



INVISIO HEADSETS

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 9 a.m. on Tuesday, April 29, 2009, at the premises of the law firm Mannheimer Advokatbyrå, Norrlandsgatan 21, Stockholm.

NOTIFICATION OF ATTENDANCE

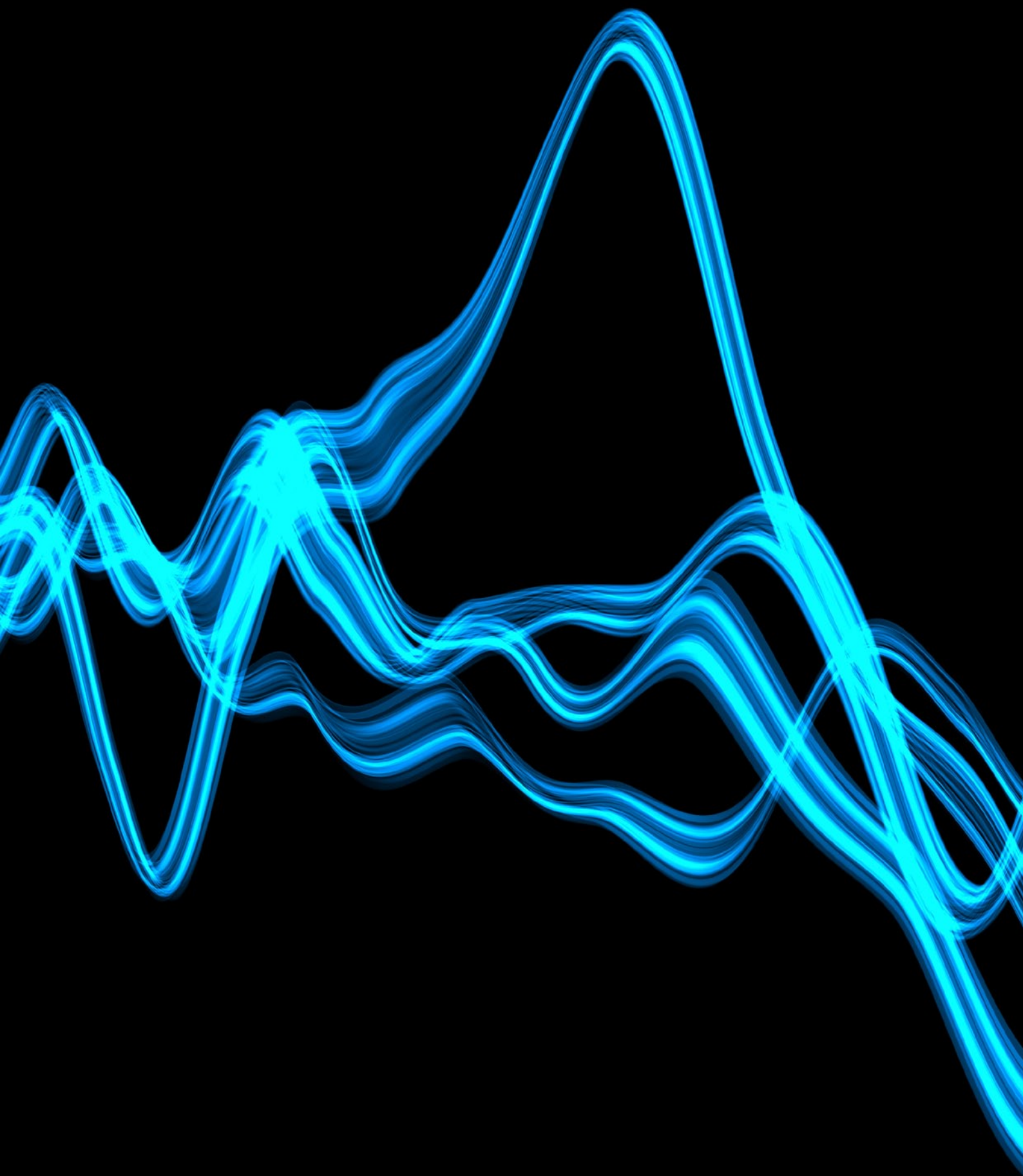
Shareholders that wish to participate in the Annual General Meeting must be registered in the shareholder register maintained by Euroclear Sweden AB (formerly VPC AB) on Wednesday, April 22, 2009. They must also notify the Company of their intention to participate in the Annual General Meeting by post to INVISIO Headsets AB, 2009 Annual General Meeting, Box 49149, 100 29 Stockholm, or by e-mail at: investor_relations@invisioheadsets.com. Notification must be received by the Company not later than 12 noon on Thursday, April 23, 2009. Notification

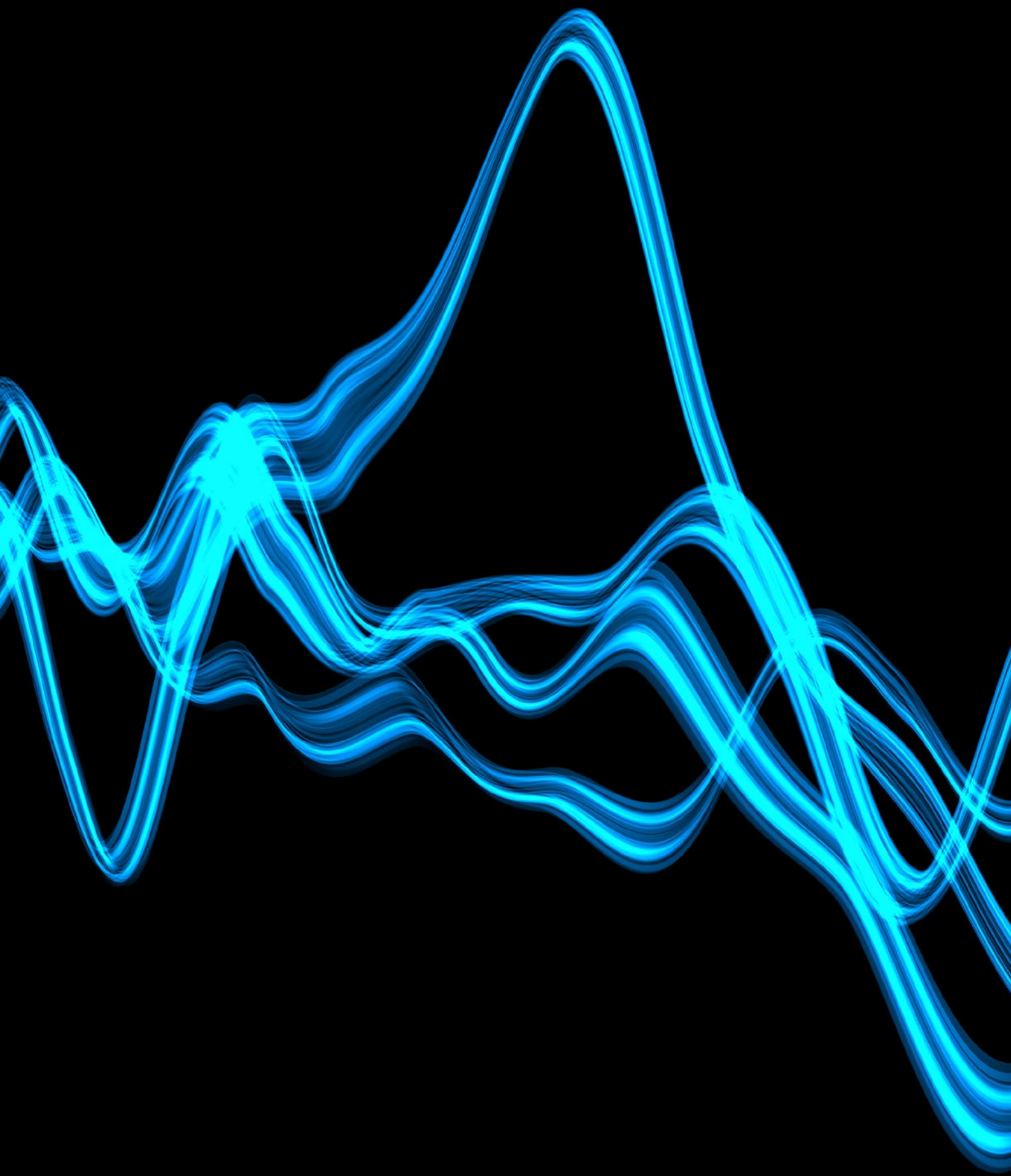
should include the shareholder's name, social security number or corporate identification number, address, phone number and shareholding, and where necessary, information about a proxy, representative or substitute. In cases where a proxy, representative or substitute is to attend, the notification should 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 2009:

