

Interim report

January – June 2019

INVISIO's strongest quarter so far

SEK in millions	2019 Q2	2018 Q2	Δ %	2019 Jan-Jun	2018 Jan-Jun	Δ %
Revenue	137.2	93.8	46	204.1	177.9	15
Gross profit	87.2	55.3	58	127.9	105.4	21
Gross margin, %	63.5	58.9		62.7	59.2	
EBITDA	41.4	13.9	197	45.3	33.5	36
Operating profit/loss	38.8	12.8	202	40.3	31.3	29
Operating margin, %	28.2	13.7		19.7	17.6	
Profit/loss for the period	28.5	9.9	187	30.0	23.8	26
Earnings per share, SEK	0.65	0.23	187	0.68	0.54	26

“Order intake, sales and results in the second quarter are the highest so far and are largely attributable to the order worth SEK 111 million from the new customer USSOCOM (United States Special Operations Command). INVISIO also received a strategic breakthrough order from the German police, which is an important reference for addressing future customers in the police and security market. After the end of the period, the U.S. Marine Corps selected INVISIO for their Hearing Enhancement Program and placed an initial order of SEK 43 million. The positive performance, along with a broadening of the offer to include Intercom, and penetration of new user groups such as police and security services, means that we have every reason to be positive concerning INVISIO's continued growth.”

Lars Højgård Hansen, CEO

IMPORTANT EVENTS DURING THE QUARTER

- Large order from the new CASL program in USSOCOM (United States Special Operations Command) worth SEK 111 million.
- Strategic breakthrough order from German police.
- Follow-up order from SFAB (Security Force Assistance Brigades) worth about SEK 26 million.
- The order book at the close of the quarter was SEK 90.1 million (147.0).

IMPORTANT EVENTS AFTER THE CLOSE OF THE QUARTER

- The United States Marine Corps selects INVISIO for their Hearing Enhancement Program. First order of SEK 43 million received.

Highest order intake, sales and result in one quarter

INVISIO's order intake and sales in the second quarter were SEK 179 million (115) and SEK 137.2 million (93.8) respectively, which is the highest ever in one quarter. The order book at the close of the period included orders to the value of SEK 90.1 million (147.0).

Sales in the first half year amounted to SEK 204.1 million (177.9), an increase close to 15 per cent compared with the corresponding period in the previous year.

Sales and order intake for the quarter are largely attributable to the SEK 111 million order from the new CASL program within USSOCOM (United States Special Operations Command)¹. We assess that there is good potential for further orders from the customer.

INVISIO also received a breakthrough order from the police. The procurement contract won in Germany is an important reference for the company in relation to the ongoing modernization of communication equipment that is taking place globally in the police and security sector.

The gross margin for the second quarter was 63.5 per cent (58.9). The strengthened margin is an effect of a greater share of direct sales via our own organization in the USA and France, and elsewhere. The operating profit, the highest ever in a quarter, was SEK 38.8 million (12.8) and refers to higher sales.

The positive growth in the quarter is clear evidence that the product development and sales initiatives that have successively increased since 2017 are bearing fruit.

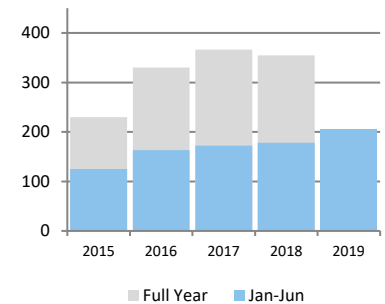
After the end of the period, the U.S. Marine Corps selected INVISIO for their Hearing Enhancement Program and placed an initial order of SEK 43 million. Deliveries will take place over the next six months. The order is an important milestone for INVISIO, and we believe that the conditions are good for follow-up orders in the coming years.

Strong order intake in the USA

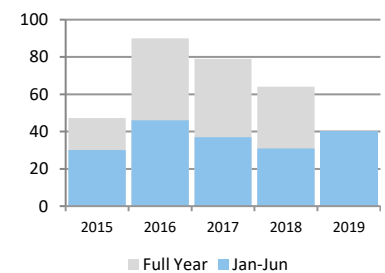
The American market is continuing to develop well. Since April, we have received three significant orders, including the above-mentioned order from the Marine Corps, which were received after the end of the quarter.

USSOCOM chose the INVISIO V60 as the next generation of communication system for the CASL program (Communication Accessory Suite Land). We are very proud to be able to deliver our advanced systems in support of the program and thus strengthen our already very advanced position in special forces in the American market. During the quarter we also received a follow-up order worth about SEK 26 million from SFAB (Security Force Assistance Brigades - a specialist unit in the American Army.)

