by Motorola.

INVISIO's patented technology and expertise in sound and communication enables disruption-free and clear communication even under extreme conditions, such as loud noise, heat, and underwater. Certain headsets also offer protection against hearing loss and tinnitus.

Day-to-day operations are headquartered in Copenhagen.

INVISIO has two business areas:

- **Professional products**

INVISIO's focus area. Products such as advanced headsets, control units, and accessories for use with two-way radio are developed and sold under the proprietary brand, INVISIO. INVISIO also conducts development work on assignment for customers.

- **Consumer Products**

Bluetooth headsets using INVISIO's patented technology are being developed together with Motorola. These products are manufactured, marketed, and sold to consumers under the Motorola brand.

Technology and patents

Research and development are core activities at INVISIO. For the most part, R&D is conducted internally with a focus on product development, such as of the software and hardware for integrated headsets and Audio DSP (Digital Signal Processor) systems. Quality is a lodestar in INVISIO's product development, with demanding requirements for systematic procedures. As a consequence, the organization has a well developed process for product development with special documentation systems and employee programs for further education and skills development, all under the watchful eye of the quality assurance manager.

The patent strategy is to actively develop and submit patents in the fields of communication and audiology. INVISIO's internal resources and expertise in research and technical development are used for internal development projects as well as collaborative development efforts with external partners.

The product portfolio is based partly on INVISIO's patent families:

- **INVISIO Bone Conduction**

Instead of traditional sound wave technology, we use a small ear microphone that picks up vibrations in the user's jawbone. The vibrations are converted into sound, deliv-

ering crystal clear communication even under extreme conditions. Patents have been granted in the US, Europe, and Singapore. The European patent was granted in 1993 and expires in 2013. In the US, the patent was granted in 1997 and expires in 2014, while in Singapore the patent was granted in 2001 and expires in 2013.

- **Soft Spring earpiece**

This ergonomically designed fastening device consists of a soft rubber spring that fastens the headset in the ear and ensures that it sits firmly and comfortably even during rapid movement. The risk of discomfort is very small, even when worn for longer periods. Patents were granted in Europe and the US in 2006 and expire in 2021.

INVISIO recently submitted a new patent application, for *INVISIO Custom Protect Hearing Protection*, which is a technology for protecting against hearing loss.

Manufactured in Scandinavia

Product quality and delivery reliability are of decisive importance in the professional market. As such, all manufacturing of INVISIO's professional products takes place in Scandinavia, conducted by carefully selected companies, including Swedish firm PartnerTech in Vellinge.

The manufacture of consumer products with the patented INVISIO Bone Conduction technology is handled by Motorola in compliance with the applicable licensing and collaboration agreement.

Sales

The professional products are marketed and sold under the proprietary INVISIO brand and through OEM collaborations. Historically, direct sales have accounted for a large part of INVISIO's total sales. There is great potential for increasing sales by increasing the number of resellers and partners. INVISIO's sales in 2008 were primarily concentrated in two of INVISIO's customer segments and a dozen geographic markets, which were expanded in 2009. The sales strategy will result in further broadening of the geographic spread in the coming years.

The collaboration with Motorola in the consumer market will enable INVISIO's technology to reach far greater numbers. With its sales and distribution capacity, Motorola has a global market penetration that INVISIO could not attain by its own means.

Employees

Roughly half of INVISIO's personnel are engineers with specialist skills in fields such as acoustics, mechanics, and software development. They work to develop and adapt the company's different products and solutions. A full ten different nationalities are represented among the company's 29 employees. INVISIO attracts people who want to work in an international environment at the forefront of technological development. There were no changes in personnel in 2009.

HISTORY

It is no coincidence that INVISIO was established in Copenhagen of all places. Denmark has a long tradition in the field of acoustics. As early as the 1960s, the Danish state provided public funding for hearing aid treatment at hospitals. Denmark was the first country in the world to do this and still has a prominent global position when it comes to hearing aids. INVISIO is built on – and is now a part of – this heritage of knowledge.

INVISIO began with an acoustic innovation based on vibrations passing through the jawbone, which is called Bone Conduction. INVISIO Bone Conduction is a patented technology for converting the vibrations produced in the jawbone when speaking into sound. The technology is based on the known fact that bones conduct sound.

INVISIO used the technology to manufacture a headset that picks up sound based on jawbone vibrations. This resulted in the creation of a headset that isolates speech from disruptive ambient sound. INVISIO's first customer was the Danish armed forces. Since the company's beginnings in 1999, the military and so-called blue light operations have been INVISIO's primary target group.

INVISIO also wanted to utilize the great expertise held in sound transmission to broaden its product offering. In 2001, the company began to develop headsets for the consumer market based on Bluetooth, a technology for reliable wireless communication over short distances. A number of collaborative constellations for product development and products for the consumer market were tested, but in the end INVISIO decided to take care of its development activities on its own. The products received much praise, but also

When we speak, half of the energy travels through the bone to the earpiece, providing the foundation for bone conduction. Knowledge of how bone conducts sound has been developed over a long period. The Italian physician Caprivaccio could diagnose impaired hearing already in the 1600s. His patients were asked to hold a small iron rod between their front teeth. Caprivaccio then connected a string from a stringed instrument to the other end of the rod. If the patient could hear the sound conducted via the jawbone, then the hearing impairment could be traced to the ear drum. (Eva West, Ljud, hörsel och hälsa, University of Gothenburg, 2006.)

entailed major costs for INVISIO, which was forced to compete in the tough consumer market.

The many awards received by the products caught Motorola's eye and its curiosity as to how INVISIO's technical solutions could be used to create innovative headsets for the consumer market. In 2008, INVISIO and Motorola signed an exclusive licensing and collaboration agreement.

The agreement with Motorola meant that INVISIO could

focus its resources solely on developing products for professional users and the collaboration with Motorola, which resulted in reduced and stable operating costs. With the launch of Motorola's unique Endeavor HX-1 headset for consumers, income from the agreement began to flow during the second half of 2009.

A new series of products for professional users was completed and launched in 2009, while the work to increase the number of resellers stocking our professional products is successfully underway in all corners of the globe.

Today, INVISIO is a small but well established actor in the field of communication equipment for professional users. With a strategy focused on the professional market, reduced operating costs, and consumer products licensed to Motorola, INVISIO has found a business model that will result in profitability.

Important events

- Nextlink.to A/S established in 1999.
- In 2000, INVISIO makes its first headset to use the patented INVISIO Bone Conduction technology; a headset aimed at the professional market.
- In 2001, under the Bluespoon brand, the company launches its first wireless headsets for the consumer market. The products are well received by trade publications.
- In 2004, Nextlink AB is listed on NGM Nordic OTC. In May 2006, the share is moved to Nya Marknaden (New Market), which in turn became a part of First North in June 2006. In July 2009, INVISIO Headsets AB was listed on NASDAQ OMX First North Premier Segment as part of the planned listing on NASDAQ OMX Small Cap.
- In 2006, INVISIO received its first major order for professional products, from special forces in France.
- In January 2008, INVISIO is awarded the highest accolades at the CES technology trade fair in Las Vegas, including one from LAPTOP Magazine.
- In 2008, Nextlink AB changes its name to INVISIO Headsets AB.
- In 2008, an exclusive licensing and collaboration agreement is signed with US firm Motorola. The agreement provides Motorola exclusive access to INVISIO's patented technology and the right to manufacture and sell co-developed headsets for the consumer market.
- A new series of professional products is launched in the latter half of 2009, the INVISIO X50, a new digital communication system with certified hearing protection for professional users. The system is supplied together with the INVISIO X5, a new two-channel headset, or the INVISIO X6, the world's first individually customized headset with Bone Conduction and hearing protection. Both headsets feature certified hearing protection and the patented INVISIO Bone Conduction technology, which enables communication under extreme conditions.
- Motorola's Endeavor HX-1 Bluetooth headset, the world's first wireless headset featuring the patented INVISIO Bone Conduction technology, was launched in the international consumer market at the end of the second quarter of 2009. The products have been very well received by the press.

EXTREME SITUATIONS REQUIRE EXTREME SOLUTIONS

In professions where people work in teams, the need for communication is often decisive. External factors can make it difficult to hear and to be heard. Such as when firefighters enter a burning building, police attempt to manage a crowd, or military forces are under attack. Even within logistics and factory environments, complex processes require good communication between team members.

In certain professions, extreme situations and environments are the norm rather than the exception. The ability to be heard and to receive instructions, despite not being able to hear one's own voice, can mean the difference between life and death.

This is where INVISIO's products come in. With innovative technology and extensive expertise in sound and com-

munication, INVISIO develops headsets and communication equipment that enable military personnel, firefighters, police, coastguard personnel and border patrols, security staff, workers in heavy industry, divers, and many other professionals to communicate under extreme conditions. INVISIO ensures that communication is not disrupted by external factors.



IN THE MILITARY'S regular units and special forces, extreme noise from helicopters, heavy vehicles, explosions, and gunfire are a part of everyday life. For these groups, communication can mean the difference between mission success and failure, between life and death. In order for the units to conduct their missions effectively, strict demands are placed on advanced communication equipment that can also be integrated with new and existing communication systems. The ability to protect personnel's hearing is also important for the military, both in the short term to prevent acute hearing loss and deafness due to explosions and gunfire, and in the long term to reduce problems with disorders such as tinnitus, which is a common occupational hazard among soldiers. There are also financial considerations for the employer in order to avoid work-related injuries that demand compensation. The ability to communicate by whisper is important for special forces.



FOR FIREFIGHTERS who save lives and coordinate actions, clear communication is a must. When the flames are roaring and consuming all the oxygen in the air, sound waves have trouble traveling, and when building structures collapse and rumble, it is difficult to hear anything in regular headphones or to make oneself understood via a microphone. Holding a communication radio while also operating machines or fire hoses is also out of the question. A firefighter responding to an incident needs to communicate with colleagues at the scene without interruption while also needing a secure channel to the external radio network to communicate with command. Moreover, the materials used in the communication equipment must be able to withstand extreme heat.



POLICE AND SWAT TEAM operations can be chaotic and demand completely reliable communication for coordinating actions, spreading information, and making rapid decisions. Plainclothes police need to avoid drawing attention and as such need to conceal their communication equipment. The ability to communicate by whisper is also important for them, which is difficult with regular microphones.



IN HEAVY INDUSTRY, such as mining, paper manufacturing, and power generation, work environments are often loud and noisy. Communication is very important, as these environments are often hazardous and the equipment is both complex and costly. In industry, too, it is important to protect personnel's hearing while still enabling them to communicate.



Copenhagen Airport Fire Department now uses INVISIO's headsets to communicate without disruptions and in extreme heat when responding to incidents. Pictured is Finn Mikkelsen with the INVISIO M4 Fire headset.

CASE STUDY: INVISIO M4 FIRE HEADSET

Back in 2002, when Copenhagen Airport Fire Department procured the headsets for its firefighters, the department mostly wanted to find a solution that could improve communication between smoke divers and command. INVISIO was chosen. Since then, the department has continued to buy new headsets from INVISIO, most recently INVISIO's M4 Fire heatproof headset with INVISIO Bone Conduction technology, which enables clear communication even under extreme noise and heat.

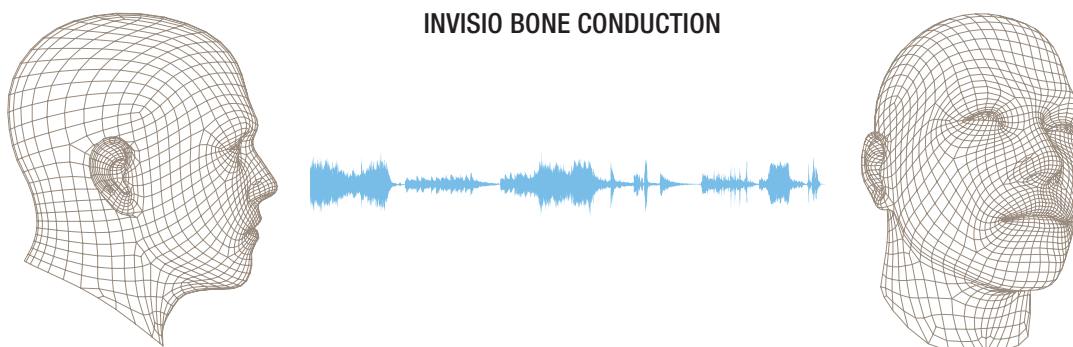
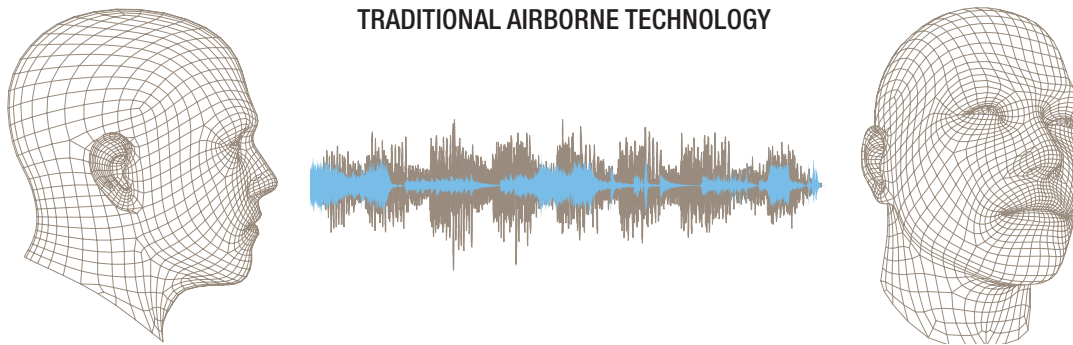
Firefighters who save lives and coordinate actions require clear communication to do their job. Communication equipment that can cope with an environment that is both hot and extremely noisy is an absolute must. One problem with the previous solution used by the Copenhagen Airport Fire Department was that it was built into their helmets and the microphone picked up disruptive background noises, interfering with communication.

"We chose INVISIO because the products can handle the extreme environment that we sometimes find ourselves in. The headset's ability to withstand high heat, and the good sound quality from both transmitters and receivers even

under extreme noise, made the choice for us", says Finn Mikkelsen at Copenhagen Airport Fire Department.

INVISIO's products do the job for the firefighters at Copenhagen Airport Fire Department. They can communicate effortlessly during incidents, and they have used the product in situations where the temperature can exceed 200 degrees centigrade. This is something the INVISIO M4 Fire has no trouble doing.

"INVISIO's headset is a much better solution than our previous equipment. We have much more understandable communication between smoke divers and command," concludes Finn Mikkelsen at Copenhagen Airport Fire Department.



FROM AUDIOLOGY TO COMMUNICATION

Vibrations in the jawbone are converted into sound using the unique INVISIO Bone Conduction technology. INVISIO combines this technology with advanced signal processing and a specially developed speaker inside the ear. A prerequisite for producing such world-class communication products is a deep understanding of how sound, different materials, and human hearing work.

In order to develop a headset that fulfills the demands of professional users for clear communication, good ergonomics, reliability, and durability, the supplier must combine expertise in a number of different disciplines. It demands good knowledge of sound and acoustics, radio technology, electronics, materials, and ergonomics.

A deep understanding of how the products are used in the field is a prerequisite for deciding which requirements must be fulfilled to aid the user's success.

When we talk to each other, the sound of our voices moves through the air in the form of sound waves. Since most things around us generate or reflect sound waves, our voices must compete with many other sounds if we are to be heard. Together, the brain and the ear make an exceptionally good team at gathering, sorting, and processing the information around us. For example, by calculating the time difference between the arrival of the sound in our left and right ears respectively, the brain can work out where

the sound originates. Parallel to this, the brain compares the sound with previously registered sounds to immediately discern whether it demands our attention or can be dismissed as irrelevant background noise.

A microphone gathers all sounds, without discerning, and mediates them through a speaker. When the ear receives this information, all the sounds come from the same direction, making it difficult for the brain to interpret the information. With a headset, the microphone mediates not only the wearer's voice, but also ambient sounds and other people's voices. This sometimes chaotic stream of sound can, of course, be processed electronically to dampen or filter out irrelevant sound, but if the interference is too great, such as on a construction site, on a production floor, or at an incident, signal processing is insufficient.

At left:

The illustration shows sound waves from a traditional microphone and from INVISIO's jawbone microphone. The blue curve is the pure voice pattern while the gray curve shows the background noise. Here we can clearly see how the sound from a traditional headset mediates a mix of the speaker's voice and the disruptive background noise, while the sound from INVISIO's headset only mediates the pure speech, with no disruption from the surroundings.

At right:

All of INVISIO's headsets are placed in one ear or both ears and feature the patented INVISIO Bone Conduction technology. In order for a headset to be used continuously for many hours, it must have an ergonomic design, not sit too far inside the ear, and be made of a material that does not cause irritation. Moreover, it must allow external sounds to pass so that the user can conduct a regular conversation without removing the unit from his or her ear. Parallel to this, damaging and very loud sounds, such as weapons being fired or the roar of an airplane engine, must not be allowed to pass.

**Vibrations into sound**

INVISIO has chosen to base its headsets on a technology called INVISIO Bone Conduction, where the regular microphone is replaced with a patented technology that senses vibrations in the jawbone. The vibrations are created by the wearer's voice when he or she speaks. Advanced signal processing then converts the vibrations into clear speech.

The placement of the Bone Conduction microphone inside the ear together with its design block ambient sounds, which means only the wearer's voice is mediated to the communication radio.

Bone Conduction itself is not a new technology. It has been used for some time in certain hearing aids and can even be used in implants to enable people with severe hearing loss to hear once again.

INVISIO is unique in that it combines this technology with advanced signal processing and hearing protection in communication headsets. The result is a number of product families with different characteristics for

different types of users who have one thing in common – the need to communicate in extreme environments.

Part of the body

In order for a headset to be used continuously for many hours, it must have an ergonomic design, not sit too far inside the ear, and be made of a material that does not irritate the ear. Moreover, it must allow external sounds to pass so that the user can conduct a regular conversation without removing the unit from his or her ear. Parallel to this, damaging and loud sounds, such as weapons being fired or the roar of an airplane engine, must not be allowed to pass.

INVISIO has solved this problem by allowing the advanced electronic signal processing in, for example, the X50 control unit, to lessen the volume of external sounds to avoid dangerously loud levels. This means that in combination with the headset, the control unit also acts as intelligent hearing protection. The same solution can even be used to amplify sounds from the environment by a factor of

up to five, enabling the user to hear things that the human ear normally cannot perceive, as well as replicate the direction of the source (*situational awareness*).

Other examples of innovations found in INVISIO products are the proprietary speaker solutions that deliver hi-fi quality for the best possible sound reproduction and Soft Spring, a patented innovation that uses a spring to hold the headset in place. Soft Spring makes the headset comfortable to wear, while also being strong enough to hold it in place while the user runs through a forest or crawls around a smoke-filled house.

INVISIO has even developed special technology for specialist applications, such as a cable that withstands up to 300 degrees centigrade, which can be necessary in a burning building. Watertight designs, which can be used during diving, have also been developed.

INVISIO is a leading expert in interfaces as well as system solutions, radio technology, and digital communication, which is important in efforts to produce comprehensive solutions.



The person in the photo has nothing to do with the cited text.
Here we see a user of INVISIO's X50 control unit with the X5 headset in his ear.

“ INVISIO's X50 control unit with the X5 headset is considerably more comfortable than our standard products, especially in warm weather and for longer periods of use.

All team members who use the X50 and the X5 headset find that it provides very good hearing protection and that the sound quality of both received and transmitted sound is fantastic. The sound amplification and dampening of dangerous noises is far superior to anything else I have tried. Quite simply, the X50 with the X5 headset is an impressive communication solution.

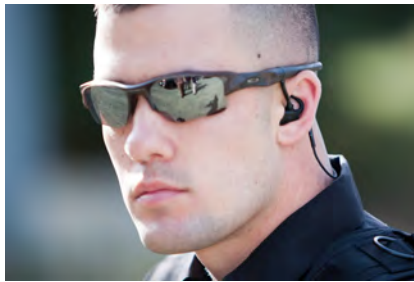
During the time I have used INVISIO's communication solution, I have been extremely pleased. This is, however, only a preliminary evaluation: tomorrow I am on a mission again, but I would not choose any other solution.”

Seal Team One Operator

CASE STUDY: INVISIO X50 CONTROL UNIT AND X5 HEADSET

For professionals such as police SWAT teams and military special forces, extreme situations and environments are the norm rather than the exception. Team work is central to the success of an operation, which also makes communication within the group and with command critical. This is why more and more units are choosing INVISIO's X50 control unit with the two-channel X5 headset – INVISIO's new communication system developed specially for this type of demanding user.

Police SWAT teams and military special forces are the elite forces of each country's law enforcement and military organizations. Their operations are often so-called high risk operations – including hostage situations, robberies with heavily armed criminals, and military special operations in conflict zones. Those involved in such operations know that the ability to communicate, regardless of surrounding circumstances, is a prerequisite for the success of the operation. As such, they need a dependable communication solution, where whispers are sufficient to be heard and instructions can be heard even if the speaker cannot hear him- or herself due to the extreme noise.



The SRRG SWAT team recommends INVISIO's solution.

and user-friendliness to functions that enable you to rely on the equipment.

“One important reason I was so convinced that INVISIO's solution was superior to the others was that the control unit uses power from the radio as a backup, rather than simply its own battery. One of the other systems we tested actually died during a live operation as it had no backup power. I need not emphasize that I was neither pleased, nor had any more confidence in, the other system after that,” says Jeffrey M. Lentil, Special Tactical Operations Team, Massachusetts State Police.

INVISIO's solution “superior” to other solutions

In 2009, the Massachusetts State Police evaluated and procured communication solutions for its SWAT team, eventually deciding on INVISIO:

“Of the three communication solutions we evaluated, INVISIO's X50 control unit with the X5 headset was superior to the other tested systems. Even if all the systems were very good, INVISIO's solution offered by far the best sound quality and was the easiest to use. One time, during an undercover operation where we were guarding armored trucks transporting a large sum of money, I actually forgot I had the headset on as the sound quality was so good and the headset was so comfortable,” says Jeffrey M. Lentil, Special Tactical Operations Team, Massachusetts State Police.

INVISIO's intelligent X50 control unit and X5 headset are developed to work in the most extreme situations and are compatible with all non-civilian radio systems currently on the market. The patented INVISIO Bone Conduction technology converts vibrations in the jawbone into sound, which allows the user to be heard even in extremely noisy environments. The solution can also be used to communicate via two-way radio in send and receive mode simultaneously. The products are designed with great consideration for the demanding situations in which they are used, which is reflected in everything from the hard-wearing materials

Hearing protection and sound quality appreciated

INVISIO's system protects the user from dangerously loud noises. Hearing loss and tinnitus can be avoided since the speakers that reproduce the sound are turned off before the dangerous sound gets through. The system even has a function that INVISIO calls *situational awareness*, which replicates the direction of the source and, if necessary, amplifies sounds from the surrounding environment to give the user a clear idea of the surroundings.

When the SRRG Special Response Team was stationed in the Dallas area after more than a year of selection processes and training, the team was equipped with INVISIO's X50 control unit and X5 headset as a part of its tactical communication system. The response was very warm:

“We are extremely pleased with both the quality and the performance, as well as the fact that the system is designed for the very demanding conditions we often face during our operations,” says Assistant Chief of Police Wayne Nero, SRRG Special Response Team.

He says that the system is very easy to use and that the ability to use two-channel communication is very good. The *situational awareness* function is also superior to similar solutions. The sound quality, even when using gas masks, is crystal clear.

“We would highly recommend INVISIO's solution to anyone looking for the absolute best communication solution for their team,” says Wayne Nero.

INVISIO'S UNIQUE TECHNOLOGY

To remain competitive in the market for professional headsets and communication solutions, a company needs a very broad knowledge base, spanning everything from knowledge of materials to the ways in which major suppliers build their equipment. The work to develop INVISIO's product portfolio has required extensive knowledge and the development of new materials and solutions in several fields, such as acoustics, miniaturization, and production. Most of this development work has taken place at INVISIO's laboratory in Copenhagen.



Registering jawbone vibrations

INVISIO uses a patented technology, INVISIO Bone Conduction, to register the voice in the speaker's outer ear. The technology has been developed by engineers with experience in areas that include the development of hearing aids. It is based on unique knowledge of how the voice creates vibrations in the jawbone and of how advanced technology can be used to convert these vibrations into electric signals.