Interim report January–March	May 14, 2009
Interim report January–June	July 27, 2009
Interim report January–September	November 5, 2009
Year-end report 2009	February 17, 2010





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HIGHLIGHTS 2008:

- Net sales rose 79% to SEK 40.7 million (22.7)
- Gross profit rose 59% to SEK 12.8 million (8.1)
- The gross margin was 31.6% (35.4%)
- The operating result improved by 35% to SEK -43.2 million (-66.8)
- The result after tax improved by 35% to SEK -44.9 million (-69.3)
- Earnings per share were SEK -2.24 (-4.22)
- The order book at year-end was SEK 4.1 million (30.0)

IMPORTANT EVENTS DURING THE YEAR:

- Distinctions and finalist ranking for INVISIO® Q7 at the CES trade show in Las Vegas
- Nextlink AB (publ) name changed to INVISIO Headsets AB (publ)
- Refinement of business to focus on professional products
- Exclusive, strategic license and development agreement for consumer products signed with Motorola
- New chairman and partly new board elected at Annual General Meeting
- Cost-cutting program of approximately SEK 6 million on yearly basis carried out
- Patent for wireless terminal for VoIP communication granted in China and Japan
- Total of SEK 27 million raised for the Company through the exercise of stock options
- Board increased by two members at extraordinary general meeting in December
- Process of realizing value in the Group's patent portfolio nearly completed

PRODUCT NEWS

- World's first digital headset employing jawbone conduction technology and hearing protection displayed at EUROSTATORY in Paris
- New, heat-resistant headsets launched at PMR Expo in Leipzig

CEO'S MESSAGE

In 2008 the change to a market-adapted and sales-intensive company focusing on professional products was completed. This was made possible by, among other things, the license and cooperation agreement with Motorola that was signed in April for our consumer products. The Group's net sales rose 79%, and the operating result improved by 35% compared with a year ago.

2008 started out with a promise to our shareholders, employees and – not least – the market: “There’s no doubt,” I said. “Let’s go!” It is therefore with pride that we report the outcome for 2008, which shows that we have kept our promise. The name change that was decided on by the 2008 AGM, to INVISIO Headsets AB (publ), is not cosmetic, but underscores a clear shift in strategy.

For many years, INVISIO® PRO has been the trade name of our professional products. Through the name change, our company name now coincides with our brand. The restructuring of INVISIO Headsets to a market-adapted and sales-intensive company has shown its strength with anticipated results. Today we have the expertise, ability and flexibility that are needed to steer the Company to where the demand exists.

The refocusing of the Company is now complete and has quickly borne fruit.

The harvest for the year is a substantial improvement in earnings in several areas compared with a year ago, even though we have not yet posted a profit. Net sales rose 79%, gross profit rose 59%, and our operating result improved by 35% compared with 2007. At the same time, operating expenses decreased by 25% despite higher depreciation, and have stabilized at a satisfactory level.

All this confirms what we stressed in our interim report for the third quarter of 2008 – that INVISIO Headsets is currently in a period in which most things are going our way. Our competitive advantages are strong, and the market is there and greeting us with enthusiasm. We now have a more suitable, efficient organization and – most importantly – we see favorable prospects to generate a profit from our business.

CONSUMER PRODUCTS IN NEW HANDS

The major event of strategic importance for the Company's success took place in April through the signing of a five-year cooperation agreement with Motorola pertaining to Bluetooth®-based headsets for the consumer market. This agreement represents a major success in many respects, but most importantly as confirmation that our patented jawbone conduction technology and technical know-how are highly valued in the industry. Our cooperation with Motorola is proceeding according to plan and is working very well. The effects of the financial crisis in the consumer products market in the area of mobile telephone accessories have not yet had bearing on us, but we are watching developments closely. In terms of performance, the products covered by the Motorola agreement are in the high-end segment. Experience shows that temporary downturns in the economy usually do not affect the concerned target group's purchasing behavior to any significant extent. Consequently, we remain optimistic ahead of Motorola's launch of the new products in 2009.

Once the launch of the consumer products gets under way, we can expect a regular stream of royalty revenues to INVISIO Headsets from Motorola.

FOCUS ON WHAT WE DO BEST

In the professional market, we have a strong range of high-quality products and important references in both defense-related and civilian use. This gives us a very strong competitive position today with favorable opportunities to substantially boost our volumes with good profitability. Our investments in a broadened product portfolio, greater sales capacity, the establishment of more distributors and agreements with system engineers are proceeding according to plan.

The market for our professional products is growing increasingly broader, mainly due to a growing preference for in-ear headsets, new combinations of headsets with hearing protection, and the transition from analog to digital communication solutions. TETRA (Terrestrial Trunked Radios) is a rapidly growing, open digital standard for mobile radio communication. Most users are in professional segments, such as the police, fire departments, rescue services, commercial applications and industry. People in these areas often work under difficult and noisy conditions, which makes our product offering particularly useful and competitive.

INVISIO Headsets has been well known for many years in these markets through our unique technology for transmitting speech via a jawbone microphone.

Our customers include some of the world's most discerning buyers of advanced communication systems for professional use, including BAE Systems in the UK, the U.S. Naval Special Warfare Command, the Canadian Ministry of Defence (MoD), the German Federal Police, and the Danish fire department.

Our forecast for substantial growth in sales of professional products for 2009 remains. The global market is in growth. We currently estimate it to be worth more than SEK 4 billion, where the U.S. is the single largest market, accounting for roughly half of global sales within the segment.

LOWER COSTS WITH MORE EFFECTIVE CONTROL

A new structure for the Group's financial statements and segmental reporting of income and expenses, also including a functional presentation of the accounting, has been introduced starting in 2008, see note 3. Our financial management and control has also been strengthened in terms of clearer responsibility for income and expenses throughout the organization.

As a result of the agreement concerning our consumer products, Motorola handles most of this business area's functions, such as logistics, production, marketing and sales. As a result, INVISIO Headsets' payroll costs as well as

other costs have been entirely eliminated or reduced. These savings amount to roughly SEK 6 m on an annualized basis.

UNIQUE TECHNOLOGY OPENS FUTURE OPPORTUNITIES

By converting speech vibrations in the jawbone to sound, it is possible to entirely screen out interfering noise from the ambient environment – noise which with the still dominant and older microphone technology is unavoidably blended in with the speaker's voice and which sometimes even completely drowns out the message. Through our alternative and well-proven technology, which is employed in the INVISIO® PRO headset's integrated jawbone microphone, even a whisper is conveyed with audible clarity. Consequently, for users in which demands on audibility, clarity, hearing comfort and function are crucial, our products are experienced as a revolutionary technological advancement into a new reality.

We believe that the rising demand that we are seeing for our products is a clear sign of a dawning, landmark change in the market for professional headsets, where new user demands are rapidly giving rise to a preference for more modern technology. With our portfolio of small and technically advanced headsets for virtually all application areas that already exist in the market, we can decisively assert our position as one of the leading companies in our industry.

Thanks to perseverance, extensive experience, world-class high-tech expertise, and top-quality customer focus at all levels, on our own merits we have now earned a pole position in an expansive market.

AGREEMENT REACHED WITH BUYER OF VOIP PATENT

On February 18, 2009, INVISIO Headsets reached an agreement with a buyer of the VoIP (Voice over Internet Protocol) patent, at a sales price of approximately SEK 40 m. Payment is expected to be received in April.