Sales (SEK million)



EBIT (SEK million)



Record order intake, sales and result in the quarter



¹ USSOCOM is the American Department of Defense military commando with overall responsibility for special units in the armed services.

The successes in the USA are the result of the conscious focus in recent years on building up a local sales organization, which has considerably increased our market presence and capacity. In 2019 we will strengthen our sales organization even more and we expect continued sound growth.

Police and security services are modernizing their communication equipment

The need for modern communication equipment that makes it possible to work effectively and safely in noisy and mission-critical environments is also great within the police and security services. There is ongoing modernization of equipment both in Europe and the USA and in 2018 we started to progressively address markets in selected countries.

Strategic breakthrough in police and security services

A first and strategically important breakthrough for the initiative is the procurement contract won during the quarter for communication equipment from a regional police force in Germany. The order constitutes an important reference and strengthens our prospects in talks conducted with other police units.

Intensification of sales efforts in the new Intercom product category

The new Intercom system is an innovative and ground-breaking new product intended for use in vehicles, boats and helicopters. With its help, users of INVISIO's personal system can connect to the vehicle's other communication systems. In addition to being a new independent product category, INVISIO's Intercom also extends the area of use of the personal equipment.

Intercom broadens our offer

Marketing of Intercom has been gradually intensified in 2019 at trade exhibitions and to selected customers. Intercom met with great interest at the SOFIC exhibition in Florida in May and at the DSEI defense and security event in London in September INVISIO will put its main focus on the system.

With Intercom we are broadening our offer to the defense and security industry, and we are convinced that the new category will make a material contribution to the company's long-term growth.

A stronger INVISIO in growing markets

Demand for advanced communication solutions in defense and security continues to be strong and in parts of the world, including Europe and the USA, we see growing defense budgets and greater investment in civil security. This, along with a broadening of INVISIO's offer to include the Intercom system, and penetration of new user groups such as police and security, means that we have every reason to be positive concerning INVISIO's continued growth journey.

Lars Højgård Hansen, CEO

INVISIO in brief

INVISIO develops and sells advanced communication systems with hearing protection that enable professionals in noisy and mission-critical environments to communicate and work effectively. The systems consist of headsets and control units that connect for example to an external group radio or a vehicle's intercom system.

The systems give operational advantages and increased security for the users, such as military and security personnel. They also contribute to reducing the suffering of individuals and the costs to society of hearing loss.

Innovative product development

Product development in the Group is based on a good understanding of the users' and units' work environment and their specific needs. By combining different technologies and skills in acoustics, electronics, mechanics and software, INVISIO creates innovative and customized solutions that are better than traditional communication systems. Manufacturing is done mainly by contract manufacturers.

New product category for communication in vehicles, boats and helicopters

An intercom system for portable use or mounting in vehicles, including boats and helicopters, is currently being completed. The system has been developed for use together with INVISIO's existing communication systems and is intended to make communication simpler and more effective for users whose movements alternate between being inside and outside of vehicles. The system is described in more detail on INVISIO's website and in the 2018 annual report.

Growing niche market

INVISIO's current customers are primarily in defense and police forces. At present more than 90 per cent of INVISIO's income is from military customers. Industry statistics show that globally there are about 50 million soldiers, of which about 20 million are deemed to be active. The largest number of soldiers are in countries in Asia, but their defense forces do not yet invest in advanced communication and hearing protection systems.³

Technologically mature countries with awareness of hearing protection issues, whose soldiers have access to advanced radio communication in operations constitute INVISIO's primary target group. About two million potential users are serving in these countries' defense forces.⁴

The percentage of radio users is growing continually and is mainly driven by the increased operational capacity, safety and efficiency requirements of defense forces. In addition, INVISIO drives growth by developing new, innovative solutions that gradually raise the industry's performance, functionality and user experience requirements.



INVISIO's solutions reduce harmful noise while amplifying weak sounds and retaining the user's ability to perceive sound direction.

Users retain situational awareness and can act according to what is going on around them.



Hearing loss is a common problem for employees of the armed forces. Soldiers in war-torn areas are particularly affected.

Statistics show that the problems cost the American defense forces billions every year (USD).²

²Researchers evaluate true effects of hearing loss for soldiers, United States Army website, Dec 2015. | The 2016 Annual Benefits Report, US Department of Veteran Affairs, Veteran Benefits Administration.

³ The Military Balance, the International Institute for Strategic Studies. 2017.

⁴ Countries Ranked by Military Strength (2017). Global Firepower. 2017. | The Global Information Technology Report 2015, World Economic Forum. | Democracy Index 2016, The Economist Intelligence Unit.

