

INTERIM REPORT

January-March 2014

INVISIO[®]
NO NOISE. ONLY YOUR VOICE.

INVISIO turns profitable

SEK m	Q1 2014	Q1 2013
Total income	44.1	27.0
Gross Profit	18.9	11.9
Gross Margin (%)	42.9	44.3
EBITDA	7.8	3.0
Operating Profit/Loss	6.5	1.6
Profit/Loss after tax	5.1	0.9
Profit/Loss per share (SEK)	0.12	0.02

Important Events January – March

- A first follow-up order of SEK 20 million through the American partner TEA Headsets on complete communications and hearing protection systems from the military program TCAPS.
- An order of SEK 5.2 million on a number of units of the communication systems INVISIO V60 from a NATO country.
- An order from Australia of approximately SEK 1.8 m through the distribution partner Defcon Technologies.
- Outgoing backlog amounted per March 31 to SEK 38.8 million.

Important Events After the Period

- The Management Group buys 470,000 shares in INVISIO, in total.

About INVISIO Communications

INVISIO Communications AB is a public company listed on the NASDAQ OMX First North Premier Segment (ticker code: IVSO) an alternative market on NASDAQ OMX Stockholm. INVISIO specializes in voice communications in difficult conditions. The company develops, manufactures, markets and sells communication solutions such as advanced headsets control units and accessories for use with two-way radio, primarily for professional users who often work in difficult environments. The customers are for example found in the military and military Special Forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. Additional information is available on the company's web site at www.invisio.com. Mangold Fondkommission AB is Certified Adviser for INVISIO Communications AB.

CEO's Comments

We are happy and proud to be able to show profit for the first quarter of the year, according to our earlier promises. INVISIO increased sales by 63 percent, compared to the corresponding period last year, from SEK 27.0 million to SEK 44.1 million. The result was improved by SEK 4.2 million, from SEK 0.9 million to SEK 5.1 million. Sales for the first quarter already exceed full-year sales of 2012, which illustrates the growth we are experiencing.

During the first quarter we received our first follow-up order of SEK 20 million from the American military program TCAPS, Tactical Communication and Protective System, which is managed by the organization PEO Soldier within the U.S. Army. The purpose of TCAPS is to provide hearing protection and auditory situational awareness and reduce hearing damage in high noise and extreme conditions. We are pleased over the fact that we now have received our next order from the program, as it shows the strength of being included in it.

CONTINUED LARGE POTENTIAL WITHIN MILITARY PROGRAMS

As we have communicated earlier, we look very brightly upon continued sales possibilities within these types of programs. But it is, as we have often said, difficult for us to determine and influence when the actual purchasing takes place or the final timing of the customers' orders. It is also positive that customers across the world take impression of the fact that the U.S. Army, as well as several other NATO countries, have found INVISIO's solution very good.

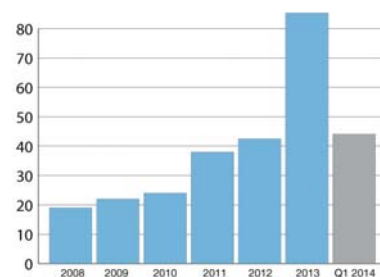
TCAPS is a good and specific example of the potential within the larger military modernization programs that are active in a number of countries across the world, and require hearing protection in the communication solutions. We call this the volume market, which includes thousands of users. With our world leading technology and solutions within this field, this is a trend that suits us well.

In addition to the follow-up order from TCAPS, we received for example also an order of SEK 5.2 million from a NATO country on a number of units of the communication systems INVISIO V60. Through our distribution partner Defcon Technologies we received an order from Australia of approximately SEK 1.8 million on a number of units of the headset INVISIO M3.

PROFITABLE OPERATIONS

We expect continued sales growth during 2014. Our current knowledge does not contradict that INVISIO will also show profit for the full year 2014. The backlog is large, we have a growing number of open tenders, our customer relations are working well, the interest in our solutions is increasing and the customers that have purchased and are using our products are placing follow-up orders. With higher volumes, we are well positioned to uphold our gross margin. Our organization with outsourced production allows us to grow sales with small cost increases.