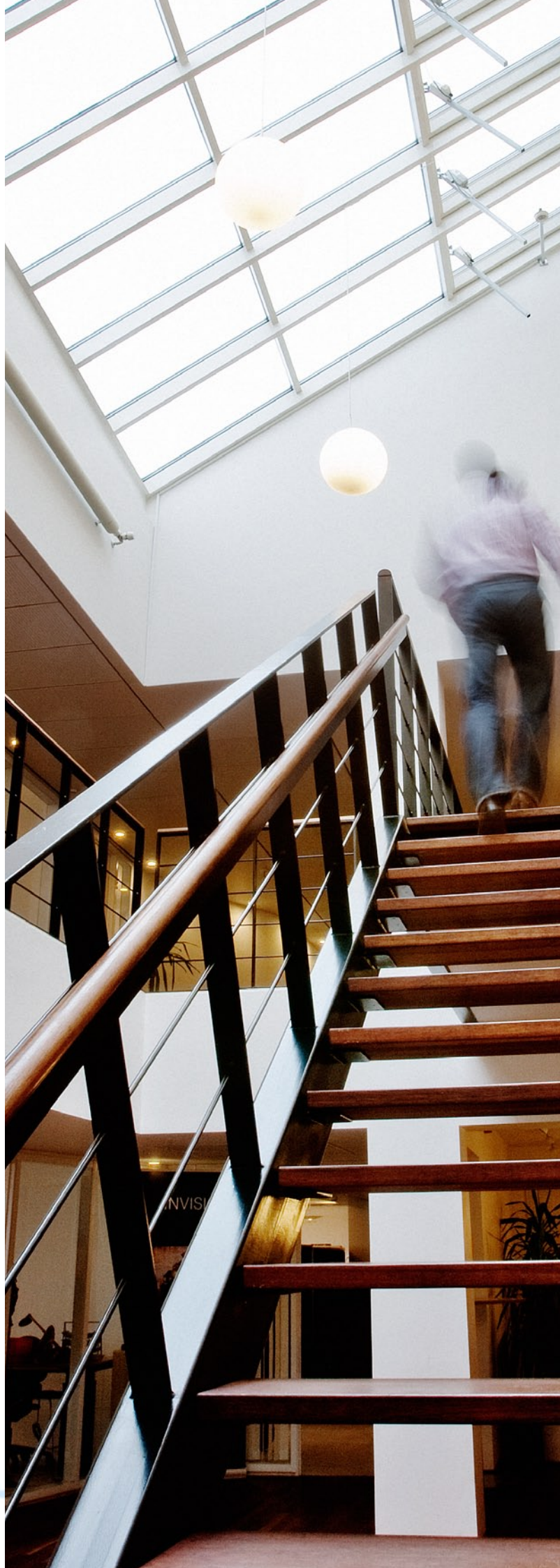
STRONG STARTING POSITION FOR 2009

With our new product platform in place, key reference orders to deliver, numerous quotations out in the market and an expanded board with competence in the professional market, I am highly confident – despite the current financial crisis – that we will continue to see good growth in both sales and earnings. This is to the credit of many people. Above all I would like to express the Board's and my personal thanks for the past year to our loyal, talented and committed employees, to our business partners, and not least to our dedicated shareholders, who in a time of financial anxiety have kept their faith in the Company and secured the Company's financing in 2008 through the exercise of stock options.

Assuming the conditions allow in the financial market, the intention is to list INVISIO Headsets AB (publ) on the stock market during the second half of 2009.

Together we have a solid foundation for continued success in 2009.

Lars Højgård Hansen
President and CEO





Instead of a microphone that captures sound waves from the user's voice, INVISIO®'s headsets register sound inside the user's ear. This is done through the vibrations that are created by the vocal cords and transmitted through the user's jawbone into the jawbone microphone.

INVISIO HEADSETS AT A GLANCE

INVISIO Headsets AB is a technology company that develops technologies and products for audio communication. The business concept is to develop, market and sell headset products for audio communication under its own trademarks and through OEM collaborations with industrial companies (contract development). The Company's vision is to enable people to communicate comfortably in all sound environments.

At the Annual General Meeting held on April 11, 2008, the decision was made to change the Company's name from Nextlink AB (publ) to INVISIO Headsets AB (publ). Through this name change, the Company's name and brand have been aligned, thereby underscoring the Company's focus on the professional market.

The Company has the patent for "Bone Conduction Technology", which supports the best possible sound quality in extreme sound environments, as well as SoftSpring™, for optimal wearing comfort. Both patents are featured in

the company's INVISIO® headsets for professional and consumer applications, which are used by military personnel, special forces, police, fire fighters and security companies around the world. INVISIO Headsets also conducts technology licensing and product development for system integrators.

INVISIO Headsets is a public company listed on First North (ticker: IVSO), an alternative stock market run by the Nasdaq OMX Nordic Exchange, Stockholm. The head offices are in Copenhagen, Denmark.

BUSINESS CONCEPT

INVISIO Headsets' business concept is to develop, market and sell headset products for audio communication under its own trademarks and through OEM collaborations with industrial companies (contract development).

VISION

INVISIO Headsets' vision is to enable people to communicate comfortably in all sound environments.

MISSION

The Company's mission is to provide world leading products and technologies for sending and receiving high quality speech for communication in all sound environments.

BUSINESS OBJECTIVE

INVISIO Headsets' business objective is to achieve good profitability in all business areas by being the market-leading supplier of high-quality headsets featuring the best possible speech quality.

PATENT

INVISIO Headsets has developed and owns – after the sale of the patent for a wireless communication terminal for IP telephony (VoIP) – two patent families:

- Jawbone microphone. This patented system consists of a small, in-ear microphone that captures vibrations in the user's jawbone and transmits it into sound.
- The SoftSpring™ earpiece. A unique, ergonomically designed attachment device that uses a soft rubber spring to firmly place the INVISIO headset in the ear.

INVISIO HEADSETS' HISTORY

2000

The Company launches its first product in the international market – INVISIO® Custom Made. This launch is followed up a year later with another model, INVISIO® Standard. Both products were developed for professional users, such as military personnel, rescue services, bodyguards and similar.

2004

In June 2004 the parent company, NextLink AB, is listed on the NGM Nordic OTC exchange, and in May 2006 the Company moves its market listing to the New Market, which became part of First North in June 2006.

2003

To facilitate financing and a future stock market listing, in autumn 2003 a group structure is formed in which Nextlink AB becomes the parent company, while all operations are conducted by the wholly owned Danish subsidiary Nextlink.to A/S.

2001

Nextlink begins to experience growing demand for products designed for the consumer market, and in 2002 Nextlink develops the first wireless headset under the Bluespoon® trademark, based on Bluetooth®.

2008

At the CES trade show in Las Vegas in January 2008, INVISIO® Q7 is named the "Best of CES Cell Phone Accessory" by LAPTOP Magazine in the U.S.

2008

In April 2008 INVISIO Headsets signs an exclusive license and cooperation agreement with Motorola, USA, for the Company's consumer products. The agreement gives Motorola global, exclusive access to INVISIO Headsets' patented technology, with the right to manufacture, market and sell jointly developed headsets.

2007

In 2007 Nextlink and MSA Sordin sign a declaration of intent for product cooperation concerning products for professional users.

2006

The Company receives and delivers its first major order for INVISIO® Pro products in early 2006. The order was from the French Special Forces.

2006

The Company enters into its first licensing and development agreement with the Korean company Samsung, the world's third largest manufacturer of mobile phones, for development of an advanced Bluetooth® headset for the consumer market. Experience and contacts from the project are highly valuable for similar, future projects.

2008

In June 2008 INVISIO unveils the world's first digital headset with Bone Conduction Technology and hearing protection at the EUROSTATORY trade show in Paris. The communication solution consists of the INVISIO® X5 Headset and INVISIO® X50, which are based on INVISIO's new technology platform.

TECHNOLOGY FOR DEMANDING COMMUNICATION

Communication without disrupting noise from the surrounding environment is crucial for minimizing misunderstandings. The noisiest and most demanding environments are often the ones in which it is most important that communication cannot be misinterpreted. This applies for a wide range of applications, including military, police, rescue services, security and in industry, where fast decisions must often be made and where a misunderstanding could have devastating effects. Through INVISIO's patented jawbone microphone, it is possible to communicate interference-free regardless of the surrounding noise.

JAWBONE TECHNOLOGY – AN ESTABLISHED TECHNOLOGY

References to sound and speech traditionally concern sound waves that are transmitted through the air. In the middle ear these sound waves are converted to vibrations, which in turn are converted to electrical impulses in the inner ear that the brain can then interpret as sound. Historically, jawbone conduction technology has been used to help people with a hearing impairment. Such a hearing aid creates vibrations in the cranium that are converted to electrical impulses in the inner ear, which in turn are perceived as sound by the brain.

With INVISIO's jawbone conduction technology, essentially the same thing happens. The difference is that the vibrations are created in the cranium by the person's own speech, while a small vibration sensor in the headset converts these to electrical impulses. These are then sent to the receiver via a communication radio or mobile phone.

JAWBONE CONDUCTION MICROPHONE – UNIQUE, PATENTED TECHNOLOGY

All of INVISIO's headsets are based on the Company's patented jawbone conduction microphone. The microphone along with a speaker is integrated in an earplug that is 10–12 mm in diameter. This earplug, which is designed for placement in the outer ear, is optimal for registering sound and speech. When we talk, our vocal cords generate vibrations, which are conveyed via the jawbone and pass through the front part of the outer ear. Since the jawbone microphone registers vibrations, it is possible to speak very quietly or even to whisper, while the sound still reaches the receiver loud and clear.

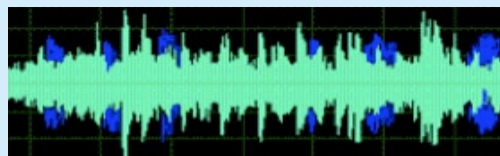
WHAT IS THE EFFECT?