Current target market

Defense customers normally invest in INVISIO's systems when they modernize their communication equipment. The value of the global market for INVISIO's current products is estimated to be about SEK 20 billion. As a rule, our customers carry out procurements at four-year intervals, which means that the average annual target market for INVISIO's products is about SEK 5 billion. Consequently, there is great potential for continued growth in the target market.

The current target market does not include the newly developed product category for communication in vehicles, boats and helicopters. The new category broadens INVISIO's product offer to the defense and security industry and the company considers that it has the potential to make a material contribution to the company's future development. The company considers that the market for the new intercom system in the long term can be at least as great as the markets we have addressed to date with existing products.

Sales

Sales are primarily via a global network of partners and resellers, as well as from the headquarters in Copenhagen and our own sales offices in the USA, France and Italy. The business is normally conducted via procurements. The Group has long-term framework contracts with defense authorities in the USA, the UK, Canada, Australia and Denmark, among others.

Uneven order flow and sales over the year

INVISIO's market is characterized by large procurements at irregular intervals. Lead times are often long due to extensive administrative processes and customer tests, both in laboratories and among end users. This means that the order intake and sales for individual quarters may vary and have an effect on the full year figures.

Financial targets and strategies

The company's sales are to increase on average by 20 per cent per year. The operating margin must be at least 15 per cent. To achieve the financial targets INVISIO uses the following strategies:

- Increase market share in existing markets in Europe, North America and Oceania.
- Geographical expansion to emerging markets with long-term potential, including Asia and parts of the Middle East and South America.
- Product development referring to both new and further developed products for current target groups.
- Cost effectiveness in the company and in manufacturing.



Hearing and communication equipment are important components of critical operations and have been subject to modernization for a number of years, mainly in the defense forces but also in police services.

Sales and profit

First half year 2019

Sales in the period January–June 2019 amounted to SEK 204.1 million (177.9), an increase of close to 15 per cent. After currency adjustment growth was 9 per cent.

Sales on international markets are mainly in USD, EUR and GBP. INVISIO hedges large orders to offset currency fluctuations in the short term.

At the close of the period the order book amounted to SEK 90.1 million (147.0). INVISIO's market is characterized by large procurements at irregular intervals. Lead times are often long due to extensive processes with customer tests both in laboratories and among end users. This means that the order intake and sales for individual quarters may vary and have an effect on the full year figures.

Gross profit was SEK 127.9 million (105.4) and the gross margin was 62.7 per cent (59.2).

Operating expenses for the first half year were 87.6 million (74.1). The increase refers to a larger organization and increased activities in accordance with INVISIO's growth strategy. Since last year the company has recruited ten new employees in R&D and Marketing/Sales.

During the period development costs of SEK 22.3 million (8.7) were capitalized. Development of new product platforms, including the Intercoms system, is in the later stages of the development process, and therefore capitalization is much higher than in previous years. The later stages of the development process are resource intensive. At that time investments are made that require external resources in the form of development of tools, extensive tests and certifications as well as set-up of production.

Operating expenses include depreciation of capitalized development costs of SEK 2.1 million (1.3). Depreciation will increase going forward, when the new products are ready for sale and depreciation can start. The company's structured development process ensures that all projects are treated the same for accounting purposes.

Operating profit for the period was SEK 40.3 million (31.3) and the operating margin was 19.7 per cent (17.6).

Net financial income was SEK -0.2 million (0.2).

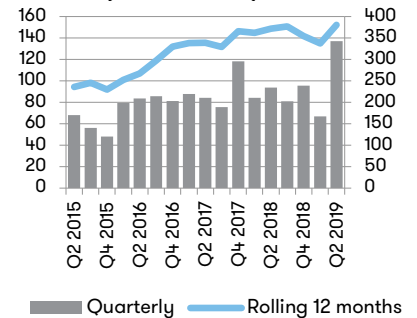
Profit before tax amounted to SEK 40.0 million (31.5) and profit for the period was SEK 30.0 million (23.8). Earnings per share were SEK 0.68 (0.54).

Second quarter 2019

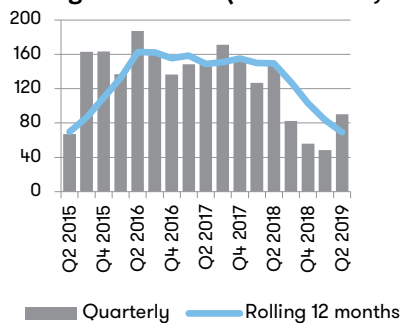
Sales in the period April–June 2019 amounted to SEK 137.2 million (93.8), an increase of 46 per cent. In comparable currencies sales increased by 38 per cent.

Gross profit was SEK 87.2 million (55.3) and the gross margin was 63.5 per cent (58.9). Gross margin may vary between the quarters depending on the product mix and the share of direct sales to end-customers.