The first quarter of 2014 shows that INVISIO has consolidated its position on the global market niche for advanced systems for hearing protection and interference-free communication in difficult conditions. The Management Group has bought 470,000 shares in INVISIO, in total. To us, this is a natural consequence of our firm belief in INVISIO's operations and potential.



Lars Højgård Hansen, CEO

Total income and Results January – March 2014

Total income during the first quarter increased by 63 percent compared with the corresponding period in 2013 and amounted to SEK 44.1 m (27.0).

Gross profit amounted to SEK 18.9 m (11.9) and the gross margin was 42.9 percent (44.3). Gross profit for the quarter is affected by lower initial gross margins for the TCAPS order. The gross margin may vary from quarter to quarter depending on the product mix and the share of direct sales to end customers with higher margins, compared to the share of sales through distributors.

The backlog was SEK 38.8 m (10.6) at the end of the quarter.

Operating expenses for the first quarter were SEK 12.4 m (10.3). During the period, expenditures for development of SEK 1.0 m (1.1) have been capitalized. Included in the operating expenses are depreciations of balanced development expenditures of SEK 1.3 m (1.4).

Operating result for the first quarter amounted to SEK 6.5 m (1.6).

Net financial items for the first quarter amounted to SEK -1.5 m (-0.7).

The profit after tax for the first quarter amounted to SEK 5.1 m (0.9).

Profit per share for the first quarter amounted to SEK 0.12 m (0.02).

Capital Expenditure, Cash flow and Liquidity, Financing and Shareholder's Equity

CAPITAL EXPENDITURE

During the period January – March, capital expenditure amounted to SEK -1.0 m (-1.1), of which SEK -1.0 m (-1.1) was capitalized expenditure for development.

CASH FLOW AND LIQUIDITY

Cash flow from the operating activities during period January – March amounted to SEK 3.5 m (-1.2). Cash flow from the investment activities was SEK -1.0 m (-1.1). Cash flow from the financing activities amounted to SEK -6.6 (-1.0), of which new share issue was SEK 0 m (0) and taking up/payment of loans of SEK -6.6 m (-1.0). Cash flow during the period thus amounted to SEK -4.1 m (-3.3).

During the period, an amortization of SEK 1.2 m was made to Almi Företagspartner and usage of the bank overdraft of SEK 10 m decreased by SEK 5.7 m. Factoring has increased by SEK 0.2 m during the period.

FINANCING

The Company Management and Board work actively and continuously with governance and control of the Company, including earnings, liquidity and financial position. After the strengthening of borrowing and the two directed share issues, it is the Management and Board's view that INVISIO currently has a balanced financing.

It is also the Board's view that the Company's equity will gradually increase, as the operations will continue to be profitable. Borrowing is under control and stable. In the current situation, there is no reason to issue shares in order to strengthen the operation's financing.

As said earlier, there are a number of ongoing military modernization programs where INVISIO's offering can come well at hand. Therefore, it cannot be excluded that the Company before the Annual General Meeting 2015 will receive an order of a size where the customer will require increased shareholders' equity or that the order forces the Company to hold more capital tied up, which cannot be solved within current or enlarged credit facilities. Therefore, the Board will propose the Annual General Meeting 2014 to grant an authorization to increase equity.

Of the Company's total borrowing of SEK 27.0 million per March 31, SEK 7.1 m was contributed to factoring, SEK 10 m to a bank loan, SEK 5.8 m to a loan at Almi Företagspartner and SEK 4.0 m to an unused overdraft credit.

SHAREHOLDERS' EQUITY

The Group's reported shareholders' equity at the end of the period amounted to SEK 9.1 m (-1.5), which resulted in an equity ratio of 16 percent (negative).

Parent Company

Net income for the Parent Company during the period January – March amounted to SEK 15,000 (15,000). Operating result amounted to SEK -1.1 m (-1.1). The result after tax was SEK -1.5 m (-1.5).