The jawbone microphone registers sound inside the ear, as opposed to conventional microphones, which capture sound outside the speaker's mouth. INVISIO thereby bypasses the problem of interference – i.e., disruptive noise – from the

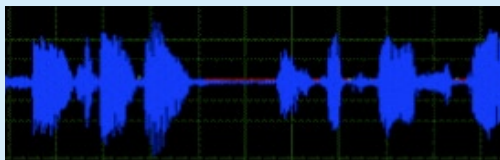
ambient environment. Plain and simple, it is only the user's voice that is registered and transmitted.

THE SOFTSPRING™ EARPIECE – FASTENING DEVICE OFFERS ULTIMATE COMFORT

SoftSpring™ is an ergonomically designed fastening device consisting of a soft rubber spring that provides a unique fit for INVISIO's headsets in the user's ear. With SoftSpring™, the user hardly feels the earpiece at all. The risk for discomfort is small, even with extended use.



Sound from a conventional microphone



Sound from INVISIO's patented jawbone conduction microphone

The diagrams here show the difference in hearing experience between different microphone technologies and the same background noise. The blue curves show the pure voice sound, without disruptive interference from the ambient environment. The green curve shows background noise. The pictures clearly show how sound from a conventional headset conveys a mixture of the spoken voice and the disruptive background noise, while the sound from an INVISIO headset only conveys pure speech sounds, without interference from the surrounding environment.

Sound as Big Business. Quiet asphalt. Speakers that emit contrasting sound in offices. Automakers that design car models to reduce road noise. Acoustics have become Big Business. There are strong indications that sound-related products are at the threshold of the same type of boom that the IT sector experienced in the past couple of decades. Here INVISIO Headsets has a strong position. Structural-based sound (jawbone vibrations) is a biologically safe way of capturing sound since, through our technology, the ear is protected from disruptive or hazardous noise from the surrounding environment. In this regard, INVISIO Headsets has a unique position with world-leading products. INVISIO currently estimates the total market to be worth more than 4 billion kronor. This includes the U.S. as the largest single market, accounting for roughly 50% of global sales in the segment. Asia accounts for 22% and Europe for 16%. Owing to a strong product portfolio for customer categories with extremely high demands, INVISIO has strong potential to capture a large share of the growing market for professional products.



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JAWBONE CONDUCTION
TECHNOLOGY

SOUND TRANSMISSION
THROUGH THE HEAD

ELIMINATION OF
AMBIENT NOISE

SOUND-DAMPING

TRANSDUCERS

ACOUSTIC DESIGN

MEASURING METHODS

2

SOUND PROCESSING

PSYCHOACOUSTICS

ALGORITHM

DEVELOPMENT

DSP FIRMWARE DESIGN

3

EARPIECES

MINIATURIZATION

COMPUTER AIDED
DESIGN (CAD)

PRODUCTION METHODS

TOOL DESIGN

QUALITY ASSURANCE

MATERIALS EXPERTISE

JAWBONE CONDUCTION TECHNOLOGY

INVISIO uses jawbone conduction technology to register human speech in the sender's outer ear. The technology is based on a depth of knowledge about vibrations and vibration patterns in the head and jawbone, and how these are converted to acoustics and electric signals.

SOUND DAMPING

Apart from conveying speech, professional headsets must protect the user from hazardous sounds, such as gunfire. INVISIO has knowledge about the physics behind sound dampening as well as about the demands that must be met.

MEASURING METHODS

INVISIO has developed its own measuring methods for validating the products' performance, since no standardized methods for this unique technology currently exist.

TRANSMISSION OF SOUND THROUGH THE HEAD

Since INVISIO's headsets are based on vibrations, it is essential to have a deep understanding of how vibrations from the vocal cords are transmitted and affected before they reach the outer ear.

TRANSDUCERS

Achieving excellent sound quality along with the smallest possible format requires knowledge about design of special microphones and speakers as well as about miniature design. INVISIO has focused on this area for several years.

ELIMINATION OF AMBIENT NOISE

One of the unique qualities of INVISIO's headsets is the elimination of interfering ambient noise. In this area, INVISIO has developed a breadth of expertise in development and material technology.

ACOUSTIC DESIGN

Achieving excellent sound quality also requires knowledge about the physics behind acoustics in small cavities and passageways, and how materials, components and sound interact. This is an area in which INVISIO has a depth of experience.

SOUND PROCESSING

The sound signals are affected by a number of factors when conveyed through human tissue and must therefore be processed in order to maintain high quality. Over the years, INVISIO has developed world-leading know-how in this area.

DSP FIRMWARE DESIGN

The algorithms used in sound processing are converted to software code that is run on customized hardware in INVISIO's headsets. INVISIO's depth of knowledge about optimization enables the Company to achieve the highest possible sound quality while at the same time keeping size and energy consumption to a minimum.

PSYCHOACOUSTICS

Having an understanding of how the brain interprets signals is central to the design of communication equipment in which a premium is attached to clarity. INVISIO's expertise goes beyond recreating affected signals, to presenting them in a format that is easy to interpret in all situations.

ALGORITHM DEVELOPMENT

Sound processing is conducted with the help of advanced mathematical algorithms that INVISIO has developed and continuously improved.

EARPIECE

All of INVISIO's headsets are designed for placement in the outer ear, which requires that they are small at the same time that they must be comfortable for use during long periods of time. One major challenge is that no one ear is like the other in terms of size and shape. To meet this challenge, INVISIO has developed a breadth of knowledge about the anatomy of the ear as well as methods and tools for optimizing headset design.

PRODUCTION METHODS

INVISIO's production differs considerably from a great deal of other electronics production. For example, INVISIO uses special tools to a greater extent, and microscopes are needed for assembly.

MATERIALS EXPERTISE

To achieve good product quality, considerable expertise is needed with respect to production methods and the specific qualities of various materials.

MINIATURIZATION

To minimize headset size, INVISIO has developed specially adapted design methods and customer-designed components. This requires knowledge about and focus on miniaturization during the entire process, from initial specification to final product.

TOOL DESIGN

The components included in the products put high demands on tolerances. The components' production tools are manufactured using special methods by a handful of suppliers with which INVISIO has established good relations.

CAD

INVISIO has taken miniaturization to the extreme, which puts high demands on product design. The company uses computer-aided design (CAD) to develop and quality assure its product design.

QUALITY ASSURANCE

INVISIO's products have been designed for the most demanding environments. The Company has developed extensive test programs and knowledge about how these environments can be simulated in order to prepare products for launch.

Much more than just jawbone conduction technology

INVISIO is not alone in using jawbone conduction technology to transmit sound or speech, or in using advanced signal handling for sound improvement. However, owing to INVISIO's optimal and patented use of jawbone conduction

technology in the ear, together with the Company's breadth in a large number of related technology areas, many of the most demanding users have chosen INVISIO's technology over competing headset technologies

HEADSET TECHNOLOGIES

	INVISIO headsets	Other in-ear headsets	Throat mounted microphone	Head mounted microphone	Circumaural external microphone	Two-way radio (no headset)
Sleek design (no bulky parts)	✓	✓				
Discreet design (does not attract attention)	✓	✓				
Speaker and microphone in the same unit	✓	(✓)				✓
Jawbone conduction technology	✓	(✓)	✓	✓		
Sound reproduction (voices sound natural)	✓	✓			✓	✓
Sound improvement (sound processing)	✓	(✓)			(✓)	(✓)
Elimination of ambient noise	✓	(✓)	✓	✓	(✓)	
Damping of harmful noise	✓	(✓)			(✓)	
Hearing protection	✓	(✓)			(✓)	
Can be used under helmets/protective wear	✓	✓	✓	✓		
Can be used in extreme heat (such as in a fire)	✓		(✓)	(✓)		
Can be used underwater (waterproof)	✓					

Texts in parentheses pertains only to certain models/brands.

World class certification

Companies and authorities demand products that meet applicable norms and standards. Certifications serve as a quality assurance of our expertise and credibility. To be able to conquer new markets and retain existing customers, INVISIO Headsets has focused on certifying its products based on the demands that are made and are expected to be made in the future.

Today the Company has products that meet all relevant norms and standards needed to be able to fully benefit from the new product portfolio. Currently INVISIO Headsets has certifications according to the following standards: CE, ATEX, ANSI S3.19-1974 and ANSI S12.6-1997 (Hearing protection certification).

INVISIO Headsets' production partner PartnerTech is ISO9000 certified. Quality is also a guiding point in INVISIO Headsets' product development, with high demands on systematic routines. Accordingly, within the organization – under the direction of a quality assurance supervisor – is a well-developed process for product development with special documentation systems and programs for teaching and competence development of affected employees.