Sales per quarter and rolling 12 months (SEK million)



Order book per quarter and rolling 12 months (SEK million)



Sales and gross profit were the highest to date in one quarter.

Operating expenses for the quarter were SEK 48.4 million (42.4). The increase refers to a larger organization and increased activities in accordance with INVISIO's growth strategy.

During the quarter development costs of SEK 8.8 million (4.9) were capitalized. Operating expenses include depreciation of capitalized development costs of SEK 1.1 million (0.6).

Operating profit for the quarter was SEK 38.8 million (12.8) and the operating margin was 28.2 per cent (13.7).

Net financial income was SEK -1.3 million (0.6).

Profit before tax amounted to SEK 37.5 million (13.4) and profit for the period was SEK 28.5 million (9.9). Earnings per share were SEK 0.65 (0.23).

Cash flow, investments and financial position

Cash flow and investments

The Group's cash flow for the period January - June 2019 was SEK 6.0 million (17.3), of which cash flow from operating activities was SEK 60.8 million (53.1) and cash flow from investing activities was SEK -22.6 million (-9.3). Cash flow from financing activities was SEK -32.1 million (-26.5), of which SEK -30.9 million (-26.5) was dividend paid.

During the period the Group's investments amounted to SEK 22.6 million (9.3), of which SEK 22.3 million (8.7) was capitalized development costs and SEK 0.3 million (0.5) was net investment in property, plant and equipment.

During the period the inventory value increased to SEK 120.3 million (70.9). The build-up of inventories was to ensure future deliveries.

Cash and cash equivalents and financial position

The Group's cash and cash equivalents at the close of the period amounted to SEK 69.3 million (134.6). INVISIO has sound financial strength and the Group had no loans at the close of the period.

Group equity at the close of the period amounted to SEK 298.1 million (270.8), which gave an equity/assets ratio of 76 per cent (77).

Employees

The number of employees in the Group, restated as full-time positions, was 91 (81) at the close of the period. Of the employees, 73 were men (64) and 18 women (17).

Parent company

Net sales for the parent company during the period January – June 2019 amounted to SEK 0.0 million (0.0). The operating result was SEK -3.5 million (-4.3). Profit for the period amounted to SEK -2.2 million (-2.8).

At the close of the period the parent company's cash and bank balances amounted to SEK 0.4 million (79.1). Equity amounted to SEK 118.3 million (153.8), which gave an equity/assets ratio of 97 per cent (94). The number of employees in the parent company was 1 (1).

Other information

Material risks and uncertainties

INVISIO's business and earnings are affected by a number of external and internal factors. A continuous process is conducted to identify all anticipated risks and to assess how each respective risk is to be managed. Risks can be divided into market, operational, and financial risks. For a more detailed description of these risks, please refer to pages 39–40 in INVISIO's annual report for 2018.

Financial Instruments

The fair value of the Group's financial assets and liabilities is estimated to be equal to the book value.

Review

This interim report has not been reviewed by the company's auditor.

Financial calendar

Interim report January-September 2019	October 25, 2019, 14.00
Year-end report 2019	February 13, 2020, 14.00

Interim reports and annual reports are available at www.invisio.com.

Stockholm, August 16, 2019

Lars Højgård Hansen
President/CEO

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Conference call

INVISIO invites the media, investors and analysts to a conference call on August 16, at 10:00, when the President and CEO Lars Højgård Hansen will present INVISIO's interim report for the period April-June 2019.

The conference call will be held in English, starting with a brief presentation of the report followed by a question-and-answer session.

Telephone number for the conference call

To participate in the conference call, use one of the dial-in numbers below. Please dial in 5-10 minutes prior to the scheduled starting time to facilitate a timely start.

Sweden +46 (0)8 5069 2180

Denmark: +45 32 72 80 42

United Kingdom: +44 (0)844 571 8892

Germany: +49 (0)69 2443 7351

France: +33 (0)1 76 70 07 94

Switzerland: +41 (0)31 580 0059

Conference-ID: **2563305**

Webcast

To follow the presentation online, use the link below:

<https://edge.media-server.com/m6/p/45528g5g>

Publication

This information is information that INVISIO Communications AB (publ) is obliged to disclose under the EU Market Abuse Regulation and the Securities Market Act. The information was released for public disclosure, through the agency of the President/CEO, on August 16, 2019, at 8.30 (CEST).

Address

INVISIO Communications AB | P O Box 151 | SE 201 21 Malmö

INVISIO Communications AB is a Swedish limited company listed on Nasdaq Stockholm. The company's share is traded under the ticker name IVSO and the ISIN code is SE0001200015.