At the end of the period January – March, cash and cash equivalents held by the Parent Company amounted to SEK 6.0 m, including SEK 0.2 m that was not used and shareholders' equity to SEK 62.5 m (61.2), which resulted in an equity ratio of 73.9 percent (71.9). The Parent Company had 1 employee (1).

Outlook for 2014: Continued growth and profitability

Ever since INVISIO changed its strategy in 2008, sales have increased every year. INVISIO enters 2014 with an order book of SEK 50 m and we expect continued sales growth during the year. With current gross margin and cost structure the Company needs an annual turnover around SEK 110-115 m to show profit. Numerous customer tests are ongoing and INVISIO is awaiting response on outstanding larger quotes, but it is difficult for INVISIO to know when a new order is received. Though, nothing that is known to us today contradicts that INVISIO will show profit for 2014: The backlog is large, our customer relations are working well, interest in our solutions is increasing, we can uphold our gross margin with higher volumes, costs are under control and the customers that have purchased and are using our products are satisfied and are placing follow-up orders.

Accounting Principles

This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting principles that are described in the 2013 Annual Report have been applied.

Significant 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 risks and to assess how each respective risk shall be managed.

The risks that the Company is mainly exposed to are market related (including legislation and political decisions, global economic situation, competition, technological risks and market acceptance of new products and dependency of suppliers), operational (including the ability to manage growth, customers and cooperation agreements, product liability, immaterial rights, dependence on key persons and employees, as well as risks related to financial reporting) and financial risks (including primarily currency risk, financing risks and liquidity risks).

In the Company's opinion, no additional significant risks or uncertainties have arisen during the year, apart from those reported in this Interim Report and on the pages 43-45 and 57-58 in the Annual Report for 2013.

As noted in the section “Financing”, the Company Management and Board are working actively and continuously with the Company’s governance and control, including earnings, liquidity and financial position. After the strengthening of borrowing and the two directed share issues in 2013, it is the Management and Board’s view that INVISIO currently has a balanced financing.

Related Party Transactions

Lage Jonason with related parties is one of the Company's largest individual shareholders. Lage Jonason has personally stood surety for some of the Company's undertakings vis-à-vis suppliers. Lage Jonason has the right to 1.5 percent annual reimbursement concerning his surety. Yggdrasil AB provides security to the Company’s loan and overdraft of SEK 20 m against a guarantee commission of approximately 3.9 percent.

Future Events And Reporting Dates

- Interim report April – June 2014: 14 August
- Interim report July – September 2014: 6 November
- Interim report October – December 2014: 19 February

This Interim report has not been reviewed by the Company’s auditor.

Stockholm 7 May 2014

Lars Højgård Hansen
CEO

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Financial Reports

Consolidated Income Statement

SEK 000s	Q1 2014	Q1 2013	Full year 2013
Sales	44 114	26 978	85 254
Cost of goods sold	-25 180	-15 036	-48 205
Gross Profit	18 934	11 942	37 049
Operating expenses*	-12 407	-10 332	-47 529
Operating profit/loss	6 527	1 610	-10 480
Net financial items	-1 459	-680	-2 880
Profit/loss before tax	5 068	930	-13 360
Income tax	-	-	2 900
Profit/loss for the period	5 068	930	-10 460
Other comprehensive income			
Translation differences	-10	-594	485
Comprehensive income for the period (Entirely attributable to equity holders of the parent)	5 058	336	-9 975
*Depreciation incl. in operating expenses	-1 314	-1 422	-5 218

Per-share data	Q1 2014	Q1 2013	Full year 2013
Earnings per share, SEK	0,12	0,02	-0,27
Earnings per share after dilution, SEK	0,12	0,02	-0,27
Shareholders' equity per share, SEK	0,22	neg.	0,09
Shareholders' equity per share after dilution, SEK	0,22	neg.	0,09
Equity ratio	16%	neg.	7%
Number of shares, thousand	42 240	38 440	42 240
Average number of shares, thousand	42 240	38 440	38 850
Number of shares after dilution, thousand	42 240	38 440	38 850
Share price, SEK	7,30	5,00	5,05