CE LABELLING

The CE label means that the manufacturer or importer certifies that the product meets the safety requirements that exist in the EU for a particular product group. Electrical household appliances as well as life vests, helmets and other personal safety equipment are among the product groups covered by CE labelling.

Source: Swedish Consumer Agency



Fire consumes oxygen and replaces other sounds with its own. A fire fighter who finds himself inside a burning building has an extremely difficult time communicating with colleagues outside.

Moreover, his helmet and mask prevent him from using conventional earpieces. INVISIO's products are a superb solution in such an environment.





MARKET OVERVIEW

Professional products

Ever since technically sophisticated headsets offering the ability for two-way communication were first developed, such products have been highly sought after by professional users with high demands on reliability, durability and sound quality. These types of users, such as defense and military personnel in special operations, police, rescue services and SWAT teams, have benefited greatly from new, innovative solutions. The new products have opened up the opportunity for uninterrupted, secure communication in virtually any situation or sound environment that the users find themselves in.

MARKET STRUCTURE

Since professional customers buy and demand high quality and complex solutions, this market is dominated by a handful of producers. As a rule, these players have many years of experience in collaboration, development and delivery to customers who put high demands on product quality, reliability and functionality. The market for professional headsets is thus characterized by a higher entry barrier than the consumer market.

TRENDS AND DRIVING FORCES

The global market for professional users of radio equipment is relatively mature; however, there is substantial potential for growth in pace with continuing development. In general, the pace of development for two-way communication solutions and applications aimed at professional users has been slower than the development of products for the consumer market. However, today the product life cycle for professional products has decreased to around 3–5 years and will likely decrease further in the coming years. One contributing factor to the increased pace of development is the conversion from analog to digital technology in products. Particularly in the police, firefighting and rescue segment, several radio manufacturers have launched digital versions of their analog solutions.

As development moves forward, it is becoming increasingly possible to custom-tailor communication solutions for specific customer needs. This is also opening up the market for professional communication solutions.

STRUCTURAL CHANGES CREATING CONDITIONS FOR GOOD GROWTH

INVISIO Headsets sees good opportunities for continued strong growth. This is based in large part on current structural changes in six areas:

1. The use of headsets is rising in general. Today an estimated 20% of all users of two-way communication use

headsets for their radio communication. Headsets provide freedom and often better sound than only radio.

2. Preferences for a combination of headset and hearing protection. Users of two-way communication equipment are often exposed to high levels of noise.
3. Sleek and discreet. In-ear headsets are coming into higher demand instead of tight-fitting, so-called circumaural headsets, which have long dominated the market.
4. Customers are showing a preference to buy complete equipment solutions from a handful of suppliers or retailers. INVISIO has well established cooperation arrangements with leading retailers.
5. The transition from analog to digital communication is opening up entirely new opportunities for users. INVISIO supports both the new digital standard Tetra and current analog standards.
6. Military organizations around the world are conducting continuous updates and modernization programs in which they are looking at all their equipment. Modern technology with high performance that is at the same time user-friendly and can be integrated in new and existing systems is coming into demand. INVISIO is well positioned with an entirely new product generation at the absolute cutting edge of technology.

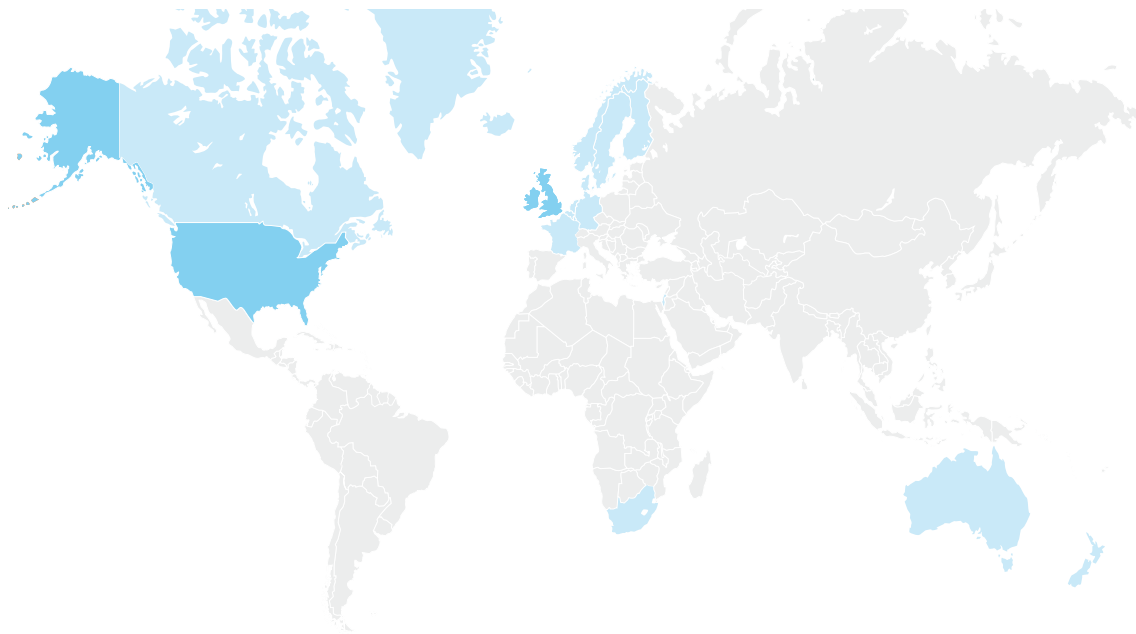
The Company's new and broader product portfolio is a more comprehensive offering at the same time that it supports existing and several future standards and certifications.

MAJOR POTENTIAL THROUGH HORIZONTAL AND VERTICAL GROWTH

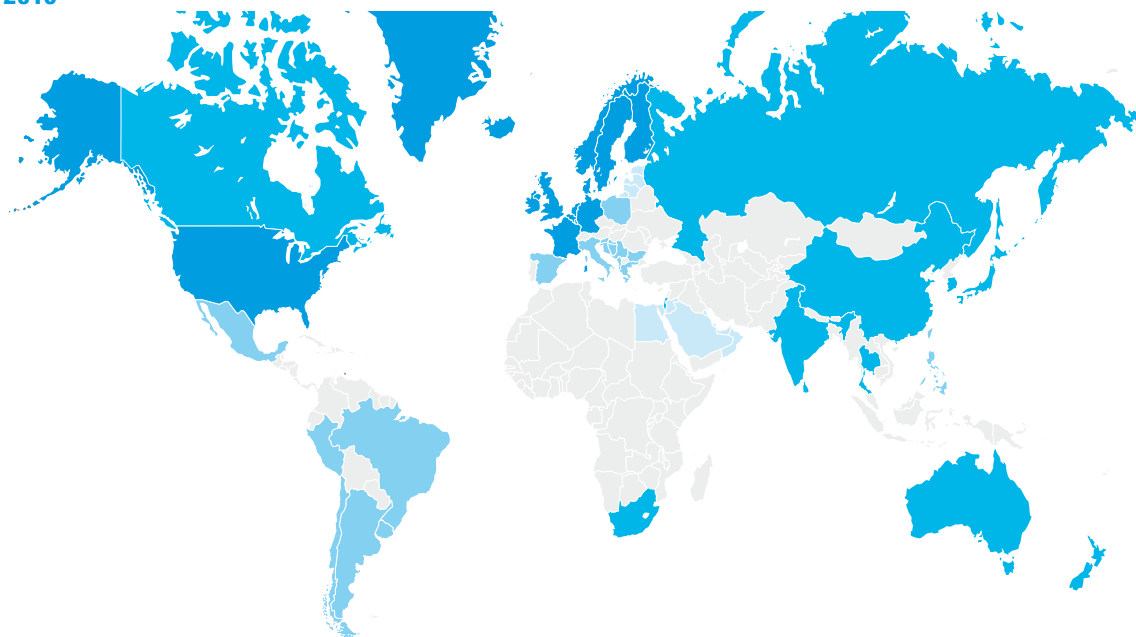
Historically, direct sales have accounted for a large part of total sales. However, there is major potential in growing the number of retailers and partners, not least because many customers prefer to purchase complete equipment including a radio from a single supplier. This sales strategy will lead to a geographic broadening of sales in the years immediately ahead.

Sales in 2008 were concentrated in a dozen or so geographic markets and primarily in two of INVISIO's focus areas. With the new, broader product portfolio and the growing use of more distribution channels, INVISIO sees sharp growth in the years immediately ahead. Additional geographic markets will be penetrated, and sales in all focus areas are expected to increase substantially.