Condensed consolidated income statement and consolidated statement of comprehensive income

SEK in millions	Note	2019 Q2	2018 Q2	2019 Jan-Jun	2018 Jan-Jun	2018 Full year
Revenue	2	137.2	93.8	204.1	177.9	354.5
Cost of goods sold		-50.1	-38.5	-76.2	-72.5	-154.7
Gross profit		87.2	55.3	127.9	105.4	199.7
Operating expenses*		-48.4	-42.4	-87.6	-74.1	-136.3
Operating profit/loss		38.8	12.8	40.3	31.3	63.5
Net financial items		-1.3	0.6	-0.2	0.2	0.7
Profit/loss before tax		37.5	13.4	40.0	31.5	64.2
Income tax	3	-9.0	-3.5	-10.1	-7.7	-16.0
Profit/loss for the period		28.5	9.9	30.0	23.8	48.2
OTHER COMPREHENSIVE INCOME						
<i>Items that may subsequently be reclassified to profit and loss</i>						
Translation differences		3.0	6.0	6.4	13.5	9.9
Comprehensive income for the period		31.5	15.9	36.4	37.3	58.1
<i>(Profit/loss attributable to equity holders of the parent company.)</i>						
*Depreciation incl. in operating expenses		-2.6	-1.1	-5.1	-2.1	-4.3

	2019 Q2	2018 Q2	2019 Jan-Jun	2018 Jan-Jun	2018 Full year
Per-share data					
Earnings per share, SEK	0.65	0.23	0.68	0.54	1.09
Earnings per share after dilution, SEK	0.64	0.22	0.68	0.54	1.09
Shareholders' equity per share, SEK	6.76	6.14	6.76	6.14	6.62
Shareholders' equity per share after dilution, SEK	6.61	6.07	6.61	6.07	6.62
Equity ratio, %	76	77	76	77	82
Number of shares, thousand	44,098	44,098	44,098	44,098	44,098
Average number of outstanding shares, thousand	44,098	44,098	44,098	44,098	44,098
Average number of outstanding shares after dilution, thousand	44,649	44,302	44,649	44,201	44,554
Share price at year-end, SEK	70.50	61.60	70.50	61.60	56.90

Condensed consolidated statement of financial position

SEK in millions

Assets	Note	30/06/2019	30/06/2018	31/12/2018
Capitalized development costs		71.4	36.9	49.7
Equipment		3.8	4.3	4.4
Right-of-use assets, leasing	4	27.1	-	-
Deposits for rent, long-term		1.9	1.8	1.7
Deferred tax assets	3	8.6	21.8	15.6
Inventories		120.3	70.9	101.3
Trade receivables		77.9	58.4	104.6
Other short-term receivables		12.4	24.2	16.2
Cash and cash equivalents		69.3	134.6	62.2
Total assets		392.8	352.9	355.7
Shareholders' equity and liabilities				
Shareholders' equity		298.1	270.8	292.0
Lease liability	4	28.0	-	-
Trade payables		31.2	44.8	39.6
Other short-term liabilities		35.4	37.3	24.1
Total shareholders' equity and liabilities		392.8	352.9	355.7
Condensed consolidated statement of changes in equity		2019	2018	2018
		Jan-Jun	Jan-Jun	Full year
Opening balance		292.0	259.9	259.9
Employee stock option program		0.6	0.1	0.5
Dividend		-30.9	-26.5	-26.5
Comprehensive income for the period		36.4	37.3	58.1
Closing balance		298.1	270.8	292.0

Condensed consolidated statement of cash flow

SEK in millions	2019 Q2	2018 Q2	2019 Jan-Jun	2018 Jan-Jun	2018 Full year
Operating activities					
Profit/loss before tax	37.5	13.4	40.0	31.5	64.2
Adjustments for non-cash items	1.9	4.3	3.8	3.6	2.0
Income tax paid	-0.8	-0.6	-1.5	-4.5	-4.8
Cash flow from operating activities before changes in working capital	38.5	17.1	42.3	30.5	61.4
Changes in inventories	-3.0	-26.1	-16.0	-31.5	-63.3
Changes in operating receivables	9.8	2.0	33.5	59.5	19.7
Changes in operating liabilities	7.6	18.9	0.9	-5.4	-20.8
<i>Cash flow from changes in working capital</i>	<i>14.3</i>	<i>-5.3</i>	<i>18.4</i>	<i>22.6</i>	<i>-64.3</i>
Cash flow from operating activities	52.8	11.9	60.8	53.1	-3.0
Investing activities					
Capitalization of development costs	-8.8	-4.9	-22.3	-8.7	-23.4
Acquisition of property, plant, and equipment	0.0	-0.5	-0.3	-0.5	-1.6
Acquisition of financial assets	0.0	-0.1	-0.1	-0.1	-0.1
Cash flow from investing activities	-8.8	-5.5	-22.6	-9.3	-25.1
Financing activities					
Change in lease liability	-0.6	-	-1.2	-	-
Dividend	-30.9	-26.5	-30.9	-26.5	-26.5
Cash flow from financing activities	-31.5	-26.5	-32.1	-26.5	-26.5
CASH FLOW FOR THE PERIOD	12.5	-20.1	6.0	17.3	-54.6
Cash and cash equivalents at start of period	56.5	155.6	62.2	113.2	113.2
Translation differences in cash and cash equivalents	0.3	-0.9	1.0	4.1	3.6
Cash and cash equivalents at end of period	69.3	134.6	69.3	134.6	62.2