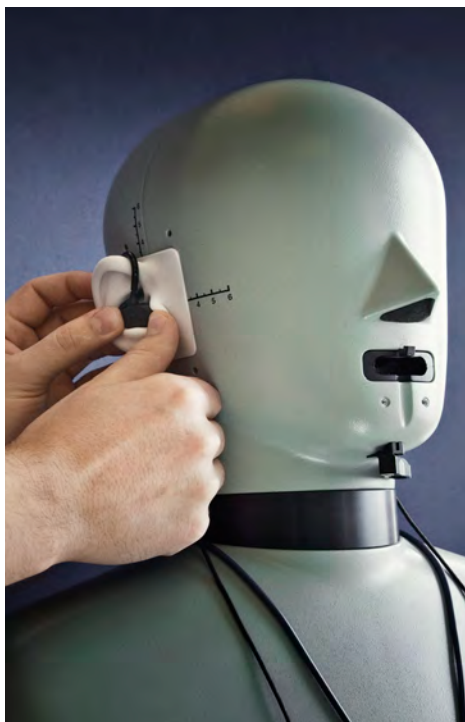
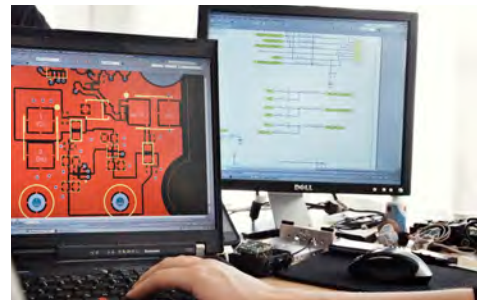
Since INVISIO's headsets are based on the detection of vibrations, another central aspect is a thorough understanding of how the sound produced by the vocal cords travels through the jawbone and how it is affected on its way to the outer ear. As a result, in order to achieve high sound quality INVISIO has invested extensive resources in attaining a deep understanding of the physics behind acoustics in small cavities and channels, as well as of how materials, components, noise and sound interact.

With their lack of a traditional microphone, INVISIO's headsets have the unique ability to eliminate disruptive sounds around the user. The method INVISIO has developed means that the vibrations are registered by a special of rubber bubble, which is in contact with the jawbone. When the user speaks, the jawbone vibrates and the microphone under the bubble converts the vibrations into electronic signals.

Vibrations into sound

In order to convert these electronic signals into clear speech, INVISIO has developed algorithms for processing the signals so as to achieve optimal sound quality and software to implement the technology in its products.

In order to run this type of advanced program with the best results, the smallest format, and the lowest energy consumption, INVISIO has defined the hardware in the form of the very small circuits that are used to run the integrated software. The quality of the programming is decisive in attaining the highest possible sound quality while minimizing size and energy consumption.



Sound reproduced and the ear protected

Capturing and mediating the user's speech is one part of the puzzle. The other part is to clearly and comfortably reproduce what the person at the other end is saying. For this part, INVISIO has developed a design based around a speaker that reproduces sound with hi-fi quality. This provides the best prospects for the message to always reach the recipient, even if conditions at the other end are not the best.

Even if the sound is reproduced clearly and accurately, we cannot be sure the user hears what is said. People perceive sound in different ways under different circumstances. Noise is one factor, while stress is another, and one that affects our ability to comprehend. This field is known as psychoacoustics. Understanding and allowing for these factors can be decisive to usability in tough situations; situations where the user is exposed to extreme stress.

Many of INVISIO's products are used in environments where ambient sounds can include dangerously loud sounds, such as loud noise, explosions, or weapons being fired. Since hearing loss and tinnitus are a major problem for people working, for example, in the military, it is also important that a headset can filter out sounds that can damage the user's hearing. With the aid of advanced signal processing, dense materials, and ergonomic designs, INVISIO's headsets can protect the user from such dangerous sounds. The headset acts like an advanced set of earplugs, whereby the external microphones that mediate the sound around the user are automatically turned down before potentially harmful sounds can reach the inner ear.

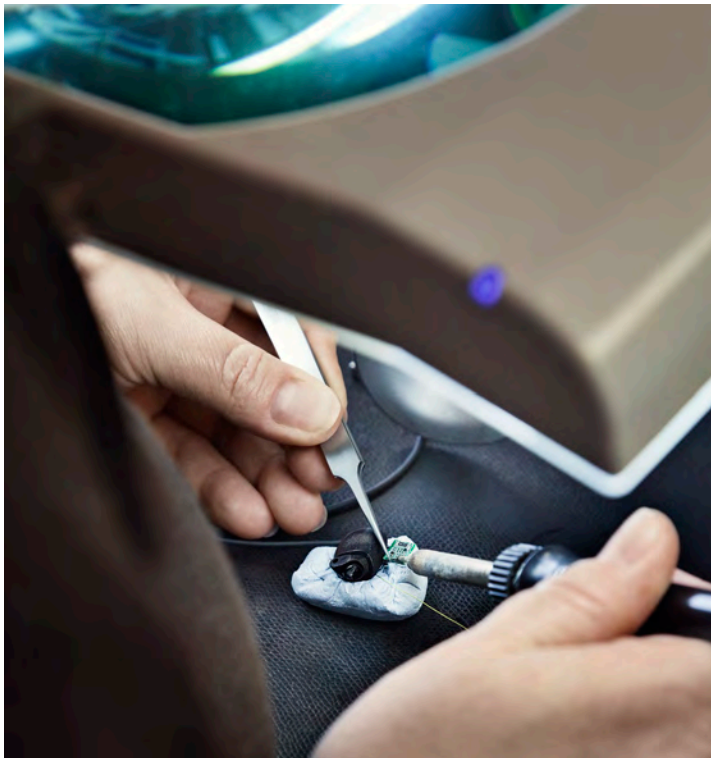
INVISIO also has products that can amplify the ambient sound by a factor of up to five, enabling the user to hear things that the human ear normally cannot perceive, as well as replicate the direction of the source, so-called *situational awareness*.

Comfort and function demand good design

When a user has to work a long shift with a headset in his or her ear, it is important that the product is comfortable. As such, INVISIO holds broad and extensive expertise in ergonomics and, among other things, has developed the patented Soft Spring fastening device, which fastens the headset in the ear in a unique manner and ensures that it sits firmly and comfortably even during rapid movement.

In order to minimize the size of the products, INVISIO has developed specialized custom design methods and custom components. This requires knowledge about, and a focus on, miniaturization throughout the entire process, from the initial specification to the end product.

Achieving high product quality demands expansive expertise on the specific properties of different materials in terms of, for example, impact resistance, wear resistance, and ergonomics. It also entails an understanding of how different materials interact and how different environmental factors impact the equipment.



A challenging production process

INVISIO's production differs considerably from regular electronics production. INVISIO uses specialist tools to a greater extent and assembly sometimes demands the use of a microscope, which has required the development of in-house expertise in electronics production.

The occasionally microscopically small components place unusually stringent demands on the tools used for production. Tolerances must be kept within very tight margins, which means production tools can only be manufactured using special methods employed by only a small number of suppliers in the world, with whom INVISIO has built up good relations.

INVISIO's products are designed for the most demanding environments. It is not unusual for it to be a matter of life and death when the user must feel able to fully rely on his or her communication equipment. In order to ensure the highest possible quality, INVISIO employs quality assured manufacturing and has developed an extensive testing program and knowledge of how these environments can be simulated in order to test the products.

The designers use advanced and specially customized CAD programs to develop and assure the quality of the designs, reducing the time from idea to finished product.

World-class quality and certification

Companies and government agencies demand products that fulfill accepted norms and standards. Certifications provide quality assurance in terms of expertise and credibility. As a consequence, INVISIO has focused on certifying its products according to both current and possible future expectations.

At present, INVISIO is certified in compliance with the CE and ATEX standards, as well as ANSI S3.19-1974 and ANSI S12.6-1997 (hearing protection certification). INVISIO's production partner, the Swedish firm PartnerTech, is ISO 9001-certified.



The CE label means that the manufacturer or importer guarantees that the item fulfills the safety requirements demanded by the EU for that particular product group. Electrical home appliances and life jackets, helmets, and other personal protection equipment are included among the product groups covered by the CE labeling system.

PRODUCTS

INVISIO offers communication equipment for use with two-way radio, such as control units, standard headsets, and custom-made headsets for all types of extreme situations. The headsets are supplied either with a standardized ergonomic design or specially-made for each individual user. The products deliver high quality sound and sits securely and comfortably in the ear.

INVISIO develops communication products for different application areas. On the one hand in-ear headsets, on the other control units and PTT (Push-to-Talk). All of INVISIO's headsets feature INVISIO Bone Conduction, a patented technology wherein a jawbone microphone sensitive to vibrations captures the voice without disruptive background noise. Certain models use advanced digital signal processing to further enhance the clarity of the sound. The sound is reproduced by miniaturized speakers that

deliver high quality sound. The new INVISIO X5 and X6 models use a specially designed speaker with hi-fi specifications, which further enhances the sound quality.

The headsets are supplied either with a standardized ergonomic design using INVISIO's Soft Spring system, which comfortably and effectively keeps the headset in place in the ear, or individually customized for each individual user.

INVISIO® M3

Standard headset for all types of user

- Precision-made in-ear headset with ABS polymer sealed housing for use in extreme environments
- Soft Spring™ for comfortable and secure in-ear use
- Ultra light and compact, weighing less than 5 grams and measuring 1.3 × 2.4 cm
- Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20 kg
- INVISIO Cable Retainer™ ensures that the cable remains securely behind the ear



INVISIO® M3s

Standard headset for use underwater, intended for divers

- Can be used underwater to depths of up to 20 meters (IP68)
- Precision-made in-ear headset with ABS polymer sealed housing for use in extreme environments
- Soft Spring™ for comfortable and secure in-ear use
- Ultra light and compact, weighing less than 5 grams and measuring 1.3 × 2.4 cm
- Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20 kg
- INVISIO Cable Retainer™ ensures that the cable remains securely behind the ear



INVISIO® M3h

Standard headset with hearing protection, intended for military, police and industry

- Single ear in-ear headset with certified hearing protection
- Soft Spring™ for comfortable and secure in-ear use
- Ultra light and compact, weighing less than 5 grams and measuring 1.3 × 2.4 cm
- Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20 kg



INVISIO® M4

Individually customized headset for use, for example, in security details

- Individually customized in-ear headset for use in extreme environments
- A compact size makes this headset discreet, light, and comfortable to use
- Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20 kg
- INVISIO Cable Retainer™ ensures that the cable remains securely behind the ear
- Heat-resistant model also available (M4 Fire)



INVISIO® M4s

Individually customized headset for use even underwater, intended for divers

- Can be used underwater to depths of up to 20 meters (IP68)
- Individually customized in-ear headset for use in extreme environments
- A compact size makes this headset discreet, light, and comfortable to use
- Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20 kg
- INVISIO Cable Retainer™ ensures that the cable remains securely behind the ear

INVISIO® X5

Dual digital headset with hearing protection, intended for military and police

- Dual-sided for use in both ears
- Certified hearing protection complying with industry standards SNR 32 and NRR 29 with up to 38 dB protection on average
- Has two channels that enable communication with two different radio transmitters simultaneously via the INVISIO X50 control unit
- Electronically-controlled hear-thru via the INVISIO X50 control unit, which replicates – and if necessary amplifies – sounds from the surrounding environment to give the wearer a clear sense of the surroundings
- Can be used underwater to depths of up to 2 meters (IP68)
- Soft Spring™ for comfortable and secure in-ear use
- Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20 kg
- INVISIO Cable Retainer™ ensures that the cable remains securely behind the ear



INVISIO® X50

Intelligent control unit

- Digital intelligent control unit and PTT for use with the INVISIO X5 or X6 headset
- Has two channels that enable communication with two different radio transmitters simultaneously
- Support for electronically-controlled hear-thru, which replicates and if necessary amplifies sounds from the surrounding environment to give the user a clear sense of the surroundings
- Volume adjustment for ambient sound and incoming radio
- Acoustic shock limiter to instantly stop harmful noise from reaching the user's ear
- Automatic sensing of headset and radio type
- Software updates via programming cable
- Can be used underwater to depths of up to 2 meters (IP68)



INVISIO® X6

Individually customized dual-digital headset with hearing protection

- Individually customized dual-digital in-ear headset for use in extreme environments
- Certified hearing protection complying with industry standards NRR 25 and SNR 29 (patent application INVISIO Custom Protect Hearing Protection)
- Dual-sided for use in both ears
- Has two channels that enable communication with two radio transmitters simultaneously via the INVISIO X50 control unit
- A compact size makes this headset discreet, light, and comfortable to use
- Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20 kg
- INVISIO Cable Retainer™ ensures that the cable remains behind the ear



INVISIO® M3 FIRE

Standard headset for use in extreme heat, intended for firefighters

- Withstands use in temperatures of 235°C with heat flashes of 300°C
- Resistant to many aggressive chemical substances commonly encountered in fires
- Heat-resistant, silicone-reinforced fiberglass sleeve
- Soft Spring™ for comfortable and secure in-ear use
- Ultra light and compact, weighing less than 5 grams and measuring 1.3 × 2.4 cm
- Individually customized model also available (M4 Fire)



INVISIO® PUSH-TO-TALK

INVISIO Push-To-Talk (PTT) is a series of PTT products with different models for the most common radio systems on the market. They are available in analog and digital versions, in many different formats, and can be supplied watertight.



“The best Bluetooth headset”

Webzine Engadget

“Excellent”

CNET



“A fantastic headset”

New York Times

“Mobile communication from sound environments where it was previously impossible to understand what was being said”

Rene Ritchie, The iPhone Blog

MOTOROLA AND INVISIO

In 2009, Motorola launched the Endeavor HX-1 Bluetooth headset, the world's first wireless consumer headset featuring the patented INVISIO Bone Conduction technology, which enables disruption-free communication under extreme conditions. It was launched in China in June, in the US in September, and in Europe in 2010. So far, the Endeavor HX-1 has received much acclaim in tests published in both daily newspapers, such as the New York Times, and eminent American technical periodicals. Many of the positive reviews emphasize the ability to communicate undisturbed in noisy environments.

INVISIO and Motorola's collaboration agreement

In 2008, INVISIO signed an exclusive licensing and collaboration agreement with Motorola, one of the world's leading suppliers of Bluetooth headsets for the consumer market. The agreement gives Motorola the opportunity, in return for a licensing fee, to use INVISIO's patented technologies, such as INVISIO Bone Conduction, in its products for the

consumer market. This provides Motorola with an important competitive edge.

Through this agreement, in addition to licensing income, INVISIO also gains increased renown and credibility in international contexts, which paves the way for new business opportunities in the consumer market as well as in professional products.

MARKET AND GROWTH POTENTIAL

The need to communicate unimpeded even under noisy and extreme conditions has always been there, especially in some professions. For these people, it is also important to be able to move unimpeded and to have one's hands free while communicating, and for some it is also necessary to be discreet and blend in with a crowd. Undisturbed and audible communication increases the chance of success and reduces the risk of injury and accident. Communication solutions that can also prevent hearing loss are very valuable for such professions.

PROFESSIONAL PRODUCTS

Twenty years ago, several of the areas where INVISIO's products are currently used lacked any form of viable technology. This means that the technical development itself contributes to market growth.

Since the introduction of technically sophisticated headsets and control units offering two-way communication and hearing protection, these products have been in demand among professional users with stringent requirements on reliability, durability, and sound quality. These professions – which include military units and special forces, police and SWAT teams, emergency services such as firefighters and paramedics, and heavy industry – have gained considerably from such innovative solutions. The new products enable disruption-free communication almost regardless of the situation or sound environment the user faces. Moreover, hearing loss and tinnitus can be avoided, which reduces human suffering and saves money in the form of compensation and treatment for work-related injuries.

INVISIO estimates the current value of the entire market for communication accessories for two-way radio at more than four billion Swedish kronor. This includes the US, the single largest market representing about 50 percent of global

sales, while Asia represents 22 percent and Europe 16 percent. An estimated 85 percent of those currently using two-way radio have no headset, offering great growth potential for the entire market.

The global market for professional users of radio equipment is relatively mature. However, there is considerable potential for growth with the technology transition from analog to digital and with more and more professions realizing the advantages of advanced headsets. With a strong product portfolio aimed at customer segments with strict demands, INVISIO has good opportunities to win a large part of the growing market for professional products.

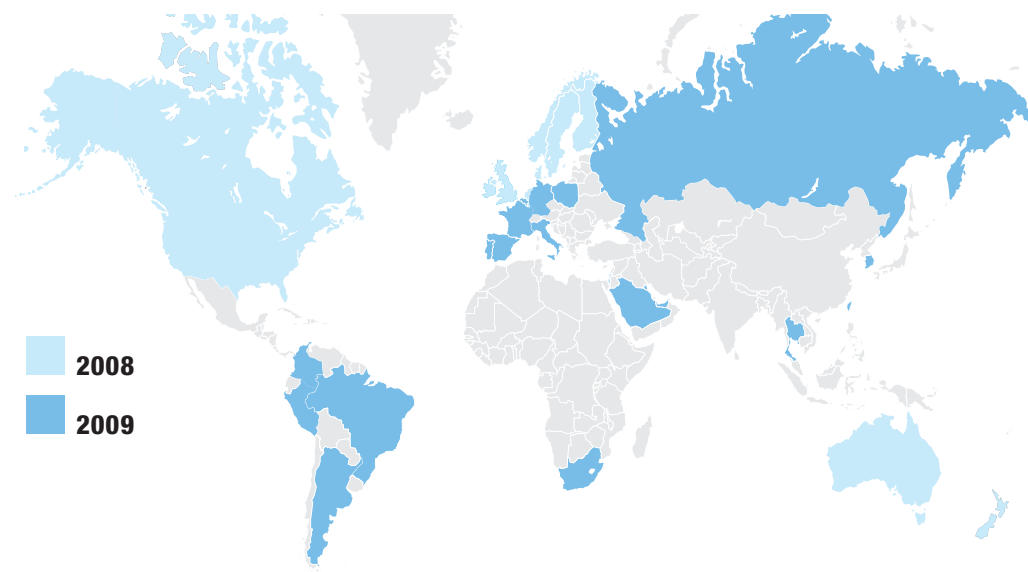
SEK 4 billion

is INVISIO's estimate of the total value of the market for communication accessories for two-way radio

Market structure

As professional customers often have stricter requirements on advanced products, expensive materials, and complex solutions, the market is dominated by a small number of players. Professional customers are more inclined to procure a full set of equipment from a small number of suppliers and resellers. INVISIO has well established partnerships with leading resellers, which is an absolute must in order to be able to sell to professional customers.

INVISIO's global retailers in 2008 and new countries for 2009



Trends and market forces

In addition to the general increase in the use of in-ear headsets, there are a number of other global trends that contribute to the growing demand.

Shrinking product lifecycles for professional products – development in two-way radio communication solutions and their application among professional users has so far been slower than development in consumer products. However, the product lifecycle for professional products has now dropped to about five to seven years, and will most likely drop even more over the coming years. This development makes it easier to adapt communication solutions to specific customer needs.

Military modernization programs – most of the world's military organizations continually review their equipment through modernization programs. Modern technology offering high performance combined with user-friendliness and the ability to integrate with new and existing systems is in demand, and modernization programs generally include in-ear headsets as an explicit requirement, and not just for special forces, but also for many regular military units. INVISIO is very well positioned in this respect with a completely new product generation at the forefront of modern technology.

TETRA rollout (TETRAPOL or APCO25) – the transition from analog to digital communication systems for all blue light operations, such as law enforcement and emergency services, in a large number of countries throughout the world also paves the way for very good business for a specialist communication company such as INVISIO. The transition means that many analog two-way radios will be

replaced with digital models, and this modernization of the communication system will include modern and advanced headsets to further improve communication. One example of this is from the end of 2009, when INVISIO received a breakthrough order in this market for headsets for the Portuguese police force. The order was received via one of the leading manufacturers of digital radios, UK-based Sepura. See also the fact box for more information on TETRA.

Headsets with integrated hearing protection – there is an increasing need to protect against tinnitus and other hearing loss while being able to communicate in noisy environments, paving the way for business opportunities as INVISIO's headsets offer this capability. The increased demand for such solutions is seen not only among military customers, but also among blue light customers throughout the world, as well as from many companies in a range of industries. Hearing loss is a major problem all over the world, and aside from the human suffering it causes, there is also the cost of compensation and treatment for work-related hearing loss, which falls to taxpayers and employers. The EU's Noise at Work Directive states that as of July 2010 all companies and organizations will be required to protect their employees against noise, with a maximum permitted level of 85 dB. See the fact box for more information on hearing loss.

Great potential with horizontal and vertical growth

Historically, direct sales have accounted for a large part of INVISIO's total sales. There is great potential to increase

Hearing loss and tinnitus major problems all over the world

Hearing loss and tinnitus are growing problems all over the world. Aside from the human suffering it causes, there is also the cost of compensation and treatment for work-related hearing loss, which falls to taxpayers and employers. Each year, the federal government of the United States spends more than seven billion Swedish kronor on compensation and treatment for military veterans with impaired hearing and tinnitus contracted during military service. The figures from the Swedish Association of Hard of Hearing People (HRF) show that each year Sweden spends at least 5.2 billion kronor on disability pensions for the hard of hearing. See also the fact box for more information on hearing loss in the US and Sweden.

According to the EU's Noise at Work Directive, noise and work-related accidents are correlated. According to the Swedish Work Environment Authority, noisy workplaces can cause hearing loss if hearing protection does not fulfill the limits specified for CE labeling. CE labeling means that the EU's

requirements on safety, health, and the environment are fulfilled.

There are two primary causes of hearing loss and tinnitus: very loud noise (so-called impulse noise, which reaches the inner ear and causes damage) and exposure to loud noise for an extended period.

Thousands of Swedes suffer hearing loss at work

Between 2005 and 2008, more than 5,000 cases of noise-induced hearing loss were reported to the Swedish Work Environment Authority, making such injury the fourth most common work-related injury in Sweden. According to the HRF, almost every other person experiences irritation and difficulty in concentrating when exposed to a poor sound environment. This is an occupational hazard that, in the long run, can lead to health problems such as impaired hearing, tinnitus, poor memory, high blood pressure, and fatigue.

More than a third of tinnitus sufferers have been on sick leave due to their problems. Disability pensions are twice

as common among those with hearing loss than among those without.

Noise-induced hearing loss is most common in the steel and metal industry, the manufacturing industry, and construction, along with the military, law enforcement, and fire and rescue services. During the period 2007 to 2008, 864 cases of noise-induced hearing loss were reported in the manufacturing industry, 278 cases in construction, 103 cases in law enforcement, the military, and firefighting, and 130 cases in the steel and metal industry. The greatest increase in noise-induced hearing loss is seen in construction, where the number of reported cases doubled between 1999 and 2006.

Noise-induced hearing loss is also common in the Swedish armed forces. More than one on ten of the conscripts who cut short their compulsory military service in 2003 did so because of hearing loss. Between the years 2001 and 2006, almost 12 million Swedish kronor was paid in compensation to conscripts who suffered hearing loss during military service.

sales by increasing the number of resellers and partners, not least because many customers and potential customers prefer to buy a complete set of equipment, including radio equipment, from a single supplier. INVISIO's sales strategy will result in a broadening of the geographic sales spread in the coming years.

Sales in 2008 were primarily concentrated in two of INVISIO's customer segments and a dozen geographic markets, which were expanded in 2009. With the new and broader product portfolio and the continually increasing use of more resellers, INVISIO will be able to reach a larger customer base. More geographic markets will be added and the number of resellers in all customer segments is expected to increase substantially.

CONSUMER PRODUCTS

The consumer market for Bluetooth headsets, that is, headsets that use wireless Bluetooth technology for communication between a headset and a cellphone or a computer, grew dramatically between 2002 and 2008. In 2009, the world market experienced a recession due to the prevailing global financial crisis, with the greatest effect seen in Russia.

INVISIO estimates the market for Bluetooth headsets to be worth more than seven billion Swedish kronor per year. In the western world, England has the largest number of Bluetooth users. Long-term growth potential is considered largest in Russia and Eastern Europe, although the US market is also expected to continue growing.

The number of sold cellphones is an important driving force for sales of wireless Bluetooth headsets and in 2009

totaled more than 1.2 billion units, a drop of just under one percent. Cellphone sales in the Swedish market were not affected by the poor economy of 2009, totaling 3.55 million units, which is the largest number ever and exceeded sales for 2008 and industry forecasts by more than 10 percent. The number of sold headsets per sold cellphone is estimated to be just 5 percent on a global level. In the US, with the most mature market, the corresponding figure is assessed to be 12 percent per cellphone.

SEK 7 billion

is INVISIO's estimate of the total value of the market for Bluetooth headsets

Market structure

Today, there are three primary categories of manufacturer in the Bluetooth headset market. The largest in the consumer market are the cellphone companies that develop and market proprietary Bluetooth headsets, such as Motorola. The second category comprises companies specialized in the manufacture of different types of headset. These players sell their products under proprietary brands or via OEM agreements. The third category encompasses mainly smaller, Asian manufacturers that sell their products only regionally in Asia and via OEM agreements.

Large volumes and higher production efficiency are examples of reasons behind the price war that characterizes a growing market of this kind. The falling prices themselves form a driving force, as they pave the way for more potential consumers and larger customer segments. A larger market also means that a number of segments become so large that even a sub-segment is large enough to be targeted rationally.