2008



2010



QUALITY ASSURANCE

Since professional headsets are often used in demanding environments – often in situations in which the user's life may be in danger – quality in all aspects is imperative. Users must be able to trust that their equipment will work in all situations. To ensure this, quality-assured manufacturing is a necessity. INVISIO Headsets' production partner, PartnerTech, is ISO9000-certified.

EXPECTATIONS

INVISIO Headsets estimates that the market for professional mobile radio communication equipment will continue to grow by approximately 2% per year, with higher growth for accessories such as headsets. INVISIO currently estimates the total market to be worth more than SEK 4 billion. This includes the U.S. as the largest single market, accounting for roughly half of global sales in this segment.

FOCUS AREAS WITH MAJOR POTENTIAL

MILITARY SPECIAL OPERATIONS

Nearly every country in the world has a number of units that are covered by this focus area. For these categories, the opportunity to communicate under extreme conditions could make the difference between success and failure of a mission.

SPECIAL LAW ENFORCEMENT

This focus area includes missions that require special training, expertise and equipment, and for that reason cannot be performed by ordinary police. The technical requirements for equipment are extreme, at the same time that the equipment must often be so discrete so as to not attract attention.

MILITARY GENERAL OPERATIONS

This focus area encompasses a large body of military personnel with various types of training from the army, navy, air force, marines and coast guard. The ability to perform missions effectively puts high demands in particular on advanced communication equipment that can be integrated into new and existing systems.

UTILITIES AND HEAVY INDUSTRIES

The broadest focus area covers customers that are active in production and distribution of energy and commodities (including electricity, oil and natural gas), as well as heavy industry, including construction sites, mines and airports. The work environment is often very noisy at the same time that communication is considered to be very important, which puts high demands on communication equipment.

FIRE & RESCUE

As a result of the industrial world we live in, accidents have increased both in complexity and scope. This puts high demands on development of methods as well as techniques for extinguishing fires. Clear and precise communication is mission-critical, especially in environments with high noise levels.

GENERAL LAW ENFORCEMENT

Modern police departments use communication equipment frequently to coordinate their work, share information and make decisions. Effective, clear communication is needed to ensure a safe environment in cities as well as the countryside.

INVISIO in the service of peace. Communication is extremely important in critical situations. INVISIO® X50 and INVISIO® X5 – a sophisticated system with a control unit and dual headset, has been developed to work in the most extreme situations and is compatible with all non-civilian radio systems available on the market today. Among the product's finesses are the ability to communicate via two-way radio in both the sender and receiver modes simultaneously. In addition, it protects the user from loud noise, as the headset has interchangeable hearing protection. And it's needed. According to the U.S. Army Center for Health Promotion and Preventive Medicine, more than half of all soldiers who are exposed to explosions suffer from permanent hearing loss.

INVISIO's products are high on the wish list when new troops are to be equipped and old equipment is phased out.



MARKET OVERVIEW

Consumer products

HISTORY

Bluetooth® wireless technology was developed by Ericsson in the late 1990s. The technology was then standardized by the Bluetooth® SIG (Special Interest Group) organization, which made the technology available for a large number of players. The first consumer products based on Bluetooth® technology were developed in 2000 in the form of wireless headsets for mobile phones.

Initially the technology behind Bluetooth® was very expensive, which meant that the price of mobile phones with built-in Bluetooth® functionality was much higher than for other mobile phones.

When the price of Bluetooth® technology subsequently began to fall, mobile phone manufacturers such as Nokia, Sony Ericsson and Motorola began to seriously establish themselves in the market for Bluetooth® headsets. Most of the smaller Asian producers also began to establish themselves, but they had a harder time capturing significant market positions, since the falling prices undermined their main competitive advantage.

MARKET STRUCTURE

Today there are mainly three categories of producers in the market for Bluetooth® headsets. The largest in the consumer market are the major mobile phone manufacturers, which develop and market their own Bluetooth® headsets, including Motorola. The second category consists of companies that specialize only in various types of headsets. These players sell their products under their own brands or through OEM arrangements. The third category mainly comprises small Asian manufacturers that sell their products only regionally in Asia and through OEM arrangements.

TRENDS

Bluetooth® headsets are steadily becoming smaller and more lightweight. In terms of design, consumers mainly want a Bluetooth® headset that is perceived as a trendy and fashion-oriented accessory. Demands on user-friendliness and functionality have also increased considerably. Today, major focus is on improving sound quality. Many consumers today choose headsets that can reduce background noise, which was a problem with many of the earlier alternatives.

In the Western world, the UK has come the furthest in terms of numbers of Bluetooth® users. Growth potential today is considered to be very strong above all in Russia. However, the U.S. as well, which is lagging behind the European market somewhat in the use of Bluetooth®,

is expected to grow. The rest of Europe and certain Asian countries also have the potential for strong growth in the use of Bluetooth® headsets.

DRIVING FORCES IN THE CONSUMER MARKET

Growth for consumer products is being driven first and foremost by the number of mobile phones with built-in Bluetooth® technology. INVISIO Headsets believes that the long-term market potential for Bluetooth®-based headsets is great. Even in the near term, a number of factors point to high growth in the use of Bluetooth® headsets.

Functionality of headsets with regard to such features as standby time, talk time, sound, voice-capture abilities and signal strength, is continuously being improved, and existing headset users thus have reason to upgrade to a product with more modern features.

Design preference is another key driving force. The market is characterized by a vast number of customer types that have varying preferences for the product's appearance. Young users primarily prefer fashionable, trendy products, while business users are looking more for functionality. Product design is also culturally bound to some extent, as differences in preference are very clear from country to country. For many users, these types of products are seen more as a stylish accessory. So the field is open for a greater variety of products in which a single technical solution can form the foundation for an abundance of varieties designed to meet varying personal tastes.

Product functionality is a driving force in itself. Better speech and sound quality is creating opportunities to speak freely despite a noisy background. Not having to duck aside in a noisy area, or being able to talk without interference with both hands free in a work situation, are two examples of new benefits for people in their working situations.

But end-users are not the only driving force. Operators also have strong reasons to speed up the development toward greater use of Bluetooth® headsets. Legislators' views on the use of mobile phones in cars are also accelerating the development toward greater use of Bluetooth® headsets.

Several European countries have introduced bans on talking with handheld mobile phones while driving. A similar trend is also under way in the U.S. Drivers who want to continue using their mobile phones while they drive will then have to invest in a solution that enables them to make and receive calls without using their hands. In such cases, a Bluetooth® headset is much cheaper and simpler than installing a hands-free function in their car.

The ability to make phone calls via the Internet (VoIP) is also opening up opportunities for greater use of Bluetooth® headsets. The number of computers equipped with Bluetooth® is rising steadily. With such a computer and a Bluetooth® headset, a user can conveniently and flexibly make and receive phone calls directly through the computer, without the use of either a mobile or fixed-line phone.

Larger volumes and higher production efficiency are contributing to the strong pressure on prices in a growing market of this kind. The falling prices themselves are a driving force, as they are opening the market to more potential consumers and larger customer segments. Moreover, in a larger market, most segments will become so large that even a small segment can become big enough to penetrate efficiently.

EXPECTATIONS

In April 2008 INVISIO Headsets signed an exclusive, strategic licensing and development agreement with Motorola. The agreement covers a five-year strategic collaboration on wireless headsets for the consumer market. It gives Motorola global, exclusive access to INVISIO's patented technology with the right to manufacture, market and sell jointly developed headsets. Motorola and INVISIO Headsets are jointly completing development of a product based on INVISIO Headsets' patented technology, after which the product will be launched under Motorola's own trademark in 2009. The distribution capacity will ensure a level of market penetration of the products that INVISIO Headsets would not have been able to achieve with its own resources.



BUSINESS DESCRIPTION

OPERATIONS

INVISIO Headsets AB is a technology company that develops technologies and products for audio communication. The business concept is to develop, market and sell headset products for audio communication under its own trademarks and through OEM collaborations with industrial companies (contract development). The Company's vision is to enable people to communicate comfortably in all sound environments.

INVISIO Headsets has two business areas:

- Professional Products. Wired professional headsets under the INVISIO® PRO trademark.
- Consumer Products. Outlicensed, wireless Bluetooth® headsets for continued development and production in collaboration with Motorola.

RESEARCH AND DEVELOPMENT INVISIO HEADSETS' STRENGTH

Research and development is the core of INVISIO Headsets. Most of this activity is carried out internally, with focus on development of software and hardware for integrated headsets and audio DSP (Digital Signal Processor) systems. Most of the Company's engineers work with developing prod-

ucts under the Company's own brands. INVISIO Headsets' operations are founded on robust, innovative patents, and the Company will continue to work on expanding its patent portfolio. Today the Company has two registered patents; these cover the technology to convert speech vibrations from the jawbone to sound, and INVISIO Headsets' unique SoftSpring™ ear fixture.