Consolidated Balance Sheet

SEK 000s

Assets	2014-03-31	2013-03-31	2013-12-31
Intangible assets	17 159	16 021	17 489
Property, plant and equipment	66	117	83
Financial assets	693	628	692
Inventories	7 843	2 628	10 098
Accounts receivable - trade	16 829	25 523	16 137
Other receivables	9 344	1 730	4 741
Cash and bank balances	5 049	898	9 126
Total assets	56 983	47 545	58 366

Shareholders' equity and liabilities	2014-03-31	2013-03-31	2013-12-31
Shareholders' equity	9 118	-1 478	3 895
Liabilities to credit institutions	26 955	29 912	33 548
Accounts payable - trade	13 006	13 662	12 439
Other liabilities	7 904	5 449	8 484
Total shareholders' equity and liabilities	56 983	47 545	58 366

Changes in shareholders' equity	Q1 2014	Q1 2013	Full year 2013
Opening balance	3 894	-1 814	-1 814
New issues	-	-	15 239
Employee stock option program	166	-	445
Comprehensive income for the period	5 058	336	-9 975
Closing balance	9 118	-1 478	3 895

Statement of cash flows – Group

SEK 000s

Cash flow	Q1 2014	Q1 2013	Full year 2013
Operating activities			
Profit/loss before tax	5 068	930	-13 360
Adjustments for non-cash items	1 398	1 497	5 202
Taxes	-	-	2 900
Cash flow from operating activities before changes in working capital	6 466	2 427	-5 258
Cash flow from changes in working capital	-2 991	-3 579	-2 079
Cash flow from operating activities	3 475	-1 152	-7 337
Investing activities			
Capitalization of non-current assets	-970	-1 117	-5 167
Acquisition of property, plant and equipment	-	-	-14
Cash flow from investing activities	-970	-1 117	-5 181
Financing activities			
New issues	-	-	15 239
Change in financial assets	-6 595	-1 002	2 027
Cash flow from financing activities	-6 595	-1 002	17 266
Cash flow for the period	-4 090	-3 271	4 748
Cash and bank balances at start of period	9 126	4 240	4 240
Translation differences in cash and bank balances	13	-71	138
Cash and bank balances at end of period	5 049	898	9 126

Parent Company Income Statement

SEK 000s	Q1 2014	Q1 2013	Full year 2013
Operating income	15	15	60
Operating expenses	-1 158	-1 146	-5 822
Operating loss	-1 143	-1 131	-5 762
Net financial items**	-332	-350	-8 775
Loss before tax	-1 475	-1 481	-14 537
Income tax	-	-	-
Loss for the period	-1 475	-1 481	-14 537
**Of which, shareholder contribution to subsidiaries	-	-	-7 000

Parent Company Balance Sheet

SEK 000s

Assets	2014-03-31	2013-03-31	2013-12-31
Financial assets/shares in subsidiaries	82 123	81 512	81 957
Receivables from Group companies	2 187	3 283	5 475
Other receivables	260	255	252
Cash and bank balances	0	26	5 364
Total assets	84 570	85 076	93 048
Shareholders' equity and liabilities	2014-03-31	2013-03-31	2013-12-31
Shareholders' equity	62 530	61 208	63 839
Liabilities to credit institutions	19 853	22 000	26 696
Accounts payable - trade	49	275	177
Liabilities to Group companies	111	111	391
Other liabilities	2 027	1 482	1 945
Total shareholders' equity and liabilities	84 570	85 076	93 048
Changes in shareholders' equity	2014-03-31	2013-03-31	2013-12-31
Opening balance	63 839	62 690	62 690
New issues	-	-	15 241
Employee stock option program	166	-	445
Loss for the period**	-1 475	-1 481	-14 537
Closing balance	62 530	61 209	63 839
**Of which, shareholder contribution to subsidiaries	-	-	-7 000