Facts about hearing loss in Sweden

- Noise-induced hearing loss is the fourth largest group of reported work-related injuries in Sweden
- Noise-induced hearing loss can lead to impaired hearing, tinnitus, high blood pressure, and fatigue. Noise-induced hearing loss results in impaired hearing in 73 percent of cases and tinnitus in 23 percent of cases
- Noise-related occupational injuries such as tinnitus and impaired hearing are the fourth most common type of work-related injury in Sweden. Tinnitus is particularly common among industrial workers
- Tinnitus is an incurable impairment affecting more than one in ten Swedes

Sources:

Swedish Association of Hard of Hearing People
Swedish Work Environment Authority
Swedish Armed Forces
Byggnadsarbetaren (Swedish construction industry publication)

Facts about hearing loss in the US

- 31 million Americans have suffered hearing loss at work, and hearing loss is the most common work-related injury
- A third of all Americans who have returned from a tour of duty in Iraq or Afghanistan visited a hearing specialist and 72 percent of them had hearing loss
- Each year, the federal government of the United States spends more than seven billion Swedish kronor on compensation and treatment for veterans with impaired hearing and tinnitus contracted during military service
- Between 2000 and 2004, the number of war veterans receiving compensation for hearing loss increased by 168 percent

Source:

Stephen A. Fausti, PhD; Debra J. Wilmington, PhD; Patrick V. Helt, MA; Wendy J. Helt, MA; Dawn Konrad-Martin, PhD.
Hearing health and care: The need for improved hearing loss prevention and hearing conservation practices – August 2005

Trends and market forces

The market for Bluetooth headsets is maturing and more people are discovering the advantages of a headset. Mostly because it is much more convenient to have your hands free when speaking on the phone, both privately and when at work. As more people start to use headsets, it becomes more acceptable and people no longer find it odd to the extent that they used to. Demands on user-friendliness and functionality have also increased somewhat, as has the desire for products with more of a designer look. There is now much focus on improved sound quality.

Today, many consumers choose a headset that can reduce background noise, something that has been a problem with several earlier alternatives. Not needing to remove oneself from a noisy situation or being able to talk while working with both hands free provide new opportunities for many people in their working lives. The noise-reducing headsets on the market today do, however, differ from INVISIO's patented technology, as this technology converts vibrations from the jawbone and as such includes no background noise. This is a niche filled by Motorola's Endeavor HX-1, the world's first Bluetooth headset featuring the patented INVISIO Bone Conduction technology; a niche that regular headsets cannot fill – the ability to communicate clearly and distinctly even in troublesome sound environments.

In addition to the general increase in the use of Bluetooth headsets, there are a number of other global trends that further increase demand.

Legislation on the prohibition of cellphone use while driving – many countries of the world have implemented or plan to implement prohibitions on the use of cellphones while driving. Headsets resolve this problem. In Europe, Sweden and Albania are the only countries that have not yet introduced such legislation.

Concerns about radiation from cellphones – despite research reports, many cellphone users are still concerned as to whether the radiation from cellphones can have negative effects. A Bluetooth headset emits 98 percent less radiation than a cellphone.

Internet telephony (VoIP) – the ability to speak on the phone over the Internet also paves the way for increased use of Bluetooth headsets. The number of computers with Bluetooth capabilities is continually increasing. With such a computer and a headset, a user can easily and flexibly speak on the phone directly via the computer without the need for either a cellphone or a fixed line.

Great potential with horizontal and vertical growth

The licensing and collaboration agreement with Motorola will enable INVISIO's technology to reach far greater numbers. In 2009, Motorola launched the Endeavor HX-1, the first product produced under the agreement. With its sales and distribution capacity, Motorola has a global market penetration that INVISIO could not attain by its own means.

TETRA IMPLEMENTATION THROUGHOUT THE WORLD

Today, TETRA technology is being implemented by police, emergency services, and military all over the world. This means major expectations on investments in TETRA equipment, as well as TETRA-compatible headsets and PTT solutions, over the coming years. By the end of 2009, TETRA was in use in 114 countries. Over the next five years, TETRA will be implemented in more countries and by more organizations.

Previously, many rescue actions have been complicated by the fact that efforts could not be coordinated between, for example, the police, emergency services, and ambulance services. Every organization has used a separate radio solution, which has made coordination awkward as communication had to go via an exchange.

In order to rectify this and to secure communication in critical situations, the 1990s saw the development of TETRA, or Terrestrial Trunked Radio. This is a digital mobile radio system that is mostly used by the emergency services in a number of countries. TETRA is based on TDMA radio technology and acts as a mobile network in which everyone can contact each other, but which also easily allows direct communication between individuals or groups of individuals.

A TETRA device works both as a traditional two-way radio – a walkie-talkie – with contact between two devices, and as a telephone with connections via base stations in the network.

However, the biggest advantages of TETRA technology are a number

of functions that protect the network from overloading. The ability to use a TETRA radio as a link to a radio outside the area covered by the masts also ensures communication in vulnerable locations.

In Scandinavia, Sweden's Raket, Denmark's Sine, Finland's Virve, and Norway's Nödnett are examples of TETRA-based communication solutions. In Sweden, in addition to the blue light organizations, other public bodies have also shown an interest in a connection, or are already connected. These include the Swedish Armed Forces, the Swedish Social Insurance Agency, the Swedish Civil Aviation Department, the Swedish Maritime Administration, the Swedish National Grid, and the Swedish Transport Administration.



"Since the TETRA rollout really picked up momentum in Germany in 2009, the next step for end users is to review peripheral TETRA equipment, such as sound accessories. Through our partnership with INVISIO, we can offer the strongly growing market innovative headsets that are like nothing our customers have used before. Consequently, there are some very interesting market opportunities for both Selectric and INVISIO."

Hendrik Pieper, General Manager, Selectric



A large headset with a microphone by the mouth picks up disruptive background noise, which can disrupt the communication. It places a strain on the neck and can be uncomfortable to use for a longer period, as it presses against the head and becomes warm. Nor is the hearing protection optimal.

INVISIO's X5 headset, which sits in the ear, is discreet and comfortable. It can easily be used under a helmet, for example. The headset combines a speaker and a jawbone microphone (INVISIO Bone Conduction) in the same unit, does not pick up disruptive background noise, provides very good hearing protection, and can also amplify and reproduce sound.



INVISIO'S COMPETITORS

INVISIO's partially unique technology means that in practice no competitor offers identical equipment. On the other hand, several major, well established suppliers offer similar functionality by using other technical solutions.

At present, the market is dominated by traditional headsets of the *circumaural* type (see picture, above left), which are based on noise-reducing cups worn over the ears. According to INVISIO's assessment, this type of headset currently represents about 90 percent of the market. The basic function of these products is to use different sound-proofing materials to prevent noise from reaching the ears. By combining them with integrated speakers and special microphones placed near the mouth, they attempt to make communication possible even under difficult conditions.

There are several problems with this type of solution. They can be bulky and awkward, and the weight strains the neck and shoulders. Another problem is pressure on the head, which can feel uncomfortable. The biggest problem is that no matter how good the sound-proofing material is, noise can still get through and disrupt the sound from the speakers. The external microphone also captures sounds around the user, which can drown out his or her voice. Attempts are made to get around these problems using smart signal processing and amplification, but in extremely noisy environments the results are seldom satisfactory.

There are a number of well established product suppliers in this category, and the largest include Peltor (part of 3M), MSA Sordin, Selex Communications, and Racal Acoustics.

Noise and unwanted sounds

The alternative to ear cups is to place the speaker in the ear. This technique is used, for example, in earphones for MP3 players, Bluetooth headsets, and hearing aids for the hard of hearing. A very small speaker is placed directly in the

outer ear or ear canal and thereby avoids competing with sounds from the surrounding environment. In, for instance, Bluetooth headsets for the consumer market, the speaker in the ear is combined with an external microphone that picks up the voice from the side of the mouth. But the microphone also picks up noise and unwanted sounds, which makes it difficult for the other party to hear what the user is saying.

Several players in the Bluetooth headset market use digital noise reduction, but the sound is still based on sound waves and not jawbone vibrations, unlike INVISIO Bone Conduction technology.

Products worn in the ear

Other than INVISIO, suppliers of professional headsets worn in the ear include Norwegian firm Nacre (now part of Sperian Protection), US firm Silyn, and Swiss firm Phonak. These suppliers' products are similar in function to INVISIO's, but use a voice-capture technology that differs from INVISIO Bone Conduction. INVISIO's technology sits comfortably in the ear, not too far in, is very user-friendly, and is also very good at blocking disruptive background noise. Many suppliers of professional headsets for in-ear use are relatively small companies.

Increasingly, procurement processes in, for example, the military, specify that in-ear type headsets shall be available. Ergonomics, functionality, and performance are equally or more important for this type of headset compared to the ear cup type. One conclusion could be that most suppliers of traditional ear cup designs will need to develop this type of product as well, or else purchase the technology.

PER SHARE DATA AND OWNERSHIP STRUCTURE

Share capital

Share capital totaled SEK 21,565,126 as per December 31, 2010, divided into 21,565,126 shares (registered number), each with a quotient value of SEK 1.00. Each share carries equal entitlement to the Company's assets and profits and entitles the same voting rights. At the Annual General Meeting, each individual entitled to vote may vote for the full number of shares held by the individual without any limitation on voting rights. As per December 31, 2009, INVISIO Headsets AB had a total of 203 shareholders.

GROWTH IN SHARE CAPITAL¹

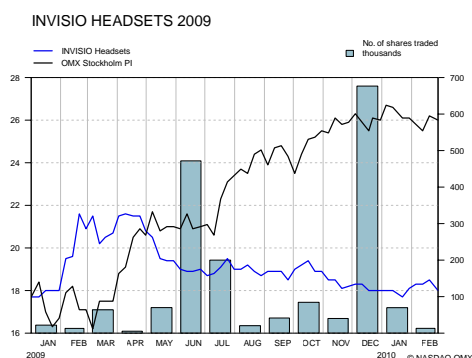
Year	Transaction	Increase in the number of shares	Total number of shares	Increase in share capital	Total share capital	Quotient value
2003-11-11	Company formation	1,000	1,000	100,000	100,000	100
2004-03-24	Split (100:1)	99,000	100,000	0	100,000	1
2004-03-24	Directed new share issue	400,000	500,000	400,000	500,000	1
2004-06-30	Non-cash issue	8,663,915	9,163,915	8,663,915	9,163,915	1
2004-07-30	Directed new share issue	1,500,000	10,663,915	1,500,000	10,663,915	1
2005-12-22	Share issue with pre-emption rights	2,132,783	12,796,698	2,132,783	12,796,698	1
2006-09-24	Option redemption	79,755	12,876,453	79,755	12,876,453	1
2006-10-12	Directed new share issue	1,270,000	14,146,453	1,270,000	14,146,453	1
2006-10-30	Option redemption	464,000	14,610,453	464,000	14,610,453	1
2006-10-30	Option redemption	53,000	14,663,453	53,000	14,663,453	1
2007-05-04	Share issue with pre-emption rights	1,947,078	16,610,531	1,947,078	16,610,531	1
2007-05-21	Option redemption	147,701	16,758,232	147,701	16,758,232	1
2007-07-04	Option redemption	39,550	16,797,782	39,550	16,797,782	1
2007-09-24	Option redemption	22,600	16,820,382	22,600	16,820,382	1
2007-11-13	Share issue with pre-emption rights	2,803,397	19,623,779	2,803,397	19,623,779	1
2008-01-15	Option redemption	44,000	19,667,779	44,000	19,667,779	1
2008-01-15	Option redemption	31,900	19,699,679	31,900	19,699,679	1
2008-02-06	Option redemption	126,005	19,825,684	126,005	19,825,684	1
2008-06-30	Option redemption	240,400	20,066,084	240,400	20,066,084	1
2008-08-15	Option redemption	90,000	20,156,084	90,000	20,156,084	1
2008-09-30	Option redemption	50,000	20,206,084	50,000	20,206,084	1
2008-09-30	Option redemption	230,000	20,436,084	230,000	20,436,084	1
2008-11-17	Option redemption	25,000	20,461,084	25,000	20,461,084	1
2008-12-02	Option redemption	185,000	20,646,084	185,000	20,646,084	1
2009-01-07	Option redemption	138,000	20,784,084	138,000	20,784,084	1
2009-02-11	Option redemption	150,000	20,934,084	150,000	20,934,084	1
2009-03-31	Option redemption	83,106	21,017,190	83,106	21,017,190	1
2009-09-25	Directed new share issue	547,936	21,565,126	547,936	21,565,126	1

¹500,000 shares (directed new share issue) were registered on January 11, 2010.

Price trend

The chart at right shows the price trend for INVISIO Headsets shares (IVSO). The closing price on December 30, 2009, was SEK 18.00, entailing a total market capitalization of approximately SEK 388 m. During the period January 2, 2009–December 30, 2009, a total of 1,709,246 shares were traded at a value of SEK 31.5 m.

PRICE TREND FOR INVISIO HEADSETS 2009



Trading in INVISIO Headsets shares

INVISIO Headsets shares are traded on First North Premier Segment, which is operated by NASDAQ OMX Stockholm. INVISIO Headsets is traded under the ticker name IVSO and has the ISIN code SE0001200015. Trading is conducted electronically, and continuously, and information on prices, volumes, and bid-offer spread are published in real time in the same manner as for shares listed on a regulated market. NASDAQ OMX Stockholm is not responsible for monitoring the companies listed on First North; instead, this is managed by certified advisers. The certified adviser for INVISIO Headsets is Mangold Fondkommission, a member of and contracted partner with NASDAQ OMX Stockholm. The certified adviser monitors the Company's compliance with the requirements for First North and the applicable requirements on information.

The Company complies with the First North Rule Book and other applicable stock exchange regulations, as well as the Swedish Companies Act. All shares carry equal entitlement to dividends and shares in the Company's profit, as well as a share in its assets in case of liquidation.

Market maker

INVISIO Headsets has appointed Mangold Fondkommission as market maker for the Company's shares. The aim is to promote good liquidity in the shares and to reduce the difference between the buying and selling price in day-to-day trading.

Dividend policy

According to the dividend policy adopted by the Board of INVISIO Headsets, future dividends shall be determined with consideration for the Company's long-term growth and earnings development, as well as its capital requirements, with due consideration for financial targets. The goal for the dividend is to stay within an interval of 25 to 50 percent of profit after tax. The Company does not expect to issue any dividends over the next few years. All internally generated capital will be utilized in the expansion of INVISIO Headsets' operations. At present, the Company has no possibility to issue any dividend to the shareholders.

OWNERSHIP OF INVISIO HEADSETS AB AS PER DECEMBER 31, 2009

Owner	No. shares	% votes and capital
Intersettle AG, Zürich, on behalf of clients	7,254,532	33.6%
Alecta Pensionsförsäkring	4,050,000	18.8%
Lage Jonason, with family and companies	3,780,686	17.5%
Swedbank Robur Exportfond	1,784,999	8.3%
Karin Jonason	1,055,718	4.9%
Terra Gold KB	400,000	1.9%
Handelsbanken svenska småbolag	400,000	1.9%
JP Morgan Bank	375,000	1.7%
Handelsbanken Life & Pension Ltd	273,972	1.3%
Mellon AAM omnibus	225,000	1.0%
Others	1,965,219	9.1%
<i>Total</i>	<i>21,565,126</i>	<i>100.0%</i>

SUMMARY OF OUTSTANDING STOCK OPTIONS

Option program	Number of options	Subscription price, SEK	Possible increase in share capital, SEK	Subscription period	Dilutive effect, %	Accumulated dilutive effect, %
2007/2011 no. 4	1,017,255	25.96	1,118,948	20071201 – 20111201	4.83%	4.83%
2008/2013 no. 6	2,000,000	25.00	2,000,000	20080430 – 20130430	8.31%	7.94%
<i>Total</i>	<i>3,017,255</i>		<i>3,118,948</i>		<i>13.14%</i>	

Stock options

INVISIO Headsets AB currently has two outstanding stock option programs:

Stock options 2007/2011 no. 4

1,017,225 stock options, which provide the holder the right to subscribe for 1,118,948 shares in INVISIO Headsets AB at a subscription price of SEK 25.96 per share during the period December 1, 2007 to December 1, 2011. Upon full exercise of the options, the share capital can increase by a maximum of SEK 1,118,948. All options are held by Lage Jonason via companies.

Stock options 2008/2013 no. 6

2,000,000 stock options, which provide the holder the right to subscribe for 2,000,000 shares in INVISIO Headsets AB at a subscription price of SEK 25.00 per share during the period April 30, 2008 to April 30, 2013. Upon full exercise of the options, the share capital can increase by a maximum of SEK 2,000,000. The stock options have been granted free of charge to Motorola. The subscription rights provided by the options are conditional on the fulfillment of certain goals prior to March 31, 2011.

CORPORATE GOVERNANCE REPORT

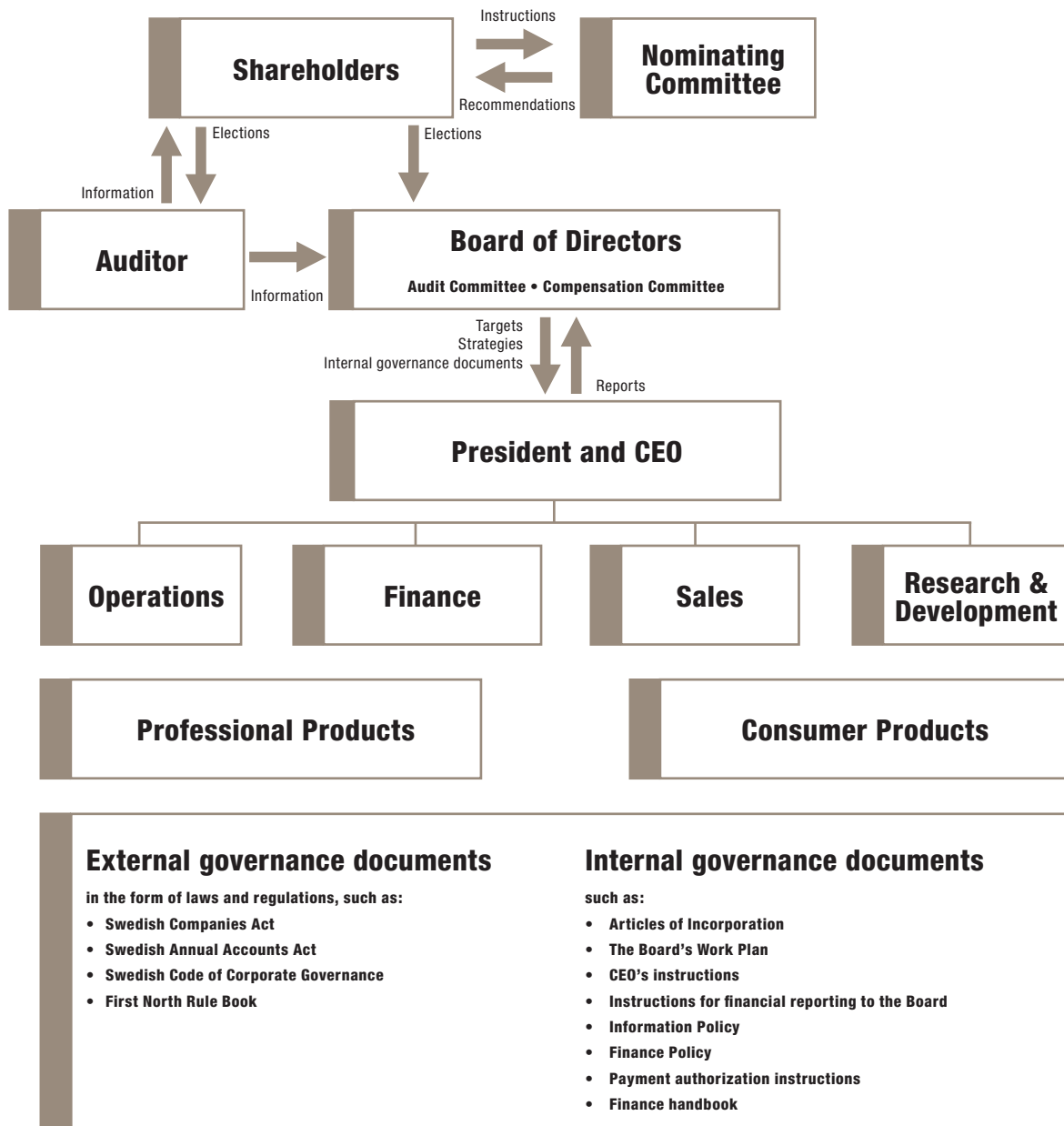
General

INVISIO Headsets AB (publ.) (“INVISIO Headsets” or the “Company”) is a Swedish limited liability company with its registered office in Stockholm, Sweden. The Company is listed on First North Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. Since July 9, 2009, the Company is listed under the First North Premier segment. The Swedish Code of Corporate Governance applies to all Swedish limited liability companies whose shares are available for trading in a regulated market in Sweden, currently NASDAQ OMX Stockholm and NGM Equity. As such, INVISIO Headsets is not formally bound to follow the Swedish Code of Corporate Governance. However, the basis of the corporate governance used by INVISIO Headsets is the same as for companies listed on a regulated market and emanates from

the Swedish Companies Act, the Swedish Code of Corporate Governance, and other applicable Swedish and foreign laws and rules. No departures from the Swedish Code of Corporate Governance have been noted. The document “Overview of INVISIO Headsets’ application of the Swedish Code of Corporate Governance” (original title: “Översikt av INVISIO Headsets tillämpning av Svensk kod för bolagsstyrning”) can be found on INVISIO Headsets’ website www.invisioheadsets.com. INVISIO Headsets’ corporate governance report has not been reviewed by the Company’s auditors.

Overview of corporate governance at INVISIO Headsets

Governance and control of INVISIO Headsets are divided among shareholders attending general meetings, the Board



of Directors, and the CEO. An overview of the organization, governance, and control (including external and internal governance documents) of INVISIO Headsets and the INVISIO Headsets Group is provided on the previous page.

Shareholders

SHAREHOLDERS' VOTING RIGHTS

INVISIO Headsets has been listed on First North, Stockholm since mid-2004, and more specifically under the First North Premier segment since July 9, 2009. The Company's share capital, at December 31, 2009, amounted to SEK 21.6 m (20.6), divided into 21,565,126 shares (20,646,084) (registered number), each with a quotient value of SEK 1.00.

All shares have equal voting rights. The Company's market capitalization, based on the closing price at December 30, 2009, was approximately SEK 388 m (365).

NUMBER OF SHAREHOLDERS

At year-end 2009, INVISIO Headsets had 203 shareholders (143). Major shareholders are Interstella AG, Zurich, on behalf of clients, with an ownership stake of 33.6 percent, Alecta Pensionsförsäkring, with an ownership stake of 18.8 percent, and Lage Jonason (with family and companies), with an ownership stake of 17.5 percent. The ten largest shareholders account for an ownership stake of 90.9 percent.

GENERAL MEETINGS OF SHAREHOLDERS

The shareholders' right to decide on INVISIO Headsets' business activities is exercised at general meetings of shareholders. Shareholders who are registered in the shareholder register as per the record date and who have provided sufficient advance notice of their participation have the right to participate at general meetings and to vote on the basis of all their shares. Shareholders who are represented by proxy must issue a dated power of attorney for said proxy.

The Annual General Meeting (AGM) of INVISIO Headsets shall be held within six months after the end of the financial year and is usually held in April, in Stockholm. At the AGM, resolutions are adopted concerning – among other things – adoption of the Company's income statement and balance sheet, the consolidated income statement and consolidated balance sheet, disposition of the Company's profit or loss, discharging the board members and CEO from liability to the Company, election of directors, the Chair of the Board, and auditors, the setting of directors' and auditors' fees, and other items of business that are incumbent upon the AGM pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance. Extraordinary general meetings are held when the Board finds reason for such pursuant to the Swedish Companies Act.

2009 ANNUAL GENERAL MEETING

The 2009 Annual General Meeting was held in Stockholm on April 28. A total of 13 shareholders or their proxies were present, representing 50.73 percent of the number of shares and votes. The minutes from the AGM can be found on INVISIO Headsets' website www.invisioheadsets.com. A number of the resolutions that were passed follow below.

Attorney Klaes Edhall was elected to chair the AGM.

The AGM resolved to adopt the Company's income statement and balance sheet for 2008, to adopt the consolidated income statement and consolidated balance sheet for 2008, to distribute the Company's deficit in accordance with the recommendation of the Board and the CEO in the 2008 Board of Directors' report (that is, to carry it forward), and to discharge the board members and the CEO from liability for the 2008 financial year.