Condensed parent company income statement

SEK in millions	2019 Q2	2018 Q2	2019 Jan-Jun	2018 Jan-Jun	2018 Full year
Revenue	0.0	0.0	0.0	0.0	0.1
Operating expenses	-1.7	-2.7	-3.6	-4.4	-7.6
Operating profit/loss	-1.7	-2.7	-3.5	-4.3	-7.6
Net financial items**	0.7	2.6	1.4	1.6	1.4
Profit/loss before tax	-1.0	-0.1	-2.2	-2.8	-6.1
Income tax	-	-	-	-	-
Profit/loss for the period	-1.0	-0.1	-2.2	-2.8	-6.1
**Of which, dividend from subsidiaries	-	-	-	-	-

Condensed parent company balance sheet

SEK in millions

Assets	30/06/2019	30/06/2018	31/12/2018
Participations in Group companies	84.5	83.5	83.9
Receivables from Group companies	36.8	-	45.0
Other short-term receivables	0.9	0.9	0.7
Cash	0.4	79.1	25.6
Total assets	122.5	163.6	155.2
Shareholders' equity and liabilities			
Restricted shareholders' equity	65.7	65.7	65.7
Non-restricted shareholders' equity	52.6	88.1	85.1
Trade payables	0.4	0.9	0.3
Liabilities to Group companies	2.7	7.3	2.8
Other short-term liabilities	1.0	1.6	1.4
Total shareholders' equity and liabilities	122.5	163.6	155.2
Parent company changes in shareholders' equity	2019 Jan-Jun	2018 Jan-Jun	2018 Full year
Opening balance	150.8	182.9	182.9
Employee stock option program	0.6	0.1	0.5
Dividend	-30.9	-26.5	-26.5
Profit/loss for the period**	-2.2	-2.8	-6.1
Closing balance	118.3	153.8	150.8
**Of which, dividend from subsidiaries	-	-	-

Notes

Note 1. Accounting policies and valuation principles

The interim report for the Group was prepared in accordance with IAS 34, the Swedish Financial Reporting Board's Recommendation RFR 1, Supplementary Accounting Rules for Groups, and the Annual Accounts Act. The parent company's accounts were prepared in accordance with RFR2, Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting policies applied are consistent with the policies described in INVISIO's annual report for 2018.

New standards

One new standard came into force on January 1, 2019: IFRS 16 Leases. Implementation of the new standard has impacted the Group's financial statements, see Note 4.

Note 2. Revenue by geographical area

	2019	2018	2019	2018	2018
SEK in millions	Q2	Q2	Jan-Jun	Jan-Jun	Full year
Sweden	0.9	3.1	5.8	4.0	6.7
Europe	4.0	57.2	18.1	91.5	174.5
North America	130.1	32.7	173.1	77.7	164.5
Rest of the world	2.2	0.8	7.1	4.8	8.8
Total	137.2	93.8	204.1	177.9	354.5

Note 3. Taxes

Deferred tax assets in the balance sheet, disclosed net, are SEK 8.6 million, of which SEK 23.4 million is attributable to tax loss carry forwards in the Danish subsidiary. Deferred tax assets referring to tax loss carry forwards are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. An individual assessment is made of each subsidiary with reference to historical performance and possibilities of utilizing the loss carryforwards. Danish legislation limits the yearly utilization of loss carryforwards, which means that the Danish subsidiary will pay tax for 2019. The Group's total loss carryforwards as at June 30, 2019 were SEK 217.1 million, of which SEK 106.5 million are capitalized. The remaining unutilized loss carryforwards amounted to SEK 110.6 million and refer to other companies and cannot be capitalized at present. All loss carryforwards have an unlimited life.