PATENT STRATEGY

The patent strategy is to actively develop and apply for patents in the areas of communication and audiology. The Company's own resources and expertise in research and technical development are used in own development projects that are conducted internally as well as in development collaborations with external parties.

PATENTS

Jawbone conduction microphones

This invention is based on a 10–12 mm long earplug with a built-in speaker and microphone, which is designed to be fastened in the outer ear. Speech sound is transferred via the user's jawbone and screens out airborne audio signals, which ensures the direct transmission of the user's voice despite other external ambient noise. When people talk, speech vibrations are generated in the throat and vocal

BUSINESS AREAS



cords. These vibrations are transferred through bone and tissue. The jawbone in particular, which passes near the front part of the outer ear, conveys these vibrations strongly and transfers a broader spectrum of sound than if the signal were generated from the throat.

The patent has been granted in the U.S., Europe and Singapore. The European patent was granted in 1993 and expires in 2013. In the U.S. the patent was granted in 1997 and expires in 2014, and in Singapore the patent was granted in 2001 and expires in 2013.

SoftSpring™ ear fixture

SoftSpring™ is an ergonomically designed fastening device consisting of a soft rubber spring which fastens INVISIO's headsets in the ear in a unique way. With SoftSpring,™ the user barely feels that the headset is sitting in the ear. The risk for discomfort is minimal, even with extended periods of use. The patent was granted in Europe and the U.S. in May 2006 and expires in 2021.

A third patent, for a wireless terminal for VoIP telephony, was sold during the first quarter of 2009.

PRODUCT DEVELOPMENT

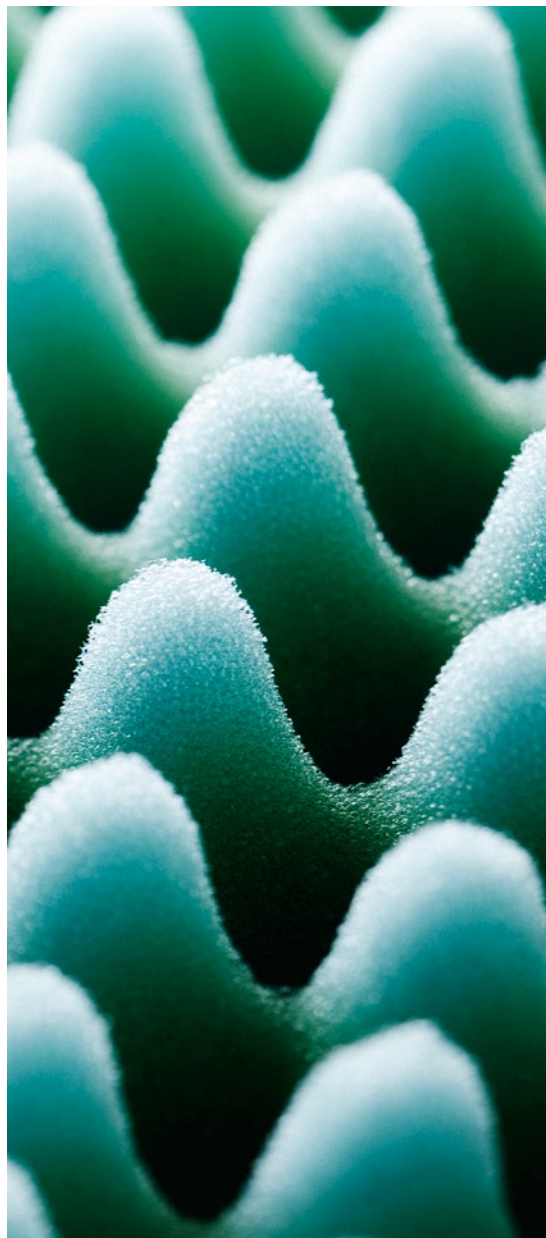
In 2008 INVISIO Headsets focused on completing the new series of headsets and systems for professional users. The products, which amply meet the market's demand for digital headsets, are placed directly in the ear and incorporate integrated hearing protection. Deliveries for customer tests began during the third quarter of 2008.

On account of the agreement with Motorola in April, no new product development for consumer products was conducted, apart from the contractual completion of INVISIO® Q7.

As a result of previous years' investments in the R&D organization, essentially all development of own INVISIO® products is conducted with internal resources.

MANUFACTURING

Production of INVISIO Headsets' professional products is conducted at PartnerTech's plant in Vellinge, Sweden. It is important for INVISIO Headsets and its customers to cooperate with a large supplier that can maintain world-class product quality and delivery reliability. INVISIO Headsets' advanced technologies put stringent demands on the manufacturer and its production methods.



PRODUCTS, SALES AND PRODUCTION

INVISIO® M3

FEATURES

- Vibration sensing Bone Conduction Microphone for clear speech and total elimination of ambient noise.
- High-performance speaker with minimal distortion.
- Soft Spring™ allows in-ear wearing style for discreet and secure fit.
- Ultralight and small – weighs less than 5 grams with a dimension of only 1.3 × 2.4 cm.
- Kevlar core cable with Teflon insulation and pull strength of more than 20 kg.
- INVISIO Cable Retainer keeps cable behind ear.
- Precision manufactured, ABS plastic coated earpiece for use in extreme environments.

The ultimate in-ear tactical headset for high-noise and extreme environments.



INVISIO® M3S

FEATURES

- Submersible to IP68 (20 m).
- Precision manufactured, ABS plastic coated earpiece for use in extreme environments.
- Vibration sensing Bone Conduction Microphone for clear speech and total elimination of ambient noise.
- High-performance speaker with minimal distortion.
- Soft Spring™ allows in-ear wearing style for discreet and secure fit.
- Ultralight and small – weighs less than 5 grams with a dimension of only 1.3 × 2.4 cm.
- Kevlar core cable with Teflon insulation and pull strength of more than 20 kg.
- INVISIO Cable Retainer keeps cable behind ear.

The submersible in-ear headset for use both in and out of the water.



INVISIO® FIRE

FEATURES

- Tolerates use in 235°C with heat spikes of up to 300°C.
- Heat-resistant, silicone reinforced fiberglass cable (VW-1 class 200, electrically insulated sheath).
- Vibration sensing Bone Conduction Microphone for clear speech and total elimination of ambient noise.
- High-performance speaker with minimal distortion.
- Soft Spring™ allows in-ear wearing style for discreet and secure fit.
- Ultralight and small – weighs less than 5 grams with a dimension of only 1.3 × 2.4 cm.

Specially designed, in-ear headset for use in environments with extreme heat.



INVISIO® M3H

FEATURES

- Single-sided earpiece with certified hearing protection.
- Adjustable with customized ear fit ensures right level of protection.
- Vibration sensing Bone Conduction Microphone for clear speech and total elimination of ambient noise.
- High-performance speaker with minimal distortion.
- Soft Spring™ allows in-ear wearing style for discreet and secure fit.
- Ultralight and small – weighs less than 5 grams with a dimension of only 1.3 × 2.4 cm.

The ultimate, in-ear headset with certified hearing protection.



INVISIO® X50

FEATURES

- Digital communication box (PTT) for use with INVISIO® X5.
- Dual, simultaneous radio capability.
- Radio and Hear-Thru volume control.
- Built-in acoustic shock limiter.
- Electronic Hear-Thru with 360 degree situational awareness.
- Automatic sensing of headset and radio type.
- Software upgrades available with programming cable.
- IP68 compliant.

Digital system including in-ear INVISIO® X5 headset with built-in hearing protection.



INVISIO® X5

FEATURES

- Dual channel headset with built-in hearing protection.
- Adjustable with customized ear fit ensures right level of protection.
- Vibration sensing Bone Conduction Microphone for clear speech and total elimination of ambient noise.
- High-performance speaker with minimal distortion.
- Soft Spring™ allows in-ear wearing style for discreet and secure fit.
- INVISIO Cable Retainer ensures that cable stays behind ear.
- IP68 compliant.

Digital in-ear headset with hearing protection.



INVISIO® M4

FEATURES

- Custom fit using actual impression of user's ear for use in extreme environments.
- Ergonomic design makes earpiece easy and comfortable to use.
- Vibration sensing Bone Conduction Microphone for clear speech and total elimination of ambient noise.
- High-performance speaker with minimal distortion.
- Kevlar core cable with Teflon insulation and pull strength of more than 20 kg.
- INVISIO Cable Retainer ensures that cable stays behind ear.

The ultimate in-ear headset with certified hearing protection.