The AGM also resolved to authorize the Board, on one or more occasions before the next AGM, with or without deviation from the shareholders' pre-emption rights, to make decisions on the issue of new shares, stock options, and/or convertibles. The reason for deviating from the shareholders' pre-emption rights is to spread ownership in the Company through a listing of the Company's stock on NASDAQ OMX Stockholm or, should such a need arise, to strengthen the Company's financial position. Decisions supported by said authorization shall comprise a maximum of 2,000,000 shares in new share issues, in the exercising of stock options, and/or the conversion of convertibles, corresponding to approximately 9.6 percent of the number of shares and votes outstanding at that time. Cash issues or set-off issues conducted with deviation from the shareholders' pre-emption rights may only be carried out at a price equal to the market value of the share, stock option, or convertible and on the basis of any altered terms the Board may deem necessary in order to complete the issue. In the case of issues invoking shareholders' pre-emption rights, the Board decides on the price. The authorization encompasses the right to decide on cash issues and set-off issues and otherwise in compliance with the conditions stipulated in Chapter 2, Section 5, Paragraph 2, Items 2, 3, and 5 of the Swedish Companies Act.

Heléne Bergquist, Magnus Ruding, and Mats Warstedt were re-elected as directors while Anders Persson was elected as a new director. Heléne Bergquist was re-elected to serve as Chair of the Board. The AGM resolved that directors' fees shall be payable in the amount of SEK 250,000 to the Chair of the Board and SEK 100,000 to each of the other directors. The AGM also resolved that an additional fee of not more than SEK 500,000 shall be payable under special circumstances to a director who, pursuant to a Board decision, shall work with financial matters, the listing on NASDAQ OMX Small Cap, contract negotiations, and other strategic matters. It shall be possible to share this additional fee between several directors and, in such cases, in relation to the time invested in the areas of responsibility. The AGM also resolved that fees shall be payable to the auditor in accordance with an approved invoice and decided on guidelines for compensation of the CEO and other senior executives.

Further, the AGM adopted a set of instructions for the Nominating Committee.

2010 ANNUAL GENERAL MEETING

The 2010 Annual General Meeting will be held at 9 a.m. on April 27, 2010, at the premises of Erik Penser Bankaktiebolag, Biblioteksgatan 9, Stockholm. Notice of the AGM can be found on INVISIO Headsets' website www.invisioheadsets.com.

Nominating Committee

A nominating committee shall be appointed and shall work during the time until a new nominating committee has been appointed on the drafting and presentation of recommendations to the shareholders at the AGM regarding the number of directors, election of directors, the Chair of the Board and, where applicable, the auditor, as well as on the fees to be paid to the Board of Directors and auditor and other matters that may be incumbent upon a nominating committee pursuant to the Swedish Code of Corporate Governance.

The Nominating Committee shall consist of four members, who shall be appointed as follows:

Before the end of the third quarter, the Chair of the Board shall contact the three largest shareholders of the Company, who then each appoint one member – who should not be a director on the Board – to serve on the Nominating Committee.

One of these shall be appointed to serve as committee chair. If any of the three largest shareholders refrain from appointing a nominating committee member, the Chair of the Board shall urge another major owner to appoint a member. Shareholders who have appointed a member have the right at any time to replace their designated member with another representative. In addition, the Chair of the Board shall be a member of the Nominating Committee, but shall not be appointed as committee chair. As part of the Nominating Committee's work, the Chair of the Board shall report to the committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be important to the work of appointing a board. Individual shareholders of the Company shall be able to submit nominations for board members to the committee for further evaluation within the framework of the committee's work.

Information on the Nominating Committee's composition shall be made public no later than six months before the Annual General Meeting and in the Company's interim report for the first nine months of the year. The Nominating Committee shall have the right to charge the Company the costs for engaging recruitment consultants, if such consultants are deemed necessary to obtain a suitable selection of candidates for the Board. The Nominating Committee shall report its work at the Annual General Meeting.

The Nominating Committee prior to the 2010 AGM comprised Lage Jonason, who also acted as Committee Chair and represented himself and his family and companies, Ramsay Brufer, representing Alecta Pensionsförsäkring, Jan Andersson, representing Swedbank Robur fonder, and Chair of the Board Heléne Bergquist.

The Nominating Committee decided to propose to the AGM that it re-elect incumbent directors Heléne Bergquist, Anders Persson, Magnus Ruding, and Mats Warstedt, as well as re-elect Heléne Bergquist as Chair of the Board.

The Nominating Committee also decided to propose that the AGM elect Lars Röckert as a new director on the Board of INVISIO Headsets. Lars Röckert, born 1950, is Head of Marketing at BAE Systems AB.

The Nominating Committee has informed the Board that it may propose an additional new director. The Nominating Committee's possible additional proposal will be published in a press release from the Company as soon as it is available, with the aim of doing so in good time prior to the AGM.

Board of Directors

THE BOARD'S RESPONSIBILITY, DUTIES, AND DELEGATION OF DUTIES

As prescribed by the Swedish Companies Act, INVISIO Headsets' board is responsible for the Company's organization and the administration of the Company's affairs. The Board shall continuously assess the economic situation of both the Company and the Group. The Board shall also ensure that the Company's organization is designed in such a manner that the bookkeeping, asset management, and the Company's economic situation in general are controlled in a reassuring manner.

Each year, in connection with the board meeting following the election of the Board, and in conjunction with other board meetings if necessary, the Board of INVISIO Headsets adopts a work plan (the Work Plan for the Board of Directors of INVISIO Headsets). According to this work plan, the Board's duties include setting targets and strategies, adopting internal governance documents, approving important agreements, approving investments according to certain criteria, approving capital expenditures (including acquisitions of operations, shares in companies, real property, and intangible rights), approving sales of operations, shares in companies, real property, and intangible rights, approving loans raised according

to pre-determined criteria, approving important surety and guarantee obligations, evaluating the CEO and other members of management and ensuring succession planning, overseeing the CEO's work through continuous monitoring of operations, and evaluating the work of the Board.

In addition to the Board's duties as outlined above, the Board's Work Plan also clarifies the Board's and its committees' internal divisions of responsibility, including the Chair's role, board meeting structure, the minimum number of board meetings, procedures for issuing summonses to board meetings, the Board's meeting plan, items of business to be discussed at board meetings, quorums of the Board, procedures for recording the minutes of board meetings, and procedures for providing material for decision-making to the Board.

The Chair of the Board shall lead the Board's work and conduct oversight to ensure that the Board fulfills its duties pursuant to the Swedish Companies Act and other obligations, as well as ensure that the Board's work is conducted effectively. In particular, the Chair shall organize and lead the Board's work on creating the best possible conditions for the Board's work, ensure that new board members are provided necessary orientation training and other training that the Chair and such member both consider suitable, ensure that the Board continuously updates and deepens its knowledge about the Company, assume responsibility for contacts with the owners on owner matters and convey views from the owners to the Board, ensure that the Board receives satisfactory information and material for decision-making and its work, set a proposed agenda for board meetings in consultation with the CEO, check whether Board decisions are implemented, and ensure that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work methods and effectiveness.

The Board has established two working committees, the Audit Committee and the Compensation Committee.

AUDIT COMMITTEE

The Board is responsible for ensuring that the Company has good internal control and formalized routines that ensure compliance with established principles for financial reporting and internal control and that the Company's financial reporting is prepared in compliance with law, applicable accounting standards, and other requirements placed on the Company.

The Audit Committee's duties and responsibilities include:

- Monitoring the Company's financial reporting;
- Regarding the financial reporting, monitoring the effectiveness of the Company's internal control and risk management;
- Staying informed about the audits of the annual accounts and the consolidated accounts;
- Examining and monitoring the external auditor's impartiality and independence and therewith paying particular attention to whether the external auditor provides the Company with services other than auditing; and
- Assisting with the preparation of proposals for the AGM on decisions regarding the choice of auditor.

Monitoring of the Company's financial reporting is normally conducted in such a way that the Audit Committee reviews all critical accounting issues and the financial reports issued by the Company. The Audit Committee is tasked with, among other things, considering matters such as internal control, regulatory compliance, significant uncertainties in reported values, uncorrected errors, post-balance sheet events, changes in estimations and assumptions, any confirmed improprieties, and other circumstances that may affect the quality of the financial reporting.

The Audit Committee consists of all of the board members and is chaired by the Chair of the Board. Minutes from Audit Committee meetings are included in the minutes from board meetings.

At board meetings, the Audit Committee discussed the interim report for January–March 2009, the half-year report for January–June 2009, the interim report for January–September 2009, the year-end report for January–December 2009, and the 2009 Annual Report. At board meetings, the Audit Committee met with the Company's auditor to receive information on the audit plan and the result of the auditor's audit and to examine the auditor's written plans and reports.

COMPENSATION COMMITTEE

The Compensation Committee's duties and responsibilities include preparing matters for board decisions on issues related to compensation principles, compensation and other terms of employment for company management, and following and evaluating programs (both current and those completed during the year) for variable compensation for company management, as well as following and evaluating the application of the guidelines for compensation of senior executives (which in accordance with the law shall be determined by the AGM) and of compensation structures and compensation levels at the Company.

The Compensation Committee consists of all board members and is chaired by the Chair of the Board. Minutes from Compensation Committee meetings are included in the minutes from board meetings.

At board meetings, the Compensation Committee discussed matters that are incumbent upon the Compensation Committee.

COMPOSITION OF THE BOARD AND ITS COMMITTEES AND DIRECTORS' INDEPENDENCE

According to the Articles of Incorporation, the Board of INVISIO Headsets shall consist of a minimum of three and maximum of six directors. The Board currently consists of four directors, who were elected for terms extending until the 2010 Annual General Meeting. These directors are Heléne Bergquist, Anders Persson, Magnus Ruding, and Mats Warstedt. Directors Christian Paulsson, Fredrik Sandelin, and Jan Werne left their board positions in conjunction with the 2009 AGM. The composition of the Board's Audit Committee and Compensation Committee is shown in the table "Composition of the Board 2009" below. The same table also shows the Board's assessments of directors' independence in relation to the Company and company management and the Company's largest shareholders. The table also shows that INVISIO Headsets complies with the requirement of the Swedish Code of Corporate Governance from July 1, 2008 that a majority of directors shall be independent in relation to the Company and company management and that at least two of these shall also be independent in relation to the Company's major shareholders. The Board's assessments of directors' independence is the same even in relation to the requirements in the Swedish Code of Corporate Governance from February 1, 2010 that are applied only to directors elected after July 1, 2010.

COMPOSITION OF THE BOARD

2009	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Heléne Bergquist	1958	Chair	2008	Yes	Chair	Chair
Christian Paulsson	1975	Director ¹	2005	No ²	Member	Member
Anders Persson	1957	Director ²	2009	Yes	Member	Member
Magnus Ruding	1956	Member	2008	Yes	Member	Member
Fredrik Sandelin	1962	Director ¹	2006	Yes	Member	Member
Mats Warstedt	1962	Member	2008	Yes	Member	Member
Jan Werne	1952	Director ¹	2004	Yes	Member	Member

¹Director until 2009 AGM

²Director as of 2009 AGM

³Non-independent in relation to Lage Jonason, a major shareholder of the Company

2008	Born	Position	Elected	Independent	Audit Committee	Compensation Committee	Finance Committee
Heléne Bergquist	1958	Chair ¹	2008	Yes	Chair	Chair	Chair
Andrew L. Berman	1958	Director ²	2007	No ³	-	-	-
Joseph C. Formichelli	1942	Director ²	2007	Yes	-	-	-
Christian Paulsson	1975	Director ⁴	2005	No ⁵	Member	Member	Member
Magnus Ruding	1956	Director ⁶	2008	Yes	Member	Member	-
Fredrik Sandelin	1962	Member	2006	Yes	Member	Member	-
Mats Warstedt	1962	Director ⁶	2008	Yes	Member	Member	-
Jan Werne	1952	Member	2004	Yes	Member	Member	-

¹Chair of the Board and Director as of 2008 AGM

²Director until 2008 AGM

³Non-independent due to previous position as CEO of the Company May 5, 2006–February 14, 2007

⁴Director until 2008 AGM

⁵Non-independent in relation to Lage Jonason, a major shareholder of the Company

⁶Director as of extraordinary general meeting of December 15, 2008

THE WORK OF THE BOARD

According to the Articles of Incorporation, INVISIO Headsets' board shall meet at least eight times each year, excluding the board meeting following the election of the Board. In 2009, the Board held 19 meetings. The attendance of board members at board meetings is shown in the table "Directors' attendance 2009" below.

The main issues covered at board meetings in 2009 were:

- Budget 2009
- Year-end report 2008
- Annual report 2008
- Internal governance documents
- Financial accounting and reporting
- Compensation of CEO and other senior executives
- The collaboration with Motorola
- Sale of patent
- Interim report January–March 2009
- The auditor's audit plan
- Production matters
- Half-year report January–June 2009
- Interim report January–September 2009
- Business Plan 2009-2011 with targets and strategies
- Budget 2010
- Liquidity and financing matters
- The CEO's report and business follow-up
- The outcome of the auditor's assignment

The secretary at the Board's meetings was most often an external attorney.

DIRECTORS' ATTENDANCE

2009	Position	Board meetings
Heléne Bergquist	Chair	19 of 19
Christian Paulsson	Director ¹	6 of 6
Anders Persson	Director ²	12 of 13
Magnus Ruding	Member	19 of 19
Fredrik Sandelin	Director ¹	5 of 6
Mats Warstedt	Member	18 of 19
Jan Werne	Director ¹	5 of 6

¹Director until 2009 AGM

²Director as of 2009 AGM

2008	Position	Board meetings
Heléne Bergquist	Chair ¹	17 of 18
Andrew L. Berman	Director ²	5 of 5
Joseph C. Formichelli	Director ²	5 of 5
Christian Paulsson	Director ³	23 of 23
Magnus Ruding	Director ⁴	2 of 2
Fredrik Sandelin	Member	18 of 23
Mats Warstedt	Director ⁴	2 of 2
Jan Werne	Member	23 of 23

¹Chair of the Board and Director as of 2008 AGM

²Director until 2008 AGM

³Director until 2008 AGM

⁴Director as of extraordinary meeting of shareholders held on December 15, 2008

EVALUATION OF DIRECTORS

According to the Board's Work Plan, the Chair of the Board is responsible for ensuring that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work forms and effectiveness. For 2009, the evaluation was conducted by holding interviews and discussions between the Chair of the Board and individual directors, with subsequent reporting to and discussions with the entire Board.

Auditor

INVISIO Headsets' auditor audits the annual accounts, the consolidated accounts, and the bookkeeping, as well as the administration of the Board and the CEO. The auditor works according to an audit plan and reports any observations to the Audit Committee at board meetings. The auditor participates at the Annual General Meeting in order to present the audit report, which describes the audit work and the auditor's conclusions. At the Board's request, the auditor also conducted a review of the interim report for January–September 2009.

At the 2008 AGM, the certified public accounting firm PricewaterhouseCoopers AB was elected to serve as auditor for the time extending through the end of the Annual General Meeting held in the fourth financial year following the financial year in which the auditor was elected. The auditor-in-charge is Michael Bengtsson, Certified Public Accountant.

CEO, management, departments, and employees

According to the Swedish Companies Act, the CEO shall be responsible for the day-to-day administration in accordance with the Board's guidelines and instructions. Each year, in connection with the board meeting following the election of the Board, the Board of INVISIO Headsets adopts a set of instructions for the CEO. According to these instructions, the CEO shall, in consultation with the Chair of the Board, ensure that matters are properly prepared for ahead of board meetings and that satisfactory written documentation for decision-making, characterized by objectively presented facts, thoroughness, and relevance, is provided to the Board. At board meetings, the CEO shall make presentations and suggest recommendations on matters prepared by management. The CEO's report on the business situation, future outlook, and financial reporting is a standing agenda item at regular board meetings.

INVISIO Headsets' operations are organized in two business areas, Professional Products and Consumer Products, and in four departments, Operations, Finance, Sales, and Research & Development. INVISIO Headsets' headquarters are in Copenhagen, Denmark, which is where management and administration, business operations, some manufacturing, marketing and sales, and research and development are conducted. Most manufacturing is outsourced to subcontractors. The CEO heads operations and makes decisions in consultation with the other members of management, who consist of the managers of the four business areas. The Company had 29 (30) employees as per December 31, 2009 and 14 (13) of those employed worked in Research & Development.

BOARD OF DIRECTORS



HELÉNE BERGQUIST (BORN 1958)

Chair of the Board, elected in April 2008

M.Sc. Econ., management consultant. Director of Trelleborg AB, TradeDoubler AB, Tyréns AB, and Nordic Growth Market NGM AB. Former Senior Vice President, Group Controller, AB Electrolux, Certified Public Accountant, partner and director on the board of PricewaterhouseCooper in Sweden.

Heléne Bergquist owns 40,950 shares in INVISIO Headsets.



ANDERS PERSSON (BORN 1957)

Director, elected in April 2009

M.Sc. Eng in Engineering Physics from Chalmers University of Technology, Gothenburg. Executive Vice President of Product Development at Net Insight AB. Anders has many years of experience from the Ericsson Group, where he was most recently General Manager for Network Design and Performance Improvement. He has also held a number of other executive positions at Ericsson.

Anders Persson owns no shares in INVISIO Headsets.



MAGNUS RUDING (BORN 1956)

Director, elected in December 2008

D. Eng., Head of Method and Design Support and R&D, Swedish Defense Materiel Administration. Fellow of the Royal Swedish Academy of War Sciences and Secretary of Section IV of the Academy, Military Engineering.

Magnus Ruding owns no shares in INVISIO Headsets.



MATS WARSTEDT (BORN 1962)

Director, elected in December 2008

M.Sc. Eng from Stockholm's Royal Institute of Technology (KTH) and M.Sc. Econ from Stockholm School of Economics. Active in own consultancy firm. Former CEO of Saab Barracuda AB and Head of Marketing and group executive at Saab AB.

Mats Warstedt owns 700 shares in INVISIO Headsets.

SENIOR EXECUTIVES



From left: Carsten Aagesen, Bengt Nilsson, Lars Højgård Hansen, Jan Larsen.

Below we present the senior executives of INVISIO Headsets, with their backgrounds, positions, and years of service.

LARS HØJGÅRD HANSEN (BORN 1963)

CEO since July 2007, prior to which he was acting CEO for the period February–June 2007

Højgård Hansen has been involved in INVISIO Headsets since 2006. Prior to joining INVISIO Headsets, he has a long record of experience from executive positions in the telecom industry, including Vice President Marketing for Jabra/GN Netcom and Sales and Marketing Director for mobile phone accessories in Europe, the Middle East, and Africa for Ericsson and SonyEricsson. Lars Højgård Hansen has a Graduate Diploma (HD-A) from Copenhagen Business School and an Executive MBA from Lund University, School of Economics.

Højgård Hansen has no significant assignments outside the Company and no shareholdings or partnerships in companies with which the Company has significant business dealings.

Højgård Hansen owns 116,666 shares in INVISIO Headsets.

BENGT NILSSON (BORN 1951)

CFO since 2007

Bengt Nilsson has been involved in INVISIO Headsets since 2007. Prior to joining INVISIO Headsets, he has a long record of experience from executive positions, including Finance Director and Administrative Director for Shurgard Scandinavia and CFO of Vattenfall Division Sales, Sweden. He has also worked as an independent consultant with assignments for companies such as Diligentia AB, where he was CFO/controller, and Carnegie Holding AB. He has a degree in Economics from Stockholm University.

Bengt Nilsson owns no shares in INVISIO Headsets.

JAN LARSEN (BORN 1962)

Vice President Research & Development since May 2007 and also Head of Operations since March 2010

Jan Larsen has been involved in INVISIO Headsets since 2007. Prior to joining INVISIO Headsets, he has a long record of experience from executive positions in product development for various types of hearing and acoustics applications, including Vice President R&D for GN Netcom and various positions at Oticon and Unomedical. He has a degree in Electrical Engineering (B.Sc. EE) from the Technical University of Denmark and a Graduate Diploma (HD-O) from Copenhagen Business School.

Jan Larsen owns 8,000 shares in INVISIO Headsets.

CARSTEN AAGESEN (BORN 1968)

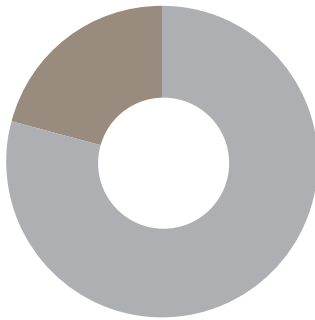
Senior Vice President Global Sales since May 2008

Carsten Aagesen joined INVISIO Headsets in May 2007 as Vice President Consumer Sales, EMEA. He has 15 years of executive experience in international sales and marketing, including Sales & Marketing Manager and Marketing Manager, Nordic Region and Benelux for Apple, Director Global Marketing for GN Great Nordic/GN Netcom, and Director Sales & Product Sourcing for F Group. He has an M.Sc. Econ., with a major in Marketing and Strategic Management.

Carsten Aagesen owns no shares in INVISIO Headsets.

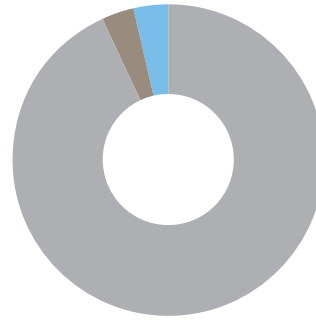
EMPLOYEES AND ORGANIZATION

GENDER DISTRIBUTION AS PER
DECEMBER 31, 2009



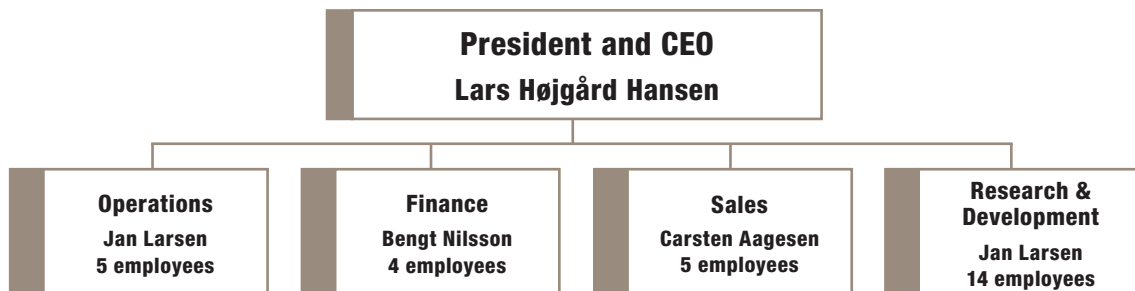
Men 23 (24)
Women 6 (6)
Total 29 (30)

GEOGRAPHIC DISTRIBUTION AS PER
DECEMBER 31, 2009



Denmark 27 (26)
Sweden 1 (1)
US 1 (3)
Total 29 (30)

ORGANIZATIONAL STRUCTURE



Compensation of the Board, auditor, CEO, and other senior executives

DIRECTORS' FEES

Directors' fees are determined by the shareholders at general meetings. The 2009 AGM resolved that directors' fees shall be payable in the amount of SEK 250,000 to the Chair of the Board and SEK 100,000 to each of the other directors. The AGM also resolved that an additional fee of not more than SEK 500,000 shall be payable under special circumstances to a director who, pursuant to a Board decision, shall work with financial matters, the listing on NASDAQ OMX Small Cap, contract negotiations, and other strategic matters. In 2009, the Board decided in favor of an additional fee of SEK 86,000 for the Chair of the Board. No additional fees are payable to members of the Audit Committee or the Compensation Committee.

Directors' fees are described in more detail in Note 11 of the 2009 Annual Report.

AUDITOR'S COMPENSATION

The auditor's fees are decided on by the shareholders at the annual general meeting. The 2009 Annual General Meeting resolved that fees shall be payable to the auditor in accordance with an approved invoice. Auditor's fees are shown in the table below. Other assignments pertain primarily to consulting on accounting and tax matters.

SEK 000s	2009	2008
Auditing		
PricewaterhouseCoopers	712	558
SET Revisionsbyrå	-	203
Palsgaard & Hansen	-	346
MCG LLP	115	148
	827	1,255
Other assignments		
PricewaterhouseCoopers	67	-
SET Revisionsbyrå	-	120
Palsgaard & Hansen	-	448
MCG LLP	61	30
	128	598
<i>Total</i>	955	1,853

Auditor's fees are described in more detail in Note 7 of the 2009 Annual Report.

COMPENSATION OF THE CEO AND OTHER SENIOR EXECUTIVES

The Company shall offer market terms to the CEO and other senior executives and thereby enable the Company to recruit, develop, and retain senior executives. A combined gross level of compensation shall be set for each person, and within this framework the concerned employee can influence the allocation among fixed salary, pension, and other benefits. In addition, a variable salary based on clear and quantifiable targets set by the Board can be offered. Variable salary shall not exceed 50 percent of the fixed salary. The Company regularly gathers and evaluates information on current compensation levels for executives in relevant industries and markets.