Note 4. Leases

In January 2016 the IASB published a new standard on leases that replaces IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities referring to all lease agreements, with some exceptions, be recognized in the balance sheet. This accounting is based on the view that the lessee has the right to use an asset for a specific period of time and at the same time an obligation to pay for this right. The accounting for the lessor will be unchanged in all material respects. The standard was adopted by the EU in October 2017 and is applicable to financial years starting on or after January 1, 2019. Early application is permitted but has not been applied by INVISIO. Accounting policies for leases as of January 1, 2019 are described in INVISIO's annual report for 2018, Note 1, page 54.

Impact on transition

INVISIO applies IFRS 16 Leases as of January 1, 2019. The Group has applied a simplified transition (modified retrospective approach) which means the comparative figures are not restated. Implementation has impacted INVISIO's balance sheet total with an increase of SEK 29.2 million, mainly as a consequence of the Group's office lease contracts. Equity is not affected due to the transition approach adopted.

Effects on assets, shareholders' equity and liabilities, 01/01/2019

SEK in millions	IAS 17, 01/01/2019	Restatem. to IFRS 16	IFRS 16, 2019/01/01
Assets			
Right-of-use assets, leasing	-	29.2	29.2
Total effect	0.0	29.2	29.2
Shareholders' equity and liabilities			
Lease liability	-	29.2	29.2
Total effect	0.0	29.2	29.2

When establishing the lease liability in the opening balance as at January 1, 2019 INVISIO used a marginal borrowing rate of 1.5 per cent for rented premises and 3.0 per cent for other assets. The Group has decided to apply two exemptions under IFRS 16 and has therefore excluded leases where the underlying asset is of low value (USD 5 000 or less) and excluded leases where the lease term is 12 months or less. Accounting estimates when determining the lease liability are presented in INVISIO's annual report for 2018, Note 1, page 51.

Implementation of the standard means that lease payments are instead recognized as depreciation and interest expense, which mainly improves EBITDA. The net profit/loss will also be impacted for individual periods, as the interest component is higher at the beginning of the lease term. However, depreciation is linear and at the end of the lease term profit will be unaffected in comparison with the previously applied standard. The effect that IFRS 16 has had during the period on the Group's assets, liabilities and equity as well as profit is presented on the next page.

Note 4. Leases, cont.**Change in assets, shareholders' equity and liabilities, IFRS 16**

<i>SEK in millions</i>	01/01/2019	Change	30/06/2019
Assets			
Right-of-use assets, leasing	29.2	-2.1	27.1
Total change	29.2	-2.1	27.1
Shareholders' equity and liabilities			
Shareholders' equity	-	-0.9	-0.9
Lease liability	29.2	-1.2	28.0
Total change	29.2	-2.1	27.1

Effects on profit/loss for the period Jan-Jun 2019

<i>SEK in millions</i>	2019		2019
	Jan-Jun	Restatem.	
	excl. IFRS 16	to IFRS 16	Jan-Jun
Gross profit	127.9	-	127.9
Operating expenses, excl. depreciation	-84.8	2.3	-82.5
Depreciation	-3.0	-2.1	-5.1
Operating profit/loss	40.1	0.2	40.3
Net financial items	0.9	-1.1	-0.2
Profit/loss before tax	40.9	-0.9	40.0

Effects on cash flow for the period Jan-Jun 2019

<i>SEK in millions</i>	2019		2019
	Jan-Jun	Restatem.	
	excl. IFRS 16	to IFRS 16	Jan-Jun
Operating activities			
Profit/loss before tax	40.9	-0.9	40.0
<i>Adjustments for non-cash items:</i>			
- Depreciation	3.0	2.1	5.1
- Other items	-1.2	-	-1.2
Other items among operating activities	16.9	-	16.9
Cash flow from operating activities	59.6	1.2	60.8
Cash flow from investing activities	-22.6	-	-22.6
Financing activities			
Change in lease liability	-	-1.2	-1.2
Change in lease liability	-30.9	-	-30.9
Cash flow from financing activities	-30.9	-1.2	-32.1
CASH FLOW FOR THE PERIOD	6.0	-	6.0

Effects on selected key figures Jan-Jun 2019

<i>SEK in millions</i>	2019		2019
	Jan-June	Restatem.	
	excl. IFRS 16	to IFRS 16	Jan-Jun
EBITDA	43.0	2.3	45.3
Operating profit/loss	40.1	0.2	40.3
Operating margin, %	19.6	0.1	19.7
Profit/loss for the period	30.9	-0.9	30.0
Earnings per share, SEK	0.70	-0.02	0.68

Financial key figures, alternative performance measures and other definitions

INVISIO's financial statements include both financial key figures that are specified in current financial reporting rules, alternative performance measures ("APM") in accordance with ESMA's definition and other key figures related to the business. The APMs are regarded as relevant for an investor who wants to understand the company's results and financial position better. For the APMs that are not directly reconcilable with the financial statements, a reconciliation is provided below. Reconciliation is against the closest comparable IFRS financial measure.