INVISIO® M4S

FEATURES

- Submersible to IP68 (20 m).
- Custom fit using actual impression of user's ear for use in extreme environments.
- Ergonomic design makes earpiece easy and comfortable to use.
- Vibration sensing Bone Conduction Microphone for clear speech and total elimination of ambient noise.
- High-performance speaker with minimal distortion.
- Kevlar core cable with Teflon insulation and pull strength of more than 20 kg.
- INVISIO Cable Retainer ensures that cable stays behind ear.



FINGER PTT



BODY PTT



DIVING PTT



IN-LINE PTT

RADIO ADAPTER

CYLINDER PTT



GROWTH TARGETED AT PROFITABLE MARKET SEGMENTS

INVISION Headsets is seeing a steady rise in the number of queries in its Professional Products business area. Full-scale customer tests are also rising in pace with the intensified sales efforts. In 2008 INVISION Headsets participated for the first time in a number of key industry trade fairs – including EUROSATORY in Paris, the TETRA World Congress, and the PMR Expo – with very favorable results. These activities will be expanded in 2009. Marketing toward end users in key markets will also be stepped up during the year.

IMPORTANT BUSINESS PARTNERS OPENING OPPORTUNITIES IN NEW MARKETS

In September 2008 INVISION Headsets signed an agreement with the Finnish company SAVOX Communications on product and sales cooperation via the respective companies' marketing channels in the Professional Products business area. For SAVOX the agreement entails a strong competitive position primarily for customers in the defense market.

For INVISION Headsets, SAVOX's PTT products (Push to Talk) will open up opportunities to offer new, competitive communication solutions for fire departments, rescue services and police departments around the world.

In the Consumer Products business area, INVISION Headsets no longer conducts any sales of its own since the signing of the wide-ranging cooperation agreement with Motorola in April 2008. The first consumer products with INVISION Headsets' technology are expected to be introduced on the market some time into 2009.

CERTIFIED MANUFACTURING GUARANTEES QUALITY

INVISION Headsets' professional products are manufactured at PartnerTech's ISO9000-certified plant in Vellinge, Sweden. For INVISION Headsets and its customers it is important to have a large supplier in which product quality and delivery reliability can be guaranteed and are of absolute world-class. INVISION Headsets' advanced technologies put major demands on the manufacturer and its production methods.

SHARE DATA AND OWNERSHIP STRUCTURE

SHARE CAPITAL

The share capital amounted to SEK 20,646,084 as per December 31, 2008, divided into 20,646,084 shares (registered number), each with a share quota value of SEK 1.00. Every share carries equal entitlement to the Company's assets and profit and has the same voting power. At general meetings of shareholders, every person entitled to vote may vote for the full number of shares represented by him or her without limitation in voting rights. As per December 31, 2008, INVISIO Headsets AB had a total of 195 shareholders.

GROWTH IN SHARE CAPITAL¹⁾

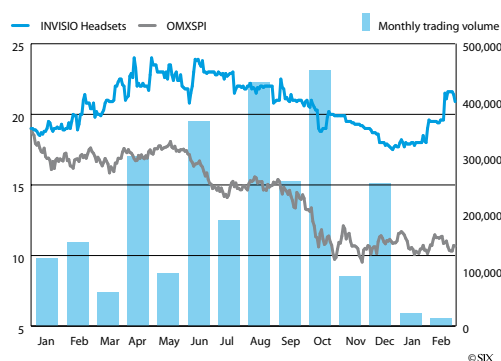
Year	Transaction		Increase in the number of shares	Total number of shares	Increase in share capital	Total share capital	Share quota value
2003-11-11	Company formation	Company formation	1,000	1,000	100,000	100,000	100
2004-03-24	Split (100:1)	Split (100:1)	99,000	100,000	0	100,000	1
2004-03-24	New issue	New issue	400,000	500,000	400,000	500,000	1
2004-06-30	Non-cash issue	Non-cash issue	8,663,915	9,163,915	8,663,915	9,163,915	1
2004-07-30	New issue	New issue	1,500,000	10,663,915	1,500,000	10,663,915	1
2005-12-22	New issue	New issue	2,132,783	12,796,698	2,132,783	12,796,698	1
2006-09-14	New issue	New issue	79,755	12,876,453	79,755	12,876,453	1
2006-10-12	New issue	New issue	1,270,000	14,146,453	1,270,000	14,146,453	1
2006-10-30	New issue	Stock options	464,000	14,610,453	464,000	14,610,453	1
2006-10-30	New issue	Stock options	53,000	14,663,453	53,000	14,663,453	1
2007-05-04	New issue	New issue	1,947,078	16,610,531	1,947,078	16,610,531	1
2007-05-21	New issue	New issue	147,701	16,758,232	147,701	16,758,232	1
2007-07-04	New issue	Stock options	39,550	16,797,782	39,550	16,797,782	1
2007-09-24	New issue	Stock options	22,600	16,820,382	22,600	16,820,382	1
2007-11-13	New issue	New issue	2,803,397	19,623,779	2,803,397	19,623,779	1
2008-01-28	New issue	Stock options	75,900	19,699,679	75,900	19,699,679	1
2008-02-14	New issue	Stock options	126,005	19,825,684	126,005	19,825,684	1
2008-08-01	New issue	Stock options	240,400	20,066,084	240,400	20,066,084	1
2008-08-15	New issue	Stock options	90,000	20,156,084	90,000	20,156,084	1
2008-10-21	New issue	Stock options	50,000	20,206,084	50,000	20,206,084	1
2008-11-11	New issue	Stock options	230,000	20,436,084	230,000	20,436,084	1
2008-12-02	New issue	Stock options	25,000	20,461,084	25,000	20,461,084	1
2008-12-02	New issue	Stock options	185,000	20,646,084	185,000	20,646,084	1

¹⁾ 288,000 shares were registered after year-end and are therefore not included in the compilation.

PRICE TREND

The chart at right shows the price trend for INVISIO Headsets' shares. The closing price on December 30, 2008, was SEK 17.70, entailing a total market capitalization of approximately SEK 365 m for INVISIO Headsets. During the period January 2, 2008–December 30, 2008, a total of 2,708,988 shares were traded for a value of SEK 56.5 m.

PRICE TREND FOR INVISIO HEADSETS 2008



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. According to the agreement, Mangold Fondkommission is to ensure a limited spread between the buying and selling prices.

DIVIDEND POLICY

According to the dividend policy adopted by the Board of INVISIO Headsets, the size of future dividends shall take into account the Company's long-term growth and earnings development as well as its capital requirement, with due consideration for financial targets. The goal for the dividend is to stay within an interval of 25% to 50% of net profit for the year. The Company does not expect to pay any dividend in the years immediately ahead. All internally generated capital will be used for the expansion of INVISIO Headsets' operations. At present the Company has no ability to pay any dividend to the shareholders.

STOCK OPTIONS

INVISIO Headsets AB currently has three outstanding stock option programs:

OPTION PROGRAM NO. 3

75,551 stock options, which give the holder the right to subscribe for 83,106 shares in INVISIO Headsets AB at a subscription price of SEK 21.64 per share during the period December 1, 2006, to December 1, 2010.

OPTION PROGRAM NO. 4

1,017,225 stock options, which give 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.

OPTION PROGRAM NO. 6

2,000,000 stock options, which give the holder the right to subscribe for one new share 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.

OWNERSHIP OF INVISIO HEADSETS AB AS PER DECEMBER 31, 2008

The Company's 11 largest shareholders	No. shares	% votes and capital
Intersettle AG, Zurich	7,002,779	33.92%
Alecta Pensionsförsäkring	4,000,000	19.37%
Lage Jonason, with family and companies	3,758,918	18.21%
Karin Jonason	952,218	4.61%
Swedbank Robur Exportfond	811,999	3.93%
Folksam Framtidsfond	723,000	3.50%
Terra Gold KB	400,000	1.94%
JP Morgan Bank	325,000	1.57%
Bank of New York	277,825	1.35%
KPA Etisk Aktiefond	250,000	1.21%
Handels & Industri AB	220,000	1.07%
Others	1,924,345	9.32%
<i>Total</i>	<i>20,646,084</i>	<i>100.00%</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, %
2006/2010 no 3	75,551	21.64	83,106	12/1/06 – 12/1/10	0.40%	0.40%
2007/2011 no 4	1,017,255	25.96	1,118,948	12/1/07 – 12/1/11	5.07%	5.05%
2008/2013 no 6	2,000,000	25.00	2,000,000	4/30/08 – 4/30/13	8.72%	8.29%
<i>Total</i>	<i>3,092,806</i>		<i>3,202,054</i>		<i>14.19%</i>	

BUSINESS 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 losses. Risk management is therefore an