Neither the Parent Company nor the subsidiaries have any defined benefit pension plans for their employees. Under his employment contract, the CEO has a defined contribution pension entitlement in which the premium is calculated at 30 percent of approximately 70 percent of his fixed salary. Certain other senior executives also have a defined contribution pension entitlement in which the premium is calculated at 10–25 percent of fixed salary.

Compensation of the CEO and other senior executives is shown in the following table.

2009 SEK 000s	Salary	Pension	Other remuneration	Total
Management				
Lars H. Hansen, CEO	2,096	462	73	2,631
Other executives	5,166	488	-	5,654
<i>Total</i>	7,262	950	73	8,285

2008 SEK 000s	Salary	Pension	Other remuneration	Total
Management				
Lars H. Hansen, CEO	1,905	429	78	2,412
Other executives	5,529	368	-	5,897
<i>Total</i>	7,434	797	- 78	8,309

Compensation of the CEO and other senior executives is described in more detail in Notes 10 and 11 of the 2009 Annual Report.

Long-term incentive program

In 2007, the Board established a synthetic option program for all Group employees. During the term of the program, participants will be granted employment-related options and performance-related options. The options are granted free of charge and encompass a total of 700,000 options, of which 350,000 are employment-related options and 350,000 are performance-related options. Exercise of employment-related options requires, in principle, that the employment relationship exists at the time of exercise. In addition, exercise of performance-related options requires the achievement of certain financial targets set by the Board.

The option program has a term of approximately four years from the grant date and expires on June 30, 2011. The growth in value of granted options is maximized to three times the market price at the date of grant, which was SEK 19.00 as per July 9, 2007.

In 2009, SEK 2,391 thousand (1,567) was reserved for the program, of which SEK 423 thousand was for performance-related options granted for 2008 (0 for those granted for 2007). Performance-based options for 2009 will be granted in an amount corresponding to 87 percent (41) of maximum outcome. No provisions were made for performance-based options granted for 2009. The final closing price as per December 30, 2009 was SEK 18.00.

Notice period

According to his employment contract, the CEO has a 12-month notice period in the event the Company serves notice. In the event the CEO leaves of his own accord, the notice period is eight months.

According to their respective employment contracts, other senior executives have a six-month notice period in the event the Company serves notice. In the event the other senior executives leave on their own initiative, the notice period is three months.

Board's description of internal control and risk management pertaining to financial reporting

The Board's responsibility for internal control and risk management is regulated in the Swedish Companies Act and, for Swedish limited liability companies whose shares are available for trading on a regulated market in Sweden (currently NASDAQ OMX Stockholm and NGM Equity), also in the Swedish Code of Corporate Governance, the requirements of which include annual disclosures in the corporate governance report of the most important features of a company's systems for internal control and risk management with respect to financial reporting. However, INVISIO Headsets is not formally bound to the Swedish Code of Corporate Governance, since the Company's shares are not available for trading on a regulated market, although the Code serves as an important reference for corporate governance within the Company.

Internal control and risk management with respect to financial reporting are part of INVISIO Headsets' overall internal control and risk management and comprise a central component of the Company's corporate governance. INVISIO Headsets defines internal control and risk management as a process that is influenced by the Board, the Audit Committee, the CEO, other Company management, and other employees and that is designed so as to provide reasonable assurance that INVISIO Headsets' goals are achieved with respect to suitable and effective operations, reliable reporting, and compliance with applicable laws and statutes. This process is based on a control environment that fosters discipline and structure for the other four components of the process – risk assessment, control structures, information and communication, and follow-up. The process is based on the framework for internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO), www.coso.org.

The following description has been prepared in accordance with the Swedish Code of Corporate Governance and constitutes the Board's description of the most important features of the Company's systems for internal control and risk management with respect to financial reporting. The description is not part of the formal annual accounts and has not been audited by the Company's auditor.

Internal control and risk management with respect to financial reporting are aimed at providing reasonable assurance regarding the reliability of the external financial reporting in the form of interim reports, annual reports, and year-end reports and ensuring that the external financial reporting is prepared in accordance with law, applicable accounting standards, and other requirements on listed companies.

CONTROL ENVIRONMENT

The control environment encompasses the values and the ethics that the Board, the Audit Committee, the CEO, and other members of management communicate and adhere to, as well as the organizational structure, leadership, decision-making channels, authority, responsibilities, and competence held by

the employees. An overview of the Company's organization, governance, and control – including external and internal governance documents that are important aspects of INVISIO Headsets' control environment – is provided on page 30 in the 2008 Corporate Governance Report. INVISIO Headsets is characterized by a comparatively lean and decentralized organization with clear responsibility for the respective business area managers who, together with the CEO, comprise company management.

The Board has overarching responsibility for internal control and risk management with respect to financial reporting. The Board has adopted a Work Plan for the Board of INVISIO Headsets that forms an internal governance document. This document stipulates the Board's responsibility and regulates the internal division of duties among the Board, its committees, and its members.

The Board has appointed an Audit Committee, comprised of all board members, tasked with and responsible for monitoring the Company's financial reporting and, in this context, also monitoring the effectiveness of the Company's internal control and risk management. The Audit Committee shall also stay informed about the audits of the annual accounts and the consolidated accounts, examine and monitor the external auditor's impartiality and independence and therewith pay particular attention to whether the external auditor provides the Company with services other than auditing, and assist with the preparation of proposals for the AGM on decisions regarding the choice of auditor.

The Board has also established internal governance documents in the shape of a set of instructions for the CEO of INVISIO Headsets, as well as instructions for financial reporting to the Board of INVISIO Headsets.

As regards financial reporting, responsibility for maintaining an effective control environment and for the ongoing work on internal control and risk management is delegated to the CEO. The Company's CFO works under the direction of the CEO on continuously developing and improving the internal control and risk management with respect to financial reporting – on the one hand proactively with a focus on the internal control environment, on the other hand by quality assuring the external financial reporting. In 2009, INVISIO Headsets continued the review of internal governance documents begun in 2008 in order to ensure that they meet the Company's current needs and are in compliance with laws, applicable accounting standards, and other requirements on listed companies. As a result of this review, several internal governance documents have been updated and a new Finance Handbook has been drawn up. In addition to this, the focus in 2009 was on effective financial governance and control in the form of follow-ups of targets and plans and clear divisions of responsibility for income and expenses.

RISK ASSESSMENT

As regards financial reporting, INVISIO Headsets' risk assessment is designed to identify and evaluate the most significant risks affecting internal control with respect to financial reporting. Risk assessment provides a foundation for decisions on how risks are to be managed using various control structures, with the aim of ensuring that the basic requirements of financial reporting are fulfilled. The risk assessment that has been performed shows that the most significant risks for errors in the financial reporting pertain primarily to the fair valuation of intangible assets in the form of capitalized

development costs, inventories, and trade accounts receivable. As per December 31, 2009, the assessment is that the carrying amount of these items corresponds to their fair value.

The Company's risk management is described further in the Board of Directors' Report and in Note 2 of the 2009 Annual Report.

CONTROL STRUCTURES

The most significant risks identified with respect to the financial reporting are managed using various control structures to ensure that the basic requirements of the external financial reporting are fulfilled. These control structures include both overarching and more detailed controls designed to prevent, discover, and correct errors and deviations, and which can be both formal and informal in nature. Areas covered by the controls include authorized approval of business transactions, the reliability of business systems, compliance with laws, applicable accounting standards, and other requirements placed on listed companies, and areas that contain significant elements of estimation.

INFORMATION AND COMMUNICATION

As regards financial reporting, information and communication about internal governance documents are available to the Company's employees in INVISIO Headsets' document management system, High Stage. This system, which was implemented in 2008, is a web-based tool for managing business documents in a central database and features automatic version management as well as control of authorization, reviews, and approval. Information and communication on internal

governance documents are also provided in connection with staff meetings.

As regards financial reporting, the CEO and the Company's CFO report the results of their work on internal control and risk management at Audit Committee meetings.

External financial reporting is conducted in accordance with laws, applicable accounting standards, and other requirements on listed companies, as well as in accordance with relevant internal governance documents, such as the Finance Handbook, instructions for financial reporting, and the Information Policy.

FOLLOW-UP

Follow-ups to ensure the effectiveness of internal control and risk management with respect to financial reporting are conducted by the Board, the Audit Committee, the CEO, and other management. This includes follow-ups of the CEO's weekly business reports to the Board, of monthly financial reports against budgets and targets, of any reports from the CEO and the Company's CFO concerning identified shortcomings in internal control with respect to the financial reporting, and of reports from the Company's auditor.

INVISIO Headsets does not have a dedicated internal audit function. The Board has evaluated the need for such a function and has concluded that the organization's size and the scope of operations do not warrant such a function.

BOARD OF DIRECTORS' REPORT

The Board of Directors and President of INVISIO Headsets AB (publ.) ("INVISIO Headsets" or "the Company"), registered company number 556651-0987, herewith submit their annual report and consolidated accounts for the 2009 financial year, the Company's eleventh year of trading¹. The Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. Unless indicated otherwise, all amounts in the Board of Directors' Report are specified in millions of Swedish kronor (SEK). Figures in parentheses pertain to the preceding year.

Operations

INVISIO Headsets pursues its operations in two business areas, Professional Products and Consumer Products.

In the Professional Products business area, INVISIO Headsets develops, manufactures, markets, and sells communication equipment such as advanced wired headsets, control units, and peripherals for use with two-way radio, primarily for demanding professional users. Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. The products are sold via retailers and directly to end customers, under both the proprietary INVISIO brand and through OEM collaborations. The Company also conducts development work on assignment for customers. All manufacturing of professional products takes place in Scandinavia, conducted by carefully selected companies, including Swedish firm PartnerTech, and to some extent in-house.

In the Consumer Products business area, together with Motorola INVISIO Headsets develops wireless Bluetooth headsets for the consumer market using INVISIO Headsets' patented technology. The collaboration with Motorola is based on an exclusive licensing and collaboration agreement between INVISIO Headsets and Motorola that was signed in 2008. The agreement gives Motorola exclusive access to INVISIO Headsets' patented technology and the right to manufacture, market, and sell co-developed headsets for the consumer market. The original agreement was for five years, but was renegotiated to six years in 2009, thereby extending the agreement until 2014. This was due to a delay in the launch of the first co-developed headset, the Endeavor HX-1. The agreement includes the right to compensation for certain minimum quantities and for development work conducted by INVISIO Headsets. It is also conditional upon the fulfillment of certain goals prior to March 31, 2011. As of the end of 2009, all direct sales of consumer products ceased.

Research and development is the core activity of INVISIO Headsets and is conducted mainly internally within the Company. The product portfolio is based in part on INVISIO Headsets' patent families Bone Conduction and the Soft Spring earpiece.

The new strategy to focus on professional products and the collaboration with Motorola reached fruition in 2009. INVISIO Headsets is now gradually evolving from a headset-oriented company into a highly specialized communication company.

Sales and earnings

Total income for 2009 amounted to SEK 61.1 m (40.7), of which SEK 32.5 m is attributable to the sale of the VoIP (Voice over Internet Protocol) patent in March. Excluding the sale of the VoIP patent, total income amounted to SEK 28.6 m (40.7). The drop in total income compared to the previous year is primar-

ily attributable to the altered business model for the Consumer Products business area, which entailed the Company ceasing its own sales in this business area in 2009, as well as considerable non-recurring compensation received from Motorola that was recognized as income in 2008. With the launch of the Motorola Endeavor HX-1, the world's first wireless consumer headset to combine traditional technology with INVISIO Bone Conduction technology, which began in June 2009, INVISIO Headsets receives royalties from Motorola in accordance with the licensing and collaboration agreement. Gross profit totaled SEK 42.7 m (12.8) and the gross margin was 69.9 percent (31.6). Excluding the sale of the VoIP patent, gross profit totaled SEK 10.2 m (12.8) and the gross margin was 35.8 percent (31.6).

Operating expenses were essentially unchanged compared with the previous year and totaled SEK -56.2 m (-56.1). Operating expenses include depreciation of SEK -9.5 m (-7.0) and provisions of SEK -2.4 m (-1.6) for the Company's synthetic option program, of which SEK -0.4 m was for performance-related options granted for 2008 (0 for those granted for 2007). Performance-based options for 2009 will be granted in an amount corresponding to 87 percent (41) of maximum outcome. No provisions were made for performance-based options granted for 2009. Operating expenses benefited from the dissolution of a reserve for trade accounts receivable in the Consumer Products business area totaling SEK 0.8 m.

Net financial items totaled SEK -3.9 m (-1.7). The decline is mostly explained by higher borrowing costs and exchange rate fluctuations.

The loss after tax improved considerably compared to the previous year and totaled SEK -17.3 m (-44.9), corresponding SEK -0.82 per share (-2.24).

Over the last five years, the Group has developed as shown below:

SEK 000s	2009	2008	2007	2006	2005
Total income	61,106	40,686	22,786	57,517	38,028
Loss before tax	-17,295	-44,880	-68,072	-46,143	-10,963
Shareholders' equity	7,030	4,068	20,031	16,688	33,280
Total assets	50,229	47,429	59,044	55,703	43,460

PROFESSIONAL PRODUCTS BUSINESS AREA

Sales in 2009 totaled SEK 21.3 m (19.1), with a considerable sales boost during the fourth quarter following the launch of the new series of professional products, such as the INVISIO X50 control unit and the X5 headset. Despite a slight delay in the launch, we ended 2009 with the highest ever sales figures for our professional products.

The gross margin for the business area was 39.6 percent (50.5). The gross margin for professional products may vary between quarters and years depending on the share of direct sales to end customers (which have higher margins) compared

¹The business was established in 1999 as the Danish company Nextlink.to A/S. On November 11, 2003, the Group was founded under the name Nextlink AB (publ.), which was changed to INVISIO Headsets AB (publ.) in 2008.

to the share of sales via retailers. The gross margin has been affected by the product mix, with a higher share of sales via retailers, and costs incurred in conjunction with the delayed launch of the new series of professional products, including price adjustments for certain retailers and product-related setup costs.

The gross margin was also affected low margins on components sold to the Company's product manufacturers during the first half of the year.

The order book for professional products amounted to SEK 4.4 m (4.1) at year-end.

CONSUMER PRODUCTS BUSINESS AREA

Sales in 2009 totaled SEK 7.3 m (21.5), comprised in part by the clearance sale of the INVISIO G5 totaling SEK 1.4 m and royalties from Motorola, starting toward the end of the second quarter, totaling SEK 5.9 m. The drop in sales compared to the previous year is primarily attributable to the altered business model (which entailed the Company ceasing its own sales in this business area in 2009) and not inconsiderable non-recurring compensation from Motorola recognized as income in 2008. With the launch of the Motorola Endeavor HX-1, the world's first wireless consumer headset to combine traditional technology with INVISIO Bone Conduction technology, which began in June 2009, INVISIO Headsets receives royalties from Motorola in accordance with the licensing and collaboration agreement. The collaboration with Motorola continues to progress according to plan, though with some delay in the roll-out of the Endeavor HX-1.

The gross margin for the business area increased to 24.7 percent (14.8), wholly attributable to the collaboration with Motorola. The gross margin was impacted by discounts provided in conjunction with the clearance sale of remaining consumer products and the impairment of inventories.

PARENT COMPANY

The parent company INVISIO Headsets AB is a holding company with no other operations. All operations are pursued via the wholly-owned subsidiary INVISIO Headsets A/S in Denmark.

Operating income in 2009 totaled SEK 0.3 m (0.1). The operating loss was SEK -5.7 m (-7.8). The loss for the year was SEK -33.5 m (-62.5), of which shareholders' contributions to subsidiaries amounted to SEK -30 m (-53).

Cash and cash equivalents held by the parent company at year-end amounted to SEK 3.5 m (0.1) and the equity ratio was 88 percent (79). The parent company had 1 employee (1).

Research and development

Research and development is the Company's core activity and is conducted mainly internally within the Company. The focus is on the development of software and hardware for integrated headsets and Audio DSP (Digital Signal Processor) systems. The Company's engineers work with the development of products under the Company's own brand, INVISIO®, and with development under the agreement with Motorola.

Work is conducted continuously on documentation and quality management systems, high-quality manufacturing, and certifications. At present, INVISIO Headsets is certified in compliance with the CE and ATEX standards, as well as ANSI S3.19-1974 and ANSI S12.6-1997 (hearing protection certification). The Company's production partner, the Swedish firm PartnerTech, is ISO 9001-certified.

PATENTS

INVISIO Headsets owns two patent families of central importance to operations. These are INVISIO Bone Conduction, a technology that converts speech vibrations from the jawbone

into sound, and SoftSpring™, an earpiece that ensures that the headset sits firmly and comfortably even during rapid movement.

The patent strategy is to actively develop and submit patents in the fields of communication and audiology. For example, the Company recently submitted a new patent application for INVISIO Custom Protect Hearing Protection, which is a technology for protecting against hearing loss.

Organization and employees

INVISIO Headsets' headquarters are in Copenhagen, Denmark, which is where management and administration, business operations, some manufacturing, marketing and sales, and research and development are conducted. Most manufacturing is outsourced to subcontractors.

The Company had 29 (30) employees as per December 31, 2009.

Ownership structure

At year-end 2009, INVISIO Headsets had 203 shareholders (143). Major shareholders are Intersettle AG, Zurich, on behalf of clients, with 33.6 percent of the stock and the votes, Alecta Pensionsförsäkring, with 18.8 percent of the stock and the votes, and Lage Jonason (with family and companies), with 17.5 percent of the stock and the votes.

INVISIO Headsets is listed on First North Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. Since July 9, 2009, the Company is listed under the First North Premier segment. The plan to list INVISIO Headsets on NASDAQ OMX Small Cap in 2010 remains, as since the stock market climate gradually improved in 2009 there is reason to assume finance market conditions will prove sufficiently favorable.

Environment

The Company does not conduct any operations that require permits or notification pursuant to the Swedish Environmental Code.

Capital expenditure, cash flow, and shareholders' equity

CAPITAL EXPENDITURE

The Group's net capital expenditure for the year totaled SEK -8.5 m (-6.5), of which SEK -8.3 m (-8.1) comprised capitalized development costs and SEK -0.2 m (1.6) comprised net investments in property, plant, and equipment. Capitalized development costs pertained primarily to development of future professional products.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities in 2009 was SEK -10.7 m (-38.1). Cash flow from investing activities totaled SEK -8.5 m (6.5) and cash flow from financing activities totaled SEK 23.3 m (33.7), of which new share issues comprised SEK 24.0 m (24.4) and net amortization of liabilities to credit institutions comprised SEK -0.7 m (4.3). Net amortization of liabilities to credit institutions included SEK -7.8 m (5.5) in bank loan amortization. Cash and cash equivalents held by the Group amounted to SEK 5.1 m (0.9) at year-end.

Management and the Board work actively and continuously with the Company's governance and control, including financial performance, liquidity, and financial position. The Board regularly checks to ensure that the necessary conditions for continued operations exist. During the year, the parent company increased its shareholders' equity via new share issues

while making net amortizations on liabilities to credit institutions. The new share issues were aimed at securing INVISIO Headsets' financial position and financing increases in tied up capital in efforts to increase sales of professional products.

The Company is in need of further capital contributions until operations reach breakeven. The previous assessment made by company management and the Board stands, namely that necessary liquidity and financing will be generated and added to operations through operating income, borrowing, the possible exercise of stock options, and authorization from the 2009 AGM to implement share issues. For further information, see the section entitled Events after the end of the financial year.

SHAREHOLDERS' EQUITY

Two directed new share issues were implemented in 2009, in September and December. The first comprised 547,936 shares, corresponding to an increase in share capital of SEK 547,936 and an increase in other shareholders' equity of SEK 9,451,896. The second comprised 500,000 shares, corresponding to an increase in share capital of SEK 500,000 and an increase in other shareholders' equity of SEK 8,500,000. During the year, stock options corresponding to 83,106 shares were exercised, resulting in an increase in share capital of SEK 83,106 and an increase in other shareholders' equity of SEK 1,715,308.

The registered share capital increased by SEK 919,042 in 2009. Consequently, total registered share capital amounts to SEK 21,565,126. At year-end, there were 500,000 unregistered shares, which were registered on January 11, 2010.

The Group's reported shareholders' equity as per December 31, 2009 amounted to SEK 7.0 m (4.1), entailing an equity ratio of 14 percent (9).

DIVIDEND

The Board of Directors proposes that no dividend be paid for the 2009 financial year.

Accounting principles

The Group applies International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act, and the Swedish Financial Accounting Standards Council's Recommendation 30 (Supplementary Accounting Rules). The application of IFRS is a result of the EU statute that applies to all listed companies within the EU. Comparison figures for 2004 have been restated in accordance with IFRS, except for IAS 32 and IAS 39, which in accordance with a voluntary exclusion provided for in IFRS 1 are applied prospectively as of 2005.

As of January 1, 2009, the Company applies the following additions or amendments to IFRS:

- IAS 1 (Revised), "Presentation of Financial Statements". The amended standard requires that all changes in equity that do not refer to shareholders are reported separately.
- IFRS 8 "Operating Segments". This standard replaces IAS 14 "Segment Reporting" and is based on a management perspective that requires segment information to be presented in the same manner as it is presented in the internal reports to the Chief Operating Decision Maker (CODM). At INVISIO Headsets, group management is defined as the CODM. The new standard does not result in any changes to the reported segments.

Risks and risk management

All business is associated with risks. Risks that are managed well can give rise to opportunities and value creation, while risks that are not managed well can give rise to damages and losses. INVISIO Headsets operates in a global market with the development, manufacture, marketing, and sale of products for

professional users and, via the collaboration with Motorola, even consumers, which means the Company is exposed to a range of external and internal risks in its operating activities. Risk management is, therefore, an important part of the governance and control of INVISIO Headsets.

Risk management covers strategic risks, operational risks, legal and regulatory compliance risks, and risks for errors in INVISIO Headsets' reporting, including its financial reporting. Risks can generally be divided into market-related, operational, and financial risks. The Company works continually at different levels to identify all significant risks to which it is exposed and to determine how each risk shall be managed.

- Market-related risks are managed mostly at board and management level.
- In the first instance, operational risks are managed at management and department level, but can also be managed at board level if they are of strategic importance. Department-specific risks in Operations and Finance are managed within those departments. Legal risks are managed at management level in consultation with external legal counsel and advisors. Risks affecting financial reporting are mostly managed at management level by the Company's CEO and CFO, but also by the Board's Audit Committee.
- Financial risks are managed primarily at board and management level.

The risks described below are in no particular order of importance and the descriptions are not necessarily complete.

MARKET-RELATED RISKS

Legislation and political decisions

INVISIO Headsets' products are sold in a large number of markets. Changes to legislation and regulations, such as customs regulations, export regulations, and other laws and rules in countries in which INVISIO Headsets operates, can affect operations. A large number of the Company's professional customers, such as military and law enforcement organizations, are also influenced by political decisions. Through its many business partners, the Company monitors developments in laws and regulations, as well as political developments, in the countries in which the Company is active.

Global economic conditions

Like most international companies, INVISIO Headsets is affected by global macroeconomic developments and the international business climate. In 2009, the world economy suffered a deep recession, which affected consumption and willingness to invest among many companies and consumers, as well as public budgets. INVISIO Headsets works with detailed monthly sales forecasts and closely monitors global macroeconomic developments and the international business climate in order to be able to take necessary actions when circumstances change.

Competition

The market for professional mobile communication equipment is expected to show long-term growth. The market for traditional headsets is mature and is mostly served by larger companies. The market for in-ear headsets is relatively new and is characterized by both smaller and larger companies. INVISIO Headsets' products have been sold for more than ten years, and the view is that the Company is well-positioned to capture a share of this growing market. Business intelligence is gathered on a continuous basis internally at INVISIO Headsets, as well as together with retailers and customers in the main markets.

Technical risks and market acceptance of newly developed products

Communication equipment is also expected to undergo technology shifts in the future and is exposed to changeable market trends. INVISIO Headsets' patented technologies and innovative products are considered to be well-positioned ahead of technology shifts and future market trends. The Company closely monitors a number of important technology areas. These activities are led by INVISIO Headsets' head of research and development in collaboration with external parties.

Dependency on suppliers

In order for INVISIO Headsets to be able to deliver its products, the Company is dependent on components and services supplied by third parties fulfilling agreed requirements as regards, for example, quantity, quality, and delivery. Through its cooperation with Swedish firm PartnerTech, INVISIO Headsets has a professional production partner.

OPERATIONAL RISKS

Ability to manage growth

INVISIO Headsets' business may grow through rising demand for the Company's products, which puts high demands on management and the operational and financial infrastructure. As the business grows, the Company must ensure that it always has effective planning and management processes in order to be able to effectively meet demand from the market. For its growth, the Company is also dependent on its ability to upgrade production capacity and thereby meet rising production volumes. Through its collaboration with Swedish firm PartnerTech, INVISIO Headsets has a professional production partner with broad experience in handling large production volumes.