Gross margin

Gross profit as a percentage of total income.

Operating margin

Operating profit as a percentage of total revenue.

Profit margin

Profit for the year as a percentage of total revenue.

EBITDA

Operating profit before depreciation and impairment losses.

EBIT (Operating profit)

Operating profit after depreciation and write-downs. INVISIO defines EBIT (earnings before interest and tax) in the same way as operating profit.

Operating expenses

Selling and marketing costs, Administrative expenses and Development costs.

Net financial items

Financial income less Financial expenses.

Equity/assets ratio

Equity divided by total assets (balance sheet total).

Number of shares

Number of outstanding shares at the close of the period.

Number of shares after dilution

Number of outstanding shares at the close of the period plus the number of shares that would be added if all potential dilutive shares were

converted to shares. Only the option programs whose issue price is less than the average market price of the shares during the period can lead to a dilutive effect.

Average number of outstanding shares

Weighted average of the number of outstanding shares during the period.

Average number of outstanding shares after dilution

Weighted average of the number of outstanding shares during the period plus a weighted number of shares that would be added if all dilutive potential shares were converted to shares. Only the option programs whose issue price is less than the average market price of the shares during the period can lead to a dilutive effect.

Earnings per share

Profit for the year divided by the average number of outstanding shares.

Earnings per share after dilution

Profit for the year in relation to the number of shares outstanding after dilution.

Equity per share

Equity divided by the number of outstanding shares adjusted for non-registered issues.

Shareholders' equity per share after dilution

Shareholders' equity divided by the number of outstanding shares after dilution.

Number of employees at close of period

The number of employees on the date of the last salary payment for the period.

Reconciliation of alternative performance measures

SEK in millions		2019	2018	2019	2018	2018
		Q2	Q2	Jan-Jun	Jan-Jun	Helår
A	Gross profit	87.2	55.3	127.9	105.4	199.7
B	Operating expenses	48.4	42.4	87.6	74.1	136.3
A-B	EBIT (Operating profit/loss)	38.8	12.8	40.3	31.3	63.5
A	EBIT (Operating profit/loss)	38.8	12.8	40.3	31.3	63.5
B	Depreciation, amortization and impairment losses	2.6	1.1	5.1	2.1	4.3
A+B	EBITDA	41.4	13.9	45.3	33.5	67.7

SEK in millions		30/06/2019	30/06/2018	31/12/2018
A	Equity	298.1	270.8	292.0
B	Number of shares, thousands	44,098	44,098	44,098
A/B	Shareholders' equity per share, SEK	6.76	6.14	6.62
A	Equity	298.1	270.8	292.0
B	Number of shares after dilution, thousands	45,121	44,598	44,098
A/B	Shareholders' equity per share after dilution, SEK	6.61	6.07	6.62

Overview - eight past quarters

SEK in millions	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
Revenue	75.5	118.1	84.2	93.8	80.9	95.6	66.8	137.2
Cost of goods sold	-33.1	-47.0	-34.0	-38.5	-33.9	-48.3	-26.2	-50.1
Gross profit	42.4	71.1	50.1	55.3	47.0	47.4	40.7	87.2
Operating expenses	-28.2	-43.8	-31.6	-42.4	-35.4	-26.8	-39.2	-48.4
Operating profit/loss	14.3	27.3	18.5	12.8	11.6	20.6	1.5	38.8
Net financial items	0.0	-2.4	-0.5	0.6	0.0	0.5	1.1	-1.3
Profit/loss before tax	14.3	24.9	18.0	13.4	11.6	21.1	2.6	37.5
Income tax	-1.2	-10.0	-4.2	-3.5	-3.1	-5.1	-1.1	-9.0
Profit/loss for the period	13.1	15.0	13.8	9.9	8.4	16.0	1.5	28.5
Cash flow from operating activities	-22.8	13.7	41.2	11.9	-31.2	-24.9	8.0	52.8
Gross margin, %	56.2	60.2	59.6	58.9	58.1	49.5	60.9	63.5
Operating margin, %	18.9	23.1	22.0	13.7	14.3	21.5	2.2	28.2
Profit margin %	17.3	12.7	16.5	10.6	10.4	16.7	2.3	20.8
Equity ratio, %	82	76	82	77	79	82	77	76
Earnings per share, SEK*	0.30	0.34	0.31	0.23	0.19	0.36	0.03	0.65
Shareholders' equity per share, SEK*	5.41	5.89	6.38	6.14	6.27	6.62	6.74	6.76

* Before dilution