Customers and partnerships

INVISIO Headsets conducts business in a large number of geographic markets and in a large number of customer segments. Management works continuously to increase the number of customer relationships and partnerships to ensure that no single customer or party becomes critical to the Company's success. There is always a risk that one of the Company's partners cannot fulfill its obligations or that an agreement is renegotiated or terminated.

Product liability

Any faults in INVISIO Headsets' products could result in liability and demands for damages directed at the Company. INVISIO Headsets' lodestar in product development is quality. The organization has a well refined product development process with dedicated documentation systems and strict demands on systematic procedures. INVISIO Headsets' products are certified externally as a quality assurance measure to ensure that applicable norms and standards are met.

Intellectual property

INVISIO Headsets' exposure to risks affecting intellectual property in areas such as patents, IT, and human capital is handled by management in collaboration with external legal counsel and advisors.

Dependence on key persons and employees

INVISIO Headsets future development is dependent on the knowledge, experience, and creativity of existing employees and the Company's ability to continue to recruit and retain key employees. Being an employer of choice is therefore an important success factor.

Risks affecting financial reporting

The most significant risks for errors in the financial reporting pertain primarily to the fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade accounts receivable. As per December 31, 2009, the assessment is that the carrying amount of these items corresponds to their fair value.

FINANCIAL RISKS

Through its operations, INVISIO Headsets is exposed to various financial risks, such as interest rate risk, currency risk, price risk, credit risk, and financing and liquidity risk. The Company's finance policy, which is established by the Board of Directors each year, provides guidelines for managing financial risks at INVISIO Headsets.

INVISIO Headsets' financial risks consist primarily of currency risk and financing and liquidity risk, which are described below.

Currency risk

Currency risks are found in the form of transaction and translation risks. INVISIO Headsets operates in a global market with large parts of sales and purchases made in currencies other than Swedish kronor (SEK). The majority of sales are in USD, DKK, and EUR. The Group's purchases for the professional products business area are made in SEK, while expenses are primarily incurred in DKK and SEK. At present, net exposure in each currency is limited and the Group does not hedge its currency exposure.

Currency risk is described in more detail in Note 2 of the 2009 Annual Report.

Financing risk and liquidity risk

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in making payments. Liquidity risk is the risk of not being able to make payments when they fall due. The Company is in need of further capital contributions until operations reach breakeven. The previous assessment made by company management and the Board stands, namely that necessary liquidity and financing will be generated and added to operations through operating income, borrowing, the possible exercise of stock options, and authorization from the 2009 AGM to implement share issues. Financing and liquidity risk is described in more detail in Note 2 of the 2009 Annual Report.

DISPUTES

The ruling handed down during the fourth quarter of 2008 regarding the dispute between former employees and INVISIO Headsets A/S and INVISIO Headsets AB respectively required INVISIO Headsets to pay a total of approximately DKK 2.5 m. An appeal has been filed with a higher court. A ruling is expected during the first half of 2010. A provision of SEK 3.6 m was made in 2008 for possible future costs stemming from this dispute.

In the third quarter of 2009, operating expenses were burdened with a provision of DKK 100 thousand for legal and trial fees regarding a dispute with a former supplier, whose demand for DKK 1.7 m for unplaced orders has been rejected in full.

Apart from the above, INVISIO Headsets is not party to any material dispute and the Board of INVISIO Headsets is not aware of any circumstance that could give rise to a dispute of material significance to INVISIO Headsets.

Events after the end of the financial year

SALES

INVISIO Headsets has received several orders from military customers in Europe and the US, including the US Navy. The orders include INVISIO Headsets' new communication system with certified hearing protection comprised of the INVISIO X50 control unit and the INVISIO X5 two-channel headset. This is the first digital communication system in the world to feature certified hearing protection and the patented INVISIO Bone Conduction technology, which enables disruption-free communication under extreme conditions. The total value of the order is approximately SEK 2 m.

ORGANIZATION

Management was reorganized on March 1, 2010 when Jan Larsen, Head of Research & Development, added Head of Operations to his responsibilities. Jennie Amareus, former Head of Operations, left the Company in conjunction with the reorganization.

FINANCING

On January 11, 2010, a total of 500,000 shares were registered from the directed new share issue implemented in December 2009. On February 26, 2010, the Board of INVISIO Headsets decided that a directed new share issue comprising 383,562 shares and corresponding to approximately 1.7 percent of the total number of shares in the Company after the issue be implemented, which provided the Company with about SEK 7 m. The subscription price was SEK 18.25 per share and reflected the closing price prior to the Board's decision. The issue was directed at a smaller group of external investors. A new line of credit totaling SEK 14 m was secured in March. In addition to this, in February one of the largest shareholders of INVISIO Headsets provided a commitment to the Board to ensure that the Company receives, in 2010, an additional sum of approximately SEK 9 m through new loans or new share issues, should this prove necessary. INVISIO Headsets has appointed Erik Penser Bankaktiebolag its financial advisor for the planned listing on NASDAQ OMX Small Cap.

Outlook for the first quarter of 2010

PROFESSIONAL PRODUCTS BUSINESS AREA

The number of queries and full-scale customer trials continues to rise following the introduction of the new series of professional products. Follow-ups of market activities aimed at end users in important markets are underway and queries have been received regarding orders that are considerably larger than usual for the Company. As previously explained, sales for the business area can vary from quarter to quarter due to the long time that passes from initial query through quotation to firm order.

The positive market response following the introduction of the new series of professional products means that INVISIO Headsets expects to see a considerable long-term increase in sales in the business area in the future.

CONSUMER PRODUCTS BUSINESS AREA

So far, the Motorola Endeavor HX-1 has been well received by trade publications and the market. The positive reactions exceeded INVISIO Headsets' expectations and are expected to have a positive effect on coming royalties.

In 2010, Motorola will intensify the marketing of the new product while also beginning the European launch of the Endeavor HX-1. The Endeavor HX-1 is a recommended accessory for Motorola's new DROID smart phone.

However, as things stand, it is not easy for INVISIO Headsets to predict the speed of Motorola's rollout in terms of the number of distribution channels or markets.

OTHER

Operating expenses for the first quarter of 2010, excluding costs for the planned listing, are expected to be on a par or lower than the corresponding figures for the fourth quarter of 2009.

Proposed disposition of earnings

Parent Company (SEK)

At the disposal of the Annual General Meeting:	
Profit brought forward	16,145,076
Share premium reserve	49,168,291
Loss for the year	-33,507,905
	31,805,462

TO BE DISPOSED OF AS FOLLOWS:

The Board of Directors and President propose that the accumulated losses of SEK -17,362,829, of which SEK -33,507,905 comprise losses for the year, be settled against the share premium reserve, which will thereafter total SEK 31,805,462, which is to be carried forward.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January–December (SEK 000s)	Note	2009	2008
	1,2		
Sales	3,4	28,633	40,686
Other income	3,4	32,473	-
<i>Total income</i>		<i>61,106</i>	<i>40,686</i>
Cost of goods sold		-18,388	-27,845
<i>Gross profit</i>		<i>42,718</i>	<i>12,841</i>
OPERATING EXPENSES			
Selling and marketing expenses	10,11	-24,636	-24,755
Administration expenses	7,8,9,10,11	-13,952	-15,653
Research and development costs	10,11	-17,568	-15,647
<i>Operating loss</i>	26	<i>-13,438</i>	<i>-43,214</i>
FINANCIAL ITEMS			
Financial income		198	404
Financial expenses		-4,055	-2,070
<i>Net financial items</i>		<i>-3,857</i>	<i>-1,666</i>
<i>Loss before tax</i>		<i>-17,295</i>	<i>-44,880</i>
Tax	12	-	-
<i>Loss after tax</i>		<i>-17,295</i>	<i>-44,880</i>
OTHER COMPREHENSIVE INCOME			
Translation differences during the period from translation of foreign businesses		-541	1,871
<i>Comprehensive income</i>		<i>-17,836</i>	<i>-43,009</i>
<i>Loss attributable to equity holders of the parent</i>		<i>-17,836</i>	<i>-43,009</i>
Earnings per share (SEK)	24	-0,82	-2,24
Earnings per share after dilution (SEK)	24	-0,82	-2,24
Number of shares outstanding (thousands)	24	21,565	20,646
Average number of shares outstanding (thousands)	24	21,064	20,052
Number of shares outstanding after dilution (thousands)	24	21,565	20,646

CONSOLIDATED BALANCE SHEET

December 31 (SEK 000s)	Note	2009	2008
ASSETS	1,2		
Non-current assets			
Intangible assets	13	24,521	25,375
Property, plant, and equipment	14	1,611	3,238
Financial assets	15	769	759
<i>Total non-current assets</i>		26,901	29,372
Current assets			
Inventories	16	2,716	6,421
Accounts receivable – trade	25	13,404	5,713
Other receivables ¹		998	4,296
Prepaid expenses and accrued income	17	1,151	763
Cash and bank balances		5,059	864
<i>Total current assets</i>		23,328	18,057
TOTAL ASSETS		50,229	47,429
SHAREHOLDERS' EQUITY AND LIABILITIES	1,2		
Shareholders' equity	21		
Share capital		21,565	20,646
Other capital contributions		177,011	157,132
Other reserves		2,505	3,046
Loss brought forward, incl. loss after tax		-194,051	-176,756
Shareholders' equity attributable to equity holders of the parent		7,030	4,068
Minority interests		-	-
<i>Total shareholders' equity</i>		7,030	4,068
Current liabilities			
Liabilities to credit institutions	18,27	16,815	17,856
Accounts payable – trade ²		11,761	14,231
Other liabilities	23	8,943	6,304
Accrued expenses and prepaid income	20	5,680	4,970
<i>Total current liabilities</i>		43,199	43,361
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		50,229	47,429
Pledged assets	22	13,404	5,917
Contingent liabilities	22	None	None

¹Of which, receivable of SEK 3,246 thousand for issue payment as per December 31, 2008

²All accounts payable fall due within 3 months

CONSOLIDATED CASH FLOW STATEMENT

January–December (SEK 000s)	Note	2009	2008
Operating activities	1,2		
Loss before tax		-17,295	-44,880
Adjustments for non-cash items	5	9,034	6,015
Taxes		-	-
<i>Cash flow from operating activities before changes in working capital</i>		-8,261	-38,865
Changes in inventories		3,455	-1,156
Changes in operating receivables		-6,614	4,950
Changes in operating liabilities		726	-3,062
<i>Cash flow from changes in working capital</i>		-2,433	732
<i>Cash flow from operating activities</i>		-10,694	-38,133
Investing activities			
Capitalization of internal development costs		-8,286	-8,081
Purchases of property, plant, and equipment		-372	-1,238
Sales of property, plant, and equipment		183	2,843
<i>Cash flow from investing activities</i>		-8,475	-6,476
Financing activities			
New share issues		24,044	24,401
Loans raised		12,007	8,000
Amortization of loans		-12,750	-3,671
Acquisition of financial assets		-10	-
Change in financial assets		-	4,955
<i>Cash flow from financing activities</i>		23,291	33,685
CASH FLOW FOR THE YEAR		4,122	-10,924
Cash and bank balances at start of year		864	11,633
Translation differences in cash and bank balances		73	155
<i>Cash and bank balances at end of year</i>		<i>5,059</i>	<i>864</i>
Supplementary disclosures to the cash flow statement			
Interest received during the year		198	404
Interest paid during the year		-4,055	-2,070

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000), Notes 1, 2	Share capital ¹	Other capital equity	Other reserves ³	Profit/Loss for the year	Total shareholders' equity
Amount at the beginning of 2008	19,624	131,108	1,175	-131,876	20,031
Option redemption 2004/2008	44	-44	-	-	0
Adjustment of share issue costs	-	48	-	-	48
Option redemption 2004/2008	32	404	-	-	436
Option redemption 2004/2008	126	1,596	-	-	1,722
Option redemption 2006/2008	240	5,817	-	-	6,057
Option redemption 2006/2010	90	1,858	-	-	1,948
Option redemption 2006/2010	50	1,032	-	-	1,082
Option redemption 2006/2010	230	4,747	-	-	4,977
Option redemption 2006/2010	25	516	-	-	541
Option redemption 2006/2010	185	3,818	-	-	4,003
Option redemption 2006/2010 ¹	-	2,986	-	-	2,986
Option redemption 2006/2010 ¹	-	1,082	-	-	1,082
Option redemption 2006/2010 ¹	-	2,164	-	-	2,164
Comprehensive income	-	-	1,871	-44,880	-43,009
Amount at year-end 2008	20,646	157,132	3,046	-176,756	4,068

¹Unregistered share capital comprising 288,000 shares as per December 31, 2008

Amount at the beginning of 2009	20,646	157,132	3,046	-176,756	4,068
Option redemption 2006/2010	138	-138	-	-	0
Option redemption 2006/2010	150	-150	-	-	0
Option redemption 2006/2010	83	1,715	-	-	1,798
Directed new share issue	548	9,452	-	-	10,000
Directed new share issue in progress ²	-	9,000	-	-	9,000
Comprehensive income	-	-	-541	-17,295	-17,836
Amount at year-end 2009	21,565	177,011	2,505	-194,051	7,030

²Unregistered share capital comprising 500,000 shares as per December 31, 2009

³Other reserves refers entirely to translation differences

PARENT COMPANY INCOME STATEMENT

January–December (SEK 000s)	Note	2009	2008
	1,2		
Operating income	6	345	120
<i>Gross profit</i>		345	120
Administration expenses	7,9,10,11	-6,005	-7,904
<i>Operating loss</i>	26	-5,660	-7,784
Profit/Loss from financial items			
Loss from participations in Group companies	19	-30,000	-53,000
Interest income and similar profit/loss items		2	619
Interest expense and similar profit/loss items		-3,611	-2,288
<i>Net financial items</i>		-33,609	-54,669
<i>Loss before tax</i>		-39,269	-62,453
Income tax	12	5,761	-
<i>Loss for the year</i>		-33,508	-62,453

PARENT COMPANY BALANCE SHEET

December 31 (SEK 000s)	Note	2009	2008
ASSETS	1,2		
Non-current assets			
Financial assets/shares in subsidiaries	19	81,871	81,871
<i>Total non-current assets</i>		81,871	81,871
Current assets			
Receivables from Group companies		14,697	22,703
Other receivables ¹		116	3,391
Prepaid expenses and accrued income	17	183	199
<i>Total current receivables</i>		14,996	26,293
Cash and bank balances		3,533	154
<i>Total current assets</i>		18,529	26,447
TOTAL ASSETS		100,400	108,318
SHAREHOLDERS' EQUITY AND LIABILITIES	1,2		
Shareholders' equity	21		
<i>Restricted shareholders' equity</i>			
Share capital		21,565	20,646
Statutory reserve		35,452	35,452
<i>Total restricted shareholders' equity</i>		57,017	56,098
<i>Unrestricted shareholders' equity</i>			
Share premium reserve		49,169	93,376
Profit/Loss brought forward		16,144	-1,633
Loss for the year		-33,508	-62,453
<i>Total unrestricted shareholders' equity</i>		31,805	29,290
<i>Total shareholders' equity</i>		88,822	85,388
Current liabilities			
Liabilities to credit institutions	18,27	7,750	15,502
Accounts payable – trade ²		2,232	3,434
Liabilities to Group companies		198	2,010
Other liabilities		40	70
Accrued expenses and prepaid income	20	1,358	1,914
<i>Total current liabilities</i>		11,578	22,930
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		100,400	108,318
Pledged assets	22	-	2,976
Contingent liabilities	22	None	None

¹Of which, receivable of SEK 3,246 thousand for issue payment as per December 31, 2008

²All accounts payable fall due within 3 months

PARENT COMPANY CASH FLOW STATEMENT

January–December (SEK 000s)	Note	2009	2008
Operating activities			
Operating loss before financial items	1,2	-5,660	-7,784
Adjustments for non-cash items	5	-	13
Interest received		2	619
Interest paid		-3,611	-2,288
<i>Cash flow from operating activities before changes in working capital</i>		-9,269	-9,440
Changes in operating receivables		5,034	21,297
Changes in operating liabilities		-1,789	1,121
<i>Cash flow from changes in working capital</i>		3,245	22,418
<i>Cash flow from operating activities</i>		-6,024	12,978
Investing activities			
Acquisition of subsidiary/shareholder contribution	19	-30,000	-53,000
Sale of financial assets		-	3,260
<i>Cash flow from investing activities</i>		-30,000	-49,740
Financing activities			
New share issues		24,044	24,401
Group contribution received		23,111	-
Loans raised		5,000	8,000
Amortization of loans		-12,752	-2,500
<i>Cash flow from financing activities</i>		39,403	29,901
CASH FLOW FOR THE YEAR		3,379	-6,861
Cash and bank balances at start of year		154	7,017
Cash and bank balances at end of year		3,533	154
Supplementary disclosures to the cash flow statement			
Interest received during the year		2	619
Interest paid during the year		-3,611	-2,288

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000), Notes 1, 2	Share capital ¹	Statutory reserve	Share premium reserve	Profit/Loss for the year	Profit/Loss for the year	Total shareholders' equity
Amount at the beginning of 2008	19,624	35,452	95,216	-19,100	-8,764	122,428
Reclassification of previous year's profit/loss	-	-	-27,864	19,100	8,764	0
Option redemption 2004/2008	44	-	-44	-	-	0
Adjustment of share issue costs	-	-	48	-	-	48
Option redemption 2004/2008	32	-	404	-	-	436
Option redemption 2004/2008	126	-	1,596	-	-	1,722
Option redemption 2006/2008	240	-	5,817	-	-	6,057
Option redemption 2006/2010	90	-	1,858	-	-	1,948
Option redemption 2006/2010	50	-	1,032	-	-	1,082
Option redemption 2006/2010	230	-	4,747	-	-	4,977
Option redemption 2006/2010	25	-	516	-	-	541
Option redemption 2006/2010	185	-	3,818	-	-	4,003
Option redemption 2006/2010 ¹	-	-	2,986	-	-	2,986
Option redemption 2006/2010 ¹	-	-	1,082	-	-	1,082
Option redemption 2006/2010 ¹	-	-	2,164	-	-	2,164
Group contribution to subsidiaries	-	-	-	-1,633	-	-1,633
Loss for the year	-	-	-	-	-62,453	-62,453
Amount at year-end 2008	20,646	35,452	93,376	-1,633	-62,453	85,388

¹Unregistered share capital comprising 288,000 shares as per December 31, 2008

Amount at the beginning of 2009	20,646	35,452	93,376	-1,633	-62,453	85,388
Reclassification of previous year's profit/loss	-	-	-64,086	1,633	62,453	0
Option redemption 2006/2010	138	-	-138	-	-	0
Option redemption 2006/2010	150	-	-150	-	-	0
Option redemption 2006/2010	83	-	1,715	-	-	1,798
Directed new share issue	548	-	9,452	-	-	10,000
Group contribution to subsidiaries	-	-	-	-1,205	-	-1,205
Tax – group contribution	-	-	-	316	-	316
Group contribution from subsidiaries	-	-	-	23,111	-	23,111
Tax – group contribution	-	-	-	-6,078	-	-6,078
Directed new share issue in progress ²	-	-	9,000	-	-	9,000
Loss for the year	-	-	-	-	-33,508	-33,508
Amount at year-end 2009	21,565	35,452	49,169	16,144	-33,508	88,822

²Unregistered share capital comprising 500,000 shares as per December 31, 2009

NOTES

Note 1 General Information, accounting and valuation principles

General information

The INVISIO Headsets Group today consists of the Parent Company INVISIO Headsets AB (publ.) ("INVISIO Headsets" or "the Company") and the wholly-owned subsidiaries INVISIO Headsets A/S, INVISIO Inc., Nextlink IPR AB, and Nextlink Patent AB. The Parent Company is a Swedish limited liability company and its registered office is in Stockholm, Sweden.

INVISIO Headsets develops, manufactures, markets, and sells communication equipment such as advanced headsets and control units, primarily for demanding professional users of two-way radio. Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. Bluetooth headsets using INVISIO Headsets' patented technology are being developed together with Motorola. These headsets are produced, marketed, and sold to consumers by Motorola.

The Company is listed on First North Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. Since July 9, 2009, the Company is listed under the First North Premier segment.

These consolidated accounts were approved by the Board of Directors on March 24, 2010.

INVISIO Headsets AB
Box 49149
100 29 Stockholm
Sweden

Conformity with standards and regulations

The consolidated financial accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

In addition, the consolidated financial statements have been prepared in accordance with Swedish law through application of RFR 1.1 – Supplementary Accounting Principles for Groups.

The Parent Company's annual report has been prepared in accordance with Swedish law and with application of the Swedish Annual Accounts Act and RFR 2.1 – Accounting for Legal Entities. In 2009, the Parent Company changed from classification by nature of cost to classification by function; this is to obtain truer and fairer picture, as well as a more coordinated statement compared with the Group.

This means that the IFRS measurement and disclosure rules are applied with the deviations described in the Parent Company's accounting policies.

New and amended standards applied by the Group.

The Group has applied the following new IFRS standards as of January 1, 2009:

IAS 1 (revised) "Presentation of Financial Statements" (applicable from January 1, 2009). The amended standard will prohibit the presentation of income and expense items (i.e. changes in equity excluding transactions with shareholders) in the financial statements through changes in equity, but will instead require that "changes in equity excluding transactions with shareholders" be reported separately from changes in equity that pertain to transactions with shareholders in a single statement of comprehensive income. The Group therefore

presents all owner-related changes in equity in the financial statement "Consolidated changes in equity", whilst all changes in equity that do not refer to transactions with shareholders are reported in the consolidated statement of comprehensive income. Comparative information has been recalculated, so that it corresponds with the revised standard. Since this change to the accounting principles only affects the presentation, it has no effect on the earnings per share.

IFRS 8, Operating Segments (applicable from January 1, 2009). IFRS 8 replaces IAS 14 and adapts the segment accounting to the requirements in the US standard SFAS 131, Disclosures about Segments of an Enterprise and Related Information. The new standard requires that segment information be presented from a management perspective, which means that it is presented in the manner that it is used in the internal reporting.

Standards, amendments and interpretations of existing standards where the amendment has not yet come into force and has not been applied in advance by the Group.

The following standards, amendments and interpretations of existing standards have been published and are obligatory for the Group's accounts for the financial year commencing January 1, 2010 or later, but have not been applied in advance:

IFRIC 17, "Distribution of non-cash assets to owners" (applicable to financial year commencing July 1, 2009 or later). The interpretation is part of IASB's annual improvement project which was published in April 2009. This interpretation provides guidance on accounting of agreements according to which a company distributes assets in kind to the shareholders. An amendment has also been made to IFRS 5, where it requires that assets are classified as holdings for dividend only if they are available for dividend in their current state and if dividends are very probable. The Group will apply IFRIC 17 from January 1, 2010, but it is not expected to have any significant effect on the Group's financial statements.

IAS 27 (amended), "Consolidated and Separate Financial Statements" (applicable from July 1, 2009). The amended standard requires that the effects of all transactions with shareholders without a controlling influence are reported as equity if they do not imply any change to the controlling influence and if the transactions no longer give rise to goodwill or earnings and losses. The standard also states that when a parent company loses its controlling influence, any remaining shares must be valued at their fair value and the earnings or losses must be reported in the income statement. The Group will apply IAS 27 (amended) in advance for transactions with shareholders without a controlling influence with effect from January 1, 2010.

IFRS 3 (revised), "Business Combinations" (applicable from July 1, 2009). The amended standards continue to prescribe that the acquisition method is applied to business combinations, however with some significant changes. For example, all payments toward the purchase of a business at its fair value on acquisition day shall be reported, whilst subsequent conditioned payments are classified as liabilities that will then be revalued through the income statement. Possession without a controlling influence in the acquired business can be valued either at its fair value or at the proportional share of the acquired businesses' net assets, held by the shareholder without a controlling interest. All transaction costs attributable to acquisitions are to be expensed. The Group will apply IFRS 3 (revised) in advance for all business acquisitions from January 1, 2010.

IAS 38 (amended), "Intangible Assets". The amendment is part of IASB's annual improvement project which was

published in April 2009, and the Group will apply IAS 38 (amended) from the same time as IFRS 3 (revised) is applied. The amendment clarifies the fair value at valuation of an intangible asset acquired in a business acquisition. According to the amendment, intangible assets are grouped and treated as one asset, if the assets have similar utilization periods. The amendment will not have any significant effect on the Group's financial statements.

IFRS 5 (amended), "Non-current Assets Held for Sale and Discontinued Operations". The amendment is part of IASB's annual improvement project which was published in April 2009. The amendment clarifies that IFRS 5 specifies the disclosure requirement for intangible assets (or disposal groups) which are classified as non-current assets held for sale and discontinued operations. It also explains that the general requirement in IAS 1 still applies, in particular point 15 (to give a true and fair picture) and point 125 (sources of uncertainty in estimations). The Group will apply IFRIC 5 (amended) from January 1, 2010. The amendment is not expected to have any significant effect on the Group's financial statements.

IAS 1 (amended), "Presentation of Financial Statements". The amendment is part of IASB's annual improvement project which was published in April 2009. The amendment clarifies that the potential regulation of a liability by share issue is not relevant to this classification as either current or long-term liabilities. By amending the definition of short-term liability, this permits a liability to be classified as long-term (under the condition that the Company has the unconditional right to postpone regulation by transferring liquid funds or other assets for at least 12 months after the end of the financial year) despite the fact that the counterparty can, at any time, demand regulation of shares. The Group will apply IAS 1 (amended) from January 1, 2010. It is not expected to have any significant effect on the Group's financial statements.

IFRS 2 (amended), "Group cash-settled and share-based payment transactions". The amendment implies that IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions" are incorporated into the standard. The previous guidance in IFRIC 11 is, however, supplemented in terms of classification of inter-company transactions, which is not dealt with in the interpretation. The new guidance is not expected to have any significant effect on the Group's financial statements.

Basis for consolidation

The consolidated financial statements include the Parent Company INVISIO Headsets AB (publ.) and its subsidiaries. The financial statements for INVISIO Headsets and subsidiaries included in the consolidated financial statements refer to the same period and are prepared according to the accounting principles applicable in the Group.

All inter-company balances, income, expenses, earnings or losses that occur in transactions between companies covered in the consolidated financial statements are entirely eliminated. A subsidiary is included in the consolidated financial statements through the purchase method from the acquisition date, which is the date upon which the Parent Company gains a controlling influence, and is included in the consolidated financial statements up until the date upon which the controlling influence ceases.

The acquisition value for an acquisition is comprised of the fair value of the assets submitted as compensation and liabilities arisen or taken over as at balance sheet date, plus expenses directly attributable to the acquisition. Identifiable acquired assets, liabilities taken over and contingent liabilities in a company acquisition are initially stated at fair value on the acquisition date, irrespective of the scope of any minority interest. The surplus consisting of the difference between the acquisition value and the fair value of the Group's share of identifiable

acquired net assets is reported as goodwill. If there is a shortfall, this is reported directly in the income statement.

Foreign subsidiaries

Items included in the financial statements for the various entities in the Group have been valued in the currency used in the economic environment in which the respective companies mainly operate (functional currency). The consolidated financial statements use the Parent Company's functional currency as the presentation currency, which is the Swedish krona. The earnings and financial position of all Group companies with other functional currencies than the presentation currency have been translated as follows: assets and liabilities for each of the balance sheets have been translated using the exchange rate on the balance sheet date, and income and expenses for each of the income statements have been translated using the average exchange rate. All exchange rate differences that arise are reported in the Company's comprehensive income.

Exchange rate differences between Group companies have not affected earnings after tax, but have been reported as equity.

The following exchange rates have been used in translating the accounts of the Danish subsidiary: for the income statement, an exchange rate of DKK/SEK 1.426 (1.288), and for the balance sheet, an exchange rate of DKK/SEK 1.39 (1.47). The following exchange rates have been used in translating the accounts of the US subsidiary: for the income statement, an exchange rate of USD/SEK 7.65 (6.58), and for the balance sheet, an exchange rate of USD/SEK 7.21 (7.75).

Classifications

Fixed assets, long-term liabilities and provisions consist in all essentials only of amounts that are expected to be recovered or paid later than twelve months from the balance sheet date. Current assets, current liabilities and provisions consist in all essentials only of amounts that are expected to be recovered or paid within twelve months from the balance sheet date. If any deviation is made from this principle, this is indicated in a note to each balance sheet item.

Income

The Group's sales consist of product sales and royalty compensation from Motorola. Sales of products are reported upon delivery to the customer, in accordance with the terms and conditions of sale. This means that income is reported when the significant risks and benefits associated with the product have been transferred to the buyer and the seller ceases to have control over the product. Sales are reported as net after VAT and discounts. Other income refers entirely to VoIP patent sales. Inter-company sales are eliminated in the consolidated financial statements.

In the event of a return, the sale of products is reduced by the amount invoiced for the product.

Interest income is recognized as income when the effective rate method is applied.

Taxes

For items reported in the income statement, the associated tax is also reported in the income statement. For items reported directly against equity, the tax is also reported directly against equity. Deferred tax is calculated in accordance with the balance sheet method for all significant temporary differences. A temporary difference exists when the reported value of an asset or a liability differs from the tax value. Such a difference may arise, for instance, in connection with a revaluation or write-down of an asset, or when the accounting policies applied differ between an individual Group company's accounts and the consolidated financial statements, see Note 12.

Write-downs

The reported values for the Group's assets - with the exception of financial assets reported at fair value with changes in value in the income statement in accordance with IAS 39 - are tested whenever there is the need to assess whether there is indication of a write-down requirement. If there is no such indication, the recoverable amount of the asset is calculated. A write-down is reported when the reported amount of an asset exceeds the recoverable amount. A write-down is shown in the income statement.

Calculation of recoverable amount

The recoverable amount of assets in the category of loans receivable and accounts receivable, which are reported at the accrued acquisition value, is calculated as the present value of future cash flow discounted with the effective annual rate applicable when the asset was reported for the first time. Assets with a short duration are not discounted.

The recoverable amount on other assets is the highest of the fair value less selling expenses and value in use. When calculating the value in use, future cash flow is discounted using a discount factor that takes into account risk-free rates and the risk connected with the specific asset. For an asset that does not generate cash flow and that is significantly independent of other assets, a common recoverable amount is calculated for the cash-generated unit to which the asset belongs.

Estimations and assumptions

Company management makes estimations and assumptions about the future, which affect the reported values.

As soon as an indication exists, the capitalized development expenditure is offset for write-down in accordance with the described accounting principle. Intangible assets under development are annually offset for write-down, even when there is no indication of a write-down requirement. The recoverable amount has been determined through calculation of the value in use. For these calculations, certain estimations must be made, as shown in Note 13.

Reversal of write-downs

Write-downs are reversed if a subsequent increase in the recoverable amount can be objectively related to an event that has occurred after the write-down was made, and that a change has been made in the assumptions on which the calculation of the recoverable amount was based.

A write-down is reversed only to the extent that the asset's reported value after write-down does not exceed the reported value the asset would have had if no write-down had been made, taking into account the depreciation that would then have been made.

Financial Instruments

Financial instruments are valued and reported in the Group in accordance with the rules stipulated in IAS 39, Financial Instruments: Recognition and Measurement. Financial instruments are initially reported at acquisition value corresponding to the instrument's fair value plus transaction costs for receivables and liabilities valued at the accrued acquisition value.

A financial asset or liability is shown in the balance sheet when the Company becomes party to the instrument's contractual terms and conditions. Accounts receivable are shown in the balance sheet when an invoice has been sent. The liability is entered when the counterparty has delivered and has a contractual liability to pay, even if an invoice has not yet been received. Accounts payable are shown when an invoice has been received. A financial asset is removed from the balance sheet when the rights pursuant to the agreement are realized, cease, or when the Company loses control over them. The same applies for components of financial assets. A financial liability is removed from the balance sheet when the liability under the

agreement has been fulfilled or otherwise extinguished. The same applies for components of financial assets. Acquisition and divestment of financial assets are reported on the trade date, which is the day on which the Company commits itself to buying or selling the asset.

On each balance sheet date, the Group assesses whether objective evidence exists for the write-down of a financial asset or group of financial assets, such as whether it is unlikely that a debtor can fulfill its obligations. Write-down testing of accounts receivable is described below.

INVISIO Headsets' financial assets and liabilities are classified in the following categories: Accounts receivable and Loans receivable valued at the accrued acquisition value.

Loans receivable and accounts receivable are financial assets that are not derivatives. They have fixed or fixable payments and are not listed on any active market. They are included in current assets with the exception of items with due dates in excess of 12 months after the balance sheet date, which are classified as fixed assets.

Accounts receivable are reported in the amount at which they are expected to be received after deduction for bad debts, assessed individually. The anticipated duration of the accounts receivable is short, which is why the value is reported at a nominal amount without discounting. A provision for a drop in the value of accounts receivable is made when there is objective evidence that the Group will not be able to receive all the amounts due in accordance with the original terms and conditions of the receivables.

Significant financial problems for the debtor, the probability that the debtor will go bankrupt or undergo financial reconstruction, and failure or delays in payment are regarded as indicators that a need for write-down exists. The size of the provision consists of the difference between the asset's reported value and the present value of estimated future cash flows. A write-down of accounts receivable is reported in the income statement under operating profit/loss, and a write-down of a loan receivable is reported under the heading financial expenses.

Financial liabilities are valued at the accrued acquisition value. Loans and other financial liabilities, such as accounts payable, are included in this category.

Financial liabilities are initially stated at fair value, net after transaction costs. Financial liabilities are thereafter reported at the accrued acquisition value and any difference between the amount received (net after transaction costs) and the repayment amount is reported in the income statement divided up over the term of the loan using the effective annual rate method.

Long-term liabilities have an expected duration that exceeds one year, while current liabilities have a duration of maximum one year. Accounts payable and other operating liabilities with a short anticipated duration are therefore reported normally as current liabilities.

Research and development costs

INVISIO Headsets applies IAS 38 Intangible Assets. In accordance with this reporting recommendation, development costs for new products, production systems and software are reported as intangible assets if the following occurs with great probability;

- (a) it is technically possible to complete the intangible asset so that it can be used,
- (b) management intends to complete the intangible asset and use or sell it,
- (c) there are conditions for using or selling the intangible asset,
- (d) it can be shown how the intangible asset will generate probable future economic benefit,
- (e) adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset, and

(f) the expenditure relating to the intangible asset during its development can be calculated in a reliable manner.

The cost for such an asset shall be amortized over its estimated useful life.

Development costs that do not fulfill these conditions are reported as costs when they occur.

Development costs that have previously been reported as an expense are not reported as an asset in a subsequent period.

Capitalized expenses for development costs are judged to have a limited useful life and are reported at acquisition value less depreciation.

Tangible fixed assets/depreciation

Property, plant and equipment are reported at acquisition value less planned depreciation based on an estimation of the useful life of the assets.

Any earnings or losses arising upon the divestment of the asset are reported in the income statement.

The residual value and useful life of the asset is determined at every year-end closing and is adjusted as necessary.

Depreciation/amortization

Depreciation/amortization according to plan has been carried out as per the following useful life timeframes:

Intangible assets, of which Professional products 3–7 years and Consumer products 3 years.

Equipment, tools, fixtures and fittings, 3–5 years.

Inventories

The inventories have been valued using the first in, first out principle, at the lowest of the acquisition value and the net sales value as at the balance sheet date.

Receivables

Receivables are reported in the value at which they are expected to be received.

Cash and cash equivalents

Cash and cash equivalents only include bank balances.

Segment reporting

An operating segment is reported in such a way that agrees with the internal reporting presented to the chief operating decision-maker. The chief operating decision-maker is the function responsible for division of resources and assessing the operating segment earnings. Within the Group, this function has been identified as management, which makes strategic decisions.

Receivables and liabilities in foreign currency

In the individual companies, receivables, liabilities and provisions in foreign currency have been translated at the year-end rate of exchange.

Borrowing costs

Borrowing costs are to appear in the period they are attributable to, regardless of how the borrowed funds were used. The Group capitalizes borrowing costs that are directly attributable to the purchase, construction or production of an asset that takes a substantial amount of time to complete for use or sale, as part of the cost of the asset, in cases where the first opportunity for activation is January 1, 2009 or later. Previously, the Group has immediately expensed all borrowing costs. This change in reporting principle is a consequence of the application of the transitional provisions in IAS 23, *Borrowing Costs* (2007). Comparative information has therefore not been recalculated.

Remuneration to employees

INVISIO Headsets AB, INVISIO Headsets A/S and INVISIO Inc. all have employees. Nextlink Patent AB and Nextlink IPR AB have no employees. Employees are remunerated in the local currency of the respective Group company. Neither the Parent Company nor the subsidiaries have any defined benefit pension plan. According to his employment contract, the CEO is entitled to a defined contribution pension. Other senior executives are also entitled to a defined contribution pension.

For these defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are reported as personnel costs when they fall due for payment. Prepaid expenses are reported as an asset, to the extent that cash repayment or reduction of future payments can be in the Group's favor.

Leasing

Fixed assets that are held through leasing are classified in accordance with the economic significance of the lease contract. Leased assets held via financial leases are reported as fixed assets, and future leasing fees are reported as interest-bearing liabilities. For leased assets classified as operating leases, the leasing cost is reported as an operating expense in the income statement.

Cash flow statement

The cash flow statement has been prepared in accordance with IAS 7, whereby the indirect method has been used. This means that the cash flow has been adjusted for transactions that have not entailed any payments in or out during the period. Cash and cash equivalents include cash and bank balances.

Note 2 Financial risk management and capital risk

Financial risk factors

In the course of its operations, the Group is exposed to various financial risks, such as interest rate risk, currency risk, price risk, credit risk, plus financing and liquidity risk. INVISIO Headsets' financial policy, which is annually established by the Board, sets out the guidelines for managing financial risks within the Group.

The financial policy includes investments as well as borrowing. The aim is to minimize unfavorable effects on the Group's earnings, equity and cash flow caused by changes in interest and currency rates. INVISIO Headsets must also be able to meet its payment obligations, which is why credit, interest and liquidity risks must be minimized. INVISIO Headsets must not create added value through financial risk-taking. Taking into account the financial policy's limitations, the aim is to achieve the highest return on the invested funds.

Interest rate risk

Interest rate risk is the risk of the value of financial instruments varying due to changes in market interest rates.

The Group's interest-bearing financial assets consist primarily of deposits made, plus cash and bank balances. The Parent Company's interest-bearing financial assets consists of cash and bank balances.

Based on the level of financial interest-bearing assets as per December 31, 2009, a one percentage point change in market rates of interest would affect the Group's earnings by SEK 51 thousand (9). The corresponding figure for the Parent Company is SEK 35 thousand (2).

The Group's interest-bearing financial liabilities pertain primarily to liabilities to credit institutions and invoice factoring.

The Group uses invoice factoring for the Group's customer invoices. The limit and borrowing rate for INVISIO Headsets for each customer invoice is set by individual assessment, where the borrowing rate normally amounts to a maximum of 80-100 percent of the customer invoice amount.

The Parent Company's financial liabilities pertain primarily to liabilities to credit institutions.

All interest-bearing financial liabilities have a variable interest rate. Based on the level of financial interest-bearing liabilities as per December 31, 2009, a one percentage point change in market rates of interest would affect the Group's earnings by SEK 168 thousand (179). The corresponding figure for the Parent Company is SEK 78 thousand (155).

Currency risk

Currency risks are found in the form of transaction and translation risks. The currency flow that arises due to the purchase and sale of goods and services in currencies other than each subsidiary's local currency gives rise to transaction risks. Translation risks arise when translating the foreign subsidiaries' income statements and balance sheets into Swedish krona.

INVISIO Headsets operates in a global market with large parts of sales and purchases made in currencies other than Swedish kronor (SEK). The majority of sales are in USD, DKK, and EUR.

The Group's purchases for the professional products business area are made in SEK, while expenses are primarily incurred in DKK and SEK. At present, net exposure in each currency is limited and the Group does not hedge its currency exposure.

The Group's balance sheet shows exposure to currency risks in respect of accounts receivable and accounts payable. If all currencies had been 5 percent higher/lower, the Group's earnings would have been affected by approximately SEK +/- 257 thousand (583) as a result of its exposures as at December 31, 2009. The corresponding figure for the Parent Company is approximately SEK +/- 0 thousand (0).

Price risk

The Group is not exposed to any price risk pertaining to shares classified as financial instruments stated at fair value through profit or loss or financial assets available for sale.

Credit risk

Credit risk is the risk of a party to a transaction with a financial instrument failing to fulfill its obligations.

The credit risks pertaining to financial assets was SEK 0 thousand (0) at December 31, 2009 after allowing for pledged reserves. There is no material concentration of credit risks, either geographically or in a particular customer segment, except for receivables linked to deliveries to customers in Russia in the Consumer Products business area, where a reserve provision has been made.

The share of receivables overdue by more than 120 days amounted to 8.3 percent (23.0) of the total accounts receivable as at December 31, 2009, see Note 25.

There are no other financial assets overdue for payment.

Financing risk and Liquidity risk

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in making payments. Liquidity risk is the risk of not being able to make payments when they fall due.

As at December 31, 2009, liquid funds amounted to SEK 5,059 thousand (864), liabilities to credit institutions to SEK 16,815 thousand (17,856) and equity to SEK 7,030 thousand (4,068), with an equity ratio of 14.0 percent (8.6). In 2009, liquid funds were received from the sale of the VoIP patent for SEK 32.5 m, equity through new share issues at SEK 20.8 m and amortized bank loans at SEK 7.8 m. Management and the Board work actively and continuously with the Company's governance and control, including financial performance, liquidity, and financial position. The Board regularly checks to ensure that the necessary conditions for continued operations exist. The Company is in need of further capital contributions until operations reach breakeven. The previous assessment made by company management and the Board stands, namely that necessary liquidity and financing will be generated and added to operations through operating income, borrowing, the possible exercise of stock options, and authorization from the 2009 AGM to implement share issues.

Fair values

The reported value corresponds to the fair value for all of the Group's and Parent Company's financial assets and liabilities.

The financial assets in the Group and Parent Company all belong to the categories of accounts receivable and loans receivable, while the financial liabilities of the Group and Parent

December 31 (SEK 000s)	Group		Parent Company	
	2009	2008	2009	2008
Financial assets				
Loans receivable and accounts receivable				
Financial fixed assets – Other long-term liabilities	769	759	-	-
Receivables from Group companies	-	-	14,697	22,703
Accounts receivable – trade	13,404	5,713	-	-
Other receivables	998	4,296	116	3,391
Cash and bank balances	5,059	864	3,533	154
Total financial assets	20,230	11,632	18,346	26,248
Financial liabilities				
Financial liabilities valued at the accrued acquisition value				
Liabilities to credit institutions	16,815	17,856	7,750	15,502
Accounts payable – trade	11,761	14,231	2,232	3,434
Liabilities to Group companies	-	-	198	2,010
Other liabilities	8,943	6,304	40	70
Total financial liabilities valued at the accrued acquisition value	37,519	38,391	10,220	21,016

Company belong to the category of financial liabilities valued at the accrued acquisition value.

Earnings and losses for financial assets and liabilities

The total exchange rate difference for the Group amounts to SEK 1,416 thousand (228) and for the Parent Company, to SEK 450 thousand (345), and is reported in the income statement.

Management of capital risk

The Group's goal regarding its capital structure is to safeguard the Group's ability to continue its operations in order to be able to generate a return to the shareholders and benefit other stakeholders, and to ensure that the capital structure is optimal in relation to the cost of capital. Dividends to shareholders, redemption of shares, issues of new shares or sales of assets are examples of measures that the Group may use in order to adjust the capital structure.

In INVISIO Headsets, capital is defined as total equity as reported in the balance sheet, see page 47.

Income statement, segmental breakdown 2008

SEK 000s	Profes- sional Products	Consumer Products	Other	Total
Sales	19,142	21,544	-	40,686
Other income	-	-	-	-
<i>Total income</i>	<i>19,142</i>	<i>21,544</i>	<i>-</i>	<i>40,686</i>
Cost of goods sold	-9,482	-18,363	-	-27,845
<i>Gross profit</i>	<i>9,660</i>	<i>3,181</i>	<i>-</i>	<i>12,841</i>
Selling and marketing expenses	-16,485	-6,764	-1,506	-24,755
Administration expenses	-5,733	-3,065	-6,855	-15,653
Research and development costs	-6,514	-8,654	-479	-15,647
<i>Operating profit/loss</i>	<i>-19,072</i>	<i>-15,302</i>	<i>-8,840</i>	<i>-43,214</i>
Net financial income	-214	-177	-1,275	-1,666
<i>Profit/Loss before tax</i>	<i>-19,286</i>	<i>-15,479</i>	<i>-10,115</i>	<i>-44,880</i>
Tax	-	-	-	-
<i>Profit/Loss after tax</i>	<i>-19,286</i>	<i>-15,479</i>	<i>-10,115</i>	<i>-44,880</i>

Note 3 Income statement per segment for the Group

The Professional products segment includes the products sold by the Company to the professional market. The Consumer products segment includes both the products that the Company has sold to consumers and royalties from Motorola. All investments excluding the specification in Note 13 – Intangible Assets refer to the Professional products segment. Sale of the Company's VoIP patent was not associated to any segment, and was therefore reported under the Other segment.

Income statement, segmental breakdown 2009

SEK 000s	Professional Products	Consumer Products	Other	Total
Sales	21,345	7,288	-	28,633
Other income	-	-	32,473	32,473
<i>Total income</i>	<i>21,345</i>	<i>7,288</i>	<i>32,473</i>	<i>61,106</i>
Cost of goods sold	-12,902	-5,486	-	-18,388
<i>Gross profit</i>	<i>8,443</i>	<i>1,802</i>	<i>32,473</i>	<i>42,718</i>
Selling and marketing expenses	-23,121	-860	-655	-24,636
Administration expenses	-9,250	69	-4,771	-13,952
Research and development costs	-12,397	-4,976	-195	-17,568
<i>Operating profit/loss</i>	<i>-36,325</i>	<i>-3,965</i>	<i>26,852</i>	<i>-13,438</i>
Net financial income	-2,548	-1	-1,308	-3,857
<i>Profit/Loss before tax</i>	<i>-38,873</i>	<i>-3,966</i>	<i>25,544</i>	<i>-17,295</i>
Tax	-	-	-	-
<i>Profit/Loss after tax</i>	<i>-38,873</i>	<i>-3,966</i>	<i>25,544</i>	<i>-17,295</i>

Note 4 Reporting per geographical area

Total income divided per geographical area

Group	2009	2008
Sweden	2,732	1,535
Europe	6,801	9,724
North America ¹	50,385	19,388
Rest of the world	1,188	10,039
<i>Total</i>	<i>61,106</i>	<i>40,686</i>

¹Of which VoIP, SEK 32,473 thousand (0)

Note 5 Items not included in the cash flow

Group	2009	2008
Depreciation/amortization	9,480	7,036
Translation difference	-446	-1,021
<i>Total</i>	<i>9,034</i>	<i>6,015</i>
Parent Company	2009	2008
Depreciation/amortization	-	13
<i>Total</i>	<i>-</i>	<i>13</i>

Note 6 Inter-company transactions

Of the Parent Company's invoicing, SEK 345 thousand (120) refers to subsidiaries. Invoicing from subsidiaries to Parent Company, SEK 624 thousand (360).

Note 7 Auditor's compensation

	Group		Parent Company	
	2009	2008	2009	2008
Auditing				
PricewaterhouseCoopers	712	558	450	300
SET Revisionsbyrå	-	203	-	203
Palsgaard & Hansen	-	346	-	-
MCG LLP	115	148	-	-
Other assignments¹				
PricewaterhouseCoopers	67	-	67	-
SET Revisionsbyrå	-	120	-	120
Palsgaard & Hansen	-	448	-	-
MCG LLP	61	30	-	-
Total	955	1,853	517	623

¹Auditing assignments include reviewing the annual report and accounting records, as well as the Board's and CEO's management, other work assignments required of the Company auditors, as well as advice or other assistance due to observations from such a review or carrying out such other work assignments. Other assignments pertain primarily to consulting on accounting matters and tax consulting.

Note 8 Other one-off operating expenses

Group	2009	2008
Remuneration to personnel made redundant during the period	-	2,770
Total	0	2,770

Note 9 Rental and leasing agreements

The Group's total rental and leasing fees for the year amounted to SEK 2,445 thousand (1,999).

Agreed future rental and leasing fees amount to SEK 2,323 thousand (2,836) and will occur during the next three years, divided as follows, 2010: SEK 2,315 thousand (697), 2011: SEK 8 thousand (6), 2012: SEK 0 thousand (-).

The Parent Company's leasing agreement for the year amounted to SEK 88 thousand (98). The agreement is valid up to and including December 31, 2010, at an annual cost of SEK 61 thousand.

All the Group's and Parent Company's rental and leasing agreements are in operation.

Note 10 Personnel

	2009		2008	
	Number of employees	Of which men	Number of employees	Of which men
Average number of employees				
Parent Company	1	1	1	1
Denmark	26	21	29	23
USA	2	1	3	1
Total	29	23	33	25

	2009		2008	
	Board	Other executives	Board	Other executives
Share of women in executive positions, percent				
Parent Company	25	-	17	-
Group	25	20	17	20
Total	25	20	17	20

Salaries and other remuneration¹	2009	2008
Parent Company	1,314	1,593
Subsidiaries	23,381	24,336
Capitalized loans for research and development	-6,357	-6,516
Group total	18,338	19,413
<i>Social security expenses, excluding pension costs</i>		
Parent Company	437	517
Subsidiaries	480	540
Group total	917	1,057
<i>Pension costs</i>		
Parent Company	0	0
Subsidiaries	1,124	982
Group total	1,124	982
Total personnel costs	20,379	21,452

¹The personnel costs for 2008 include remuneration for employees made redundant during the period, which is reported under Other external costs, see Note 8.

Absence due to sickness

INVISIO Headsets AB has fewer than 10 employees, so no statistics on absence due to sickness are reported.

Pensions

Neither the Parent Company nor the subsidiaries have any defined benefit pension plans for their employees. According to his employment contract, the CEO is entitled to a defined contribution pension in which the premiums are calculated at 30 percent of approximately 70 percent of his fixed salary. Certain other senior executives also have a defined contribution pension entitlement in which the premium is calculated at 10–25 percent of fixed salary.

Option program

In 2007, the Board established a synthetic option program for all Group employees. During the term of the program, participants will be granted employment-related options and performance-related options. The options are granted free of charge and encompass a total of 700,000 options, of which 350,000 are employment-related options and 350,000 are performance-related options. Exercise of employment-related options requires, in principle, that the employment relationship exists at the time of exercise. In addition, exercise of performance-related options requires the achievement of certain financial targets set by the Board.

The option program has a term of approximately four years from the grant date and expires on June 30, 2011. The growth

in value of granted options is maximized to three times the market price at the date of grant, which was SEK 19.00 as per July 9, 2007.

In 2009, SEK 2,391 thousand (1,567) was reserved for the program, of which SEK 423 thousand was for performance-related options granted for 2008 (0 for those granted for 2007). Performance-based options for 2009 will be granted in an amount corresponding to 87 percent (41) of maximum outcome. No provisions were made for performance-based options granted for 2009. The final closing price as per December 30, 2009 was SEK 18.00.

Note 11 Remuneration to senior executives

Group	2009				2008			
	Salary	Pension	Other remuneration	Total	Salary	Pension	Other remuneration	Total
Board¹								
Heléne Bergquist, Chairman of the Board	399	-	-	399	688	-	-	688
Anders Persson	100	-	-	100	-	-	-	-
Magnus Ruding	140	-	-	140	-	-	-	-
Mats Warstedt	140	-	-	140	-	-	-	-
Christian Paulsson	25	-	-	25	75	-	-	75
Fredrik Sandelin	25	-	-	25	75	-	-	75
Jan Werne	25	-	-	25	75	-	-	75
Total	854	-	-	854	913	-	-	913
Management								
Lars H. Hansen, CEO ²	2,096	462	73	2,631	1,905	429	78	2,412
Other executive management ³	5,166	488	-	5,654	5,529	368	-	5,897
Total	7,262	950	73	8,285	7,434	797	78	8,309

Board remuneration is for the duration of 2009, 1/4 of the 2008 amount plus extra.

¹The Annual General Meeting 2009 resolved that directors' fees totaling SEK 250,000 shall be paid to the Chairman of the Board and SEK 100,000 to each of the other Board members. For 2009, 1/4 of the year's fees for 2008 have been reported, plus 4/4 of the year's fees for 2009. In addition, the 2009 Annual General Meeting resolved that an extra fee of up to SEK 500,000 shall be available for special cases for work with financial matters, listing on NASDAQ OMX Small Cap, contract negotiations and other strategic issues. For 2009, a total of SEK 86,000 was reported as extra fees to the Chairman of the Board. In addition to this, the Board has received compensation for outlays.

²Variable salary can amount to a maximum of 50 percent of the basic salary. No variable salary was paid for 2008 or 2009.

³Variable salary can amount to a maximum of 0-35 percent of the basic salary. Variable salary 2008 and 2009 amounted to SEK 128 thousand (435).

Notice period

According to his employment contract, the CEO has a 12-month notice period in the event the Company serves notice. In the event the CEO leaves of his own accord, the notice period is eight months.

According to their respective employment contracts, other senior executives have a six-month notice period in the event the Company serves notice. In the event the other senior executives leave on their own accord, the notice period is three months.

Note 12	Taxes
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Group

Income tax	2009	2008
Current tax	0	0
Deferred tax	-	-
<i>Total</i>	<i>0</i>	<i>0</i>
Reconciliation of effective tax, Group		
Profit/Loss before tax	-17,295	-48,880
Tax according to applicable tax rate, 26.3 % (2009)	4,549	-
Tax according to applicable tax rate, 28% (2008)	-	13,686
Non-reported increase in deferred income taxes recoverable	-4,549	-13,686
<i>Reported effective tax</i>	<i>-</i>	<i>-</i>

Group

All companies in the Group have accumulated loss carryforwards. These do not have a time restriction and can therefore be used to reduce taxes on future profits. As it is uncertain whether there will be opportunity – and within what time frame – to utilize these deficits, they have not been capitalized as deferred income taxes recoverable. New assessments of whether deferred income taxes recoverable for loss carryforwards shall be reported are carried out regularly.

Accumulated loss carryforwards in the Group amounted to SEK 245 m (206) as at December 31, 2009.

Parent Company

Tax in the Parent Company refers to tax on Group contributions. For further information, refer to the change in equity in the Parent Company.

Note 13	Intangible assets
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Group, December 31	2009		2008	
	Professional Products	Consumer Products	Professional Products	Consumer Products
<i>Opening acquisition value</i>	10,930	26,960	3,110	21,704
Internally-developed assets	8,286	-	7,194	887
Exchange rate differences for the year	247	-2,221	626	4,369
<i>Closing accumulated acquisition value</i>	<i>19,463</i>	<i>24,739</i>	<i>10,930</i>	<i>26,960</i>
<i>Opening depreciation</i>	<i>-</i>	<i>-12,515</i>	<i>-</i>	<i>-5,498</i>
Depreciation for the year	-2,478	-5,496	-	-5,406
Exchange rate differences for the year	-	807	-	-1,611
<i>Closing accumulated depreciation</i>	<i>-2,478</i>	<i>-17,204</i>	<i>-</i>	<i>-12,515</i>
<i>Closing reported value</i>	<i>16,986</i>	<i>7,535</i>	<i>10,930</i>	<i>14,445</i>

Research and development expenses amounted to SEK 17,880 thousand (16,506), corresponding to 29 percent (41) of total income. Of these expenses, SEK 8,286 thousand (8,081) has been capitalized, the remainder is shown in the earnings for the period.

Research and development expenses consist of the R&D expenses less the reported fees for the year, with the addition of the year's depreciation on intangible assets.

The developed assets for the year primarily refer to the new product portfolio for professional products launched during the second half of 2009. No salary expenses were capitalized due to the short timeframe of the project.

Disclosure on testing the write-down requirement:

The recoverable amount of capitalized development expenses is determined based on estimated economic life and volume. This calculation is based on expected future cash flows based on financial forecasts approved by the management, and which cover the product lifecycles.

Company management has determined budgeted gross margins based on its expectations of market development. The weighted average growth rate applied corresponds to the forecasts shown in industry reports. Any differences arising between expected volume and actual volume are subject to write-down.

During testing for write-down requirements, the Company has applied a discounting rate of 15 percent.

Note 14 Property, plant, and equipment

Group, December 31	2009	2008
<i>Opening acquisition value</i>	9,527	9,521
Purchases	372	1,238
Sales and disposals for the year	-527	-2,596
Exchange rate differences for the year	-643	1,364
<i>Closing accumulated acquisition value</i>	8,729	9,527
<i>Opening depreciation</i>	-6,289	-3,537
Depreciation for the year	-1,506	-1,630
Sales and disposals for the year	344	-553
Exchange rate differences for the year	333	-569
<i>Closing accumulated depreciation</i>	-7,118	-6,289
<i>Closing reported value</i>	1,611	3,238
Parent Company, December 31	2009	2008
<i>Opening acquisition value</i>	0	25
Purchases	-	0
Sales and disposals for the year	-	-25
<i>Closing accumulated acquisition value</i>	0	0
<i>Opening depreciation</i>	0	-12
Depreciation and disposals for the year	-	12
<i>Closing accumulated depreciation</i>	0	0
<i>Closing reported value</i>	0	0

Note 15 Financial assets

Group, December 31	2009	2008
<i>Opening acquisition value</i>	759	3,983
Changes, bank guarantee	-	-3,270
Exchange rate differences for the year	10	46
<i>Closing reported value</i>	769	759
Parent Company, December 31	2009	2008
<i>Opening acquisition value</i>	0	3,270
Changes, bank guarantee	-	-3,270
<i>Closing reported value</i>	0	0

Note 16 Inventories

Group, December 31	2009	2008
Finished products	951	3,973
Products in progress	1,765	2,116
Goods in transit	0	332
<i>Total</i>	2,716	6,421

The inventories are valued at acquisition value.

Note 17 Prepaid expenses and accrued income

Group, December 31	2009	2008
Personnel-related expenses	-	-
Other	1,151	763
<i>Total</i>	1,151	763
Parent Company, December 31	2009	2008
Personnel-related expenses	-	-
Other	183	199
<i>Total</i>	183	199

Note 18 Liabilities to credit institutions

Group, December 31	2009	2008
Bank loans	7,750	15,500
Liabilities in respect of invoice factoring	9,065	2,356
<i>Total</i>	16,815	17,856

Loans to credit institutions due within 3 months total SEK 5,750 thousand; loans due within 3–9 months total SEK 2,000 thousand. Interest at 4.65 percent on loans of SEK 5 m is paid at due date. Interest at 15.25 percent on loans of SEK 2.75 m is paid at due date. All accounts receivable have been pledged as security for invoice factoring (see Note 22).

Parent Company, December 31	2009	2008
Bank loans	7,750	15,500
Liabilities in respect of invoice factoring	-	2
<i>Total</i>	7,750	15,502

Loans to credit institutions due within 3 months total SEK 5,750 thousand; loans due within 3–9 months total SEK 2,000 thousand. Interest at 4.65 percent on loans of SEK 5 m is paid at due date. Interest at 15.25 percent on loans of SEK 2.75 m is paid at due date.

Note 19 Shares and participations in subsidiaries

Parent Company, December 31	2009	2008
Opening reported value	81,871	81,871
Shareholders' contributions	30,000	53,000
Write-down of shares	-30,000	-53,000
Closing reported value	81,871	81,871

Shares held by the Parent company, 2009

Company	Corporate Identity Number	Registered office	Number of participations	Proportion of equity (%)	Reported value
INVISIO Headsets A/S	20 75 82 36	Hvidovre, Denmark	672,590	100	78,895
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2517
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	407
INVISIO Inc.	16-1761709	Delaware, USA	10,000	100	52

Shares held by the Parent company, 2008

Company	Corporate Identity Number	Registered office	Number of participations	Proportion of equity (%)	Reported value
INVISIO Headsets A/S (Name changed in 2008)	20 75 82 36	Hvidovre, Denmark	672,590	100	78,895
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2517
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	407
INVISIO Inc.	16-1761709	Delaware, USA	10,000	100	52

Note 20 Accrued expenses and prepaid income

Group, December 31	2009	2008
Personnel-related expenses	3,851	3,603
Other	1,829	1,367
Total	5,680	4,970

Parent Company, December 31	2009	2008
Personnel-related expenses	418	968
Other	940	946
Total	1,358	1,914

Note 21 Shareholders' equity

See the report Changes in Shareholders' Equity, pages 49 and 53.

Parent Company

As at December 31, 2009 share capital amounted to SEK 21,565 thousand (20,646), allocated over 21,565,126 (20,646,084) shares with a quotient value of SEK 1. On the basis of stock options utilized at the end of December, which

have not yet been registered with the Swedish Companies Registration Office, a further 500,000 shares (288,000) will be issued. The number of outstanding stock options amounts to 3,017,225 (3,092,806), which entitle the holder to subscribe for 3,118,948 (3,202,054) shares, distributed over two (three) programs:

STOCK OPTIONS

INVISIO Headsets AB currently has two outstanding stock option programs:

- Stock options 2007/2011 no. 4**
 1,017,225 stock options, which provide the holder the right to subscribe for 1,118,948 shares in INVISIO Headsets AB at a subscription price of SEK 25.96 per share during the period December 1, 2007 to December 1, 2011. Upon full exercise of the options, the share capital can increase by a maximum of SEK 1,118,948. All options are held by Lage Jonason via companies.
- Stock options 2008/2013 no. 6**
 2,000,000 stock options, which provide the holder the right to subscribe for 2,000,000 shares in INVISIO Headsets AB at a subscription price of SEK 25.00 per share during the period April 30, 2008 to April 30, 2013. Upon full exercise of the options, the share capital can increase by a maximum of SEK 2,000,000. The stock options have been granted free of charge to Motorola. The subscription rights provided by the options are conditional on the fulfillment of certain goals prior to March 31, 2011.

Note 22 Pledged assets and contingent liabilities

Pledged assets

For liabilities to credit institutions, December 31	Group		Parent Company	
	2009	2008	2009	2008
Shares in subsidiaries	-	204	-	2,976
Pledged accounts receivable	13,404	5,713	-	-
<i>Total</i>	<i>13,404</i>	<i>5,917</i>	<i>0</i>	<i>2,976</i>
Contingent liabilities	None	None	None	None

Note 23 Disputes in the Group

The ruling handed down during the fourth quarter of 2008 regarding the dispute between former employees and INVISIO Headsets A/S and INVISIO Headsets AB respectively required INVISIO Headsets to pay a total of approximately DKK 2.5 m. An appeal has been filed with a higher court. A ruling is expected during the first half of 2010. A provision of SEK 3.6 m was made in 2008 for possible future costs stemming from this dispute. The amount is reported under Other liabilities.

In the third quarter of 2009, operating expenses were burdened with a provision of DKK 100 thousand for legal and trial fees regarding a dispute with a former supplier, whose demand for DKK 1.7 m for unplaced orders has been rejected in full.

Note 24 Earnings per share in the Group

Earnings per share before dilution	2009	2008
Profit/Loss after tax	-17,295	-44,880
Average number of shares outstanding (thousands)	21,064	20,052
<i>Earnings per share before dilution</i>	<i>-0,82</i>	<i>-2,24</i>

Earnings per share before dilution are based on earnings after tax attributable to equity holders of the parent and a weighted average of the number of shares outstanding.

Earnings per share before dilution are based on earnings after tax attributable to equity holders of the parent and a weighted average of the number of shares outstanding, plus a weighted number of shares which would be added if all potential shares giving rise to dilution are converted to shares.

Only the option programs whose issue price is less than the average share price for the period can lead to a dilutive effect. The average price for 2009 was SEK 19.22. Neither of the two outstanding option programs meet the conditions. In addition, the dilution effect is not observed, as the Company shows a loss. Earnings per share before dilution therefore agree with the result per share after dilution.

As shown in Note 21, INVISIO Headsets has two outstanding option programs, providing the right to subscribe for a total of 3,118,948 shares. Upon full conversion, the number of shares will amount to 25,184,074.

Calculation of dilution

Number of shares after dilution for 2009	21,565
Average exchange rate 2009	19,22

Option program 2007/2011

Number of options	1,017,225
No. shares	1,118,947
Subscription price	25,96
Redemption upon full utilization	29,047,864
Corresponding to number of shares at average exchange rate 2009	1,511,335
Number of shares without remuneration	-392,388
<i>Total</i>	<i>1,118,947</i>

Option program 2008/2013

Number of options	2,000,000
No. shares	2,000,000
Subscription price	25,00
Redemption upon full utilization	50,000 000
Corresponding to number of shares at average exchange rate 2009	2,601,457
Number of shares without remuneration	-601,457
<i>Total</i>	<i>2,000,000</i>

Note 25 Accounts receivable – trade

As at December 31, 2009, accounts receivable of SEK 2,774 thousand (1,995) were due within the Group. The write-down requirement has been assessed to be SEK 631 thousand (1,462). Other accounts receivable are for customers who have not previously exhibited problems with making payments. An age analysis of the Company's accounts receivable is shown below. The Parent Company has no accounts receivable.

December 31	Group	
	2009	2008
Past due but not written-down accounts receivable		
Not past due	10,629	3,718
Past due 1-30 days	1,644	349
Past due 31-60 days	11	123
Past due 61-90 days	-	103
Past due 91-120 days	-	104
Past due 121 days or more	1,119	1,316
<i>Total</i>	<i>13,404</i>	<i>5,713</i>

December 31	Group	
	2009	2008
Provision for bad accounts receivable		
Provision at start of year	1,462	200
Confirmed losses	-	-229
Recovery of bad accounts receivable	-754	-
Exchange rate differences	-77	-
Recovery of expected losses	-	1,491
<i>Provision at year-end</i>	631	1,462
Reserve for bad accounts receivable according to		
Not past due	-	-
Past due 1-30 days	-	-
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Past due 91-120 days	-	-
Past due 121 days or more	631	1,462
<i>Total</i>	631	1,462

Note 26 Costs divided by type

Group	Costs divided by type	
	2009	2008
Costs divided by type		
Changes in stocks of finished products and products in progress	-18,388	-27,845
Costs for employee remuneration (Notes 10 & 11)	-24,880	-25,805
Research and Development costs (Note 3)	-17,568	-15,647
Depreciation and write-downs (Notes 13 & 14)	-9,480	-7,036
Other costs	-4,228	-7,567
<i>Total cost of goods sold, sales and marketing, administration, research and development</i>	-74,544	-83,900
Parent Company		
Costs divided by type	2009	2008
Costs for employee remuneration (Notes 10 & 11)	-1,751	-2,034
Depreciation and write-downs (Notes 13 & 14)	-	-13
Other costs	-4,254	-5,857
<i>Total administrative expenses</i>	-6,005	-7,904

Note 27 Related party disclosures

Lage Jonason (with family and companies) is the Company's largest single shareholder. INVISIO Headsets and Lage Jonason AB have exchanged invoices for SEK 0 thousand (454).

Lage Jonason has personally acted as guarantor for some of the Company's liabilities to credit institutions, in the amount of SEK 7.8 m (15.5), in addition to providing security for supplier obligations.

The Company has not compensated Lage Jonason for the obligations incurred in acting as guarantor.

Other related parties consist of the Board of Directors and management. No other transactions took place with these individuals other than those reported in Note 11, Remuneration of senior executives.

Note 28 Events after the end of the financial year

Sales

INVISIO Headsets has received several orders from military customers in Europe and the US, including the US Navy. The orders include INVISIO Headsets' new communication system with certified hearing protection comprised of the INVISIO X50 control unit and the INVISIO X5 two-channel headset. This is the first digital communication system in the world to feature certified hearing protection and the patented INVISIO Bone Conduction technology, which enables disruption-free communication under extreme conditions. The total value of the order is approximately SEK 2 m.

Organization

Management was reorganized on March 1, 2010 when Jan Larsen, Head of Research & Development, added Head of Operations to his responsibilities. Jennie Amareus, former Head of Operations, left the Company in conjunction with the reorganization.

Financing

On January 11, 2010, a total of 500,000 shares were registered from the directed new share issue implemented in December 2009. On February 26, 2010, the Board of INVISIO Headsets decided that a directed new share issue comprising 383,562 shares and corresponding to approximately 1.7 percent of the total number of shares in the Company after the issue be implemented, which provided the Company with about SEK 7 m. The subscription price was SEK 18.25 per share and reflected the closing price prior to the Board's decision. The issue was directed at a smaller group of external investors. A new line of credit totaling SEK 14 m was secured in March. In addition to this, in February one of the largest shareholders of INVISIO Headsets provided a commitment to the Board to ensure that the Company receives, in 2010, an additional sum of approximately SEK 9 m through new loans or new share issues, should this prove necessary. INVISIO Headsets has appointed Erik Penser Bankaktiebolag its financial advisor for the planned listing on NASDAQ OMX Small Cap.

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on April 27, 2010 for adoption.

The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The Annual Report has been prepared in accordance with generally accepted accounting principles and gives a true and fair representation of the Parent Company's financial position and results of operations.

The Board of Directors' Report for the Group and the Parent Company give a true and fair overview of the development of the Group's and the Parent Company's operations, financial position and results of operations, and describe material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 24, 2010

Mats Warstedt
Member of the Board

Heléne Bergquist
Chairman

Magnus Ruding
Member of the Board

Anders Persson
Member of the Board

Lars Højgård Hansen
President and CEO

Stockholm, April 7, 2010

Michael Bengtsson
Authorized Public Accountant
PricewaterhouseCoopers AB

AUDIT REPORT

To the Annual General Meeting of INVISIO Headsets AB (publ.)
CIN 556651-0987

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of INVISIO Headsets AB (publ.) for 2009. (The Company's annual report is included on pages 41–67 in the printed version of this document.) The Board of Directors and the CEO are responsible for these accounts and the administration of the Company as well as for the application of the Swedish Annual Accounts Act when preparing the annual accounts and application of International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. The standards stipulate that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO and significant estimates made by the Board of Directors and the CEO when preparing the annual accounts and consolidated accounts as well

as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the CEO. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Swedish Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The Board of Director's report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, April 7, 2010

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Chief auditor

FIVE-YEAR OVERVIEW

INCOME STATEMENTS January–December (SEK, thousands)	2009	2008	2007	2006	2005
<i>Total income</i>	61,106	40,686	22,786	57,517	38,028
Cost of goods sold	-18,388	-27,845	-14,720	-34,293	-28,972
<i>Gross profit</i>	42,718	12,841	8,066	23,224	9,056
Operating expenses	-46,676	-49,019	-71,679	-64,996	-17,977
Depreciation and write-downs	-9,480	-7,036	-3,192	-1,957	-1,255
<i>Operating profit/loss</i>	-13,438	-43,214	-66,805	-43,729	-10,176
Net financial income	-3,857	-1,666	-1,267	-2,414	-787
<i>Profit/Loss before tax</i>	-17,295	-44,880	-68,072	-46,143	-10,963

INCOME STATEMENTS December 31 (SEK, thousands)	2009	2008	2007	2006	2005
ASSETS					
Non-current assets					
Intangible assets	24,521	25,375	19,316	12,248	2,168
Property, plant, and equipment	1,611	3,238	5,984	3,654	2,245
Financial assets	769	759	3,983	889	216
<i>Total non-current assets</i>	26,901	29,372	29,283	16,791	4,629
Current assets					
Inventories	2,716	6,421	4,415	13,709	8,273
Accounts receivable – trade	13,404	5,713	6,797	8,271	7,964
Other receivables/prepaid expenses and accrued income	2,149	5,059	6,916	3,761	3,175
Cash and bank balances	5,059	864	11,633	13,171	19,419
<i>Total current assets</i>	23,328	18,057	29,761	38,912	38,831
TOTAL ASSETS	50,229	47,429	59,044	55,703	43,460
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	7,030	4,068	20,031	16,688	33,280
Current liabilities					
Liabilities to credit institutions	16,815	17,856	13,195	17,734	4,447
Accounts payable - trade	11,761	14,231	13,352	13,641	4,849
Other liabilities/accrued expenses and prepaid income	14,623	11,274	12,466	7,640	884
<i>Total current liabilities</i>	43,199	43,361	39,013	39,015	10,180
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	50,229	47,429	59,044	55,703	43,460

CASH FLOW STATEMENT January-December (SEK, thousands)	2009	2008	2007	2006	2005
<i>Profit/Loss before tax</i>	-17,295	-44,880	-68,072	-46,143	-10,963
Adjustments for non-cash items	9,034	6,015	4,813	2,131	1,498
Taxes	-	-	-1,262	-	-
<i>Cash flow from operating activities before changes in working capital</i>	-8,261	-38,865	-64,521	-44,012	-9,465
Cash flow from changes in working capital	-2,433	732	11,308	9,219	-8,337
<i>Cash flow from operating activities</i>	-10,694	-38,133	-53,213	-34,793	-17,802
<i>Cash flow from investing activities</i>	-8,475	-6,476	-15,990	-14,023	-2,006
<i>Cash flow from financing activities</i>	23,291	33,685	67,528	42,568	31,021
CASH FLOW FOR THE YEAR	4,122	-10,924	-1,675	-6,248	11,213

KEY FIGURES	2009	2008	2007	2006	2005
MARGINS					
Gross margin	69,9%	31,6%	35,4%	40,4%	23,8%
Operating margin	-22,0%	-106,2%	-293,2%	-76,0%	-26,8%
Profit margin	-28,3%	-110,3%	-298,7%	-80,2%	-28,8%
CAPITAL STRUCTURE					
Equity ratio	14,0%	8,6%	33,9%	30,0%	76,6%
OTHER					
Number of employees	29	30	40	39	22
DATA PER SHARE					
Number of shares at end of period	21,565,126	20,646,084	19,623,779	14,663,453	12,796,698
Earnings per share, SEK	-0,82	-2,24	-4,22	-3,47	-1,03
Shareholders' equity per share, SEK	0,33	0,19	1,02	1,14	2,60
Share price at year end, SEK	18,00	17,70	19,00	21,40	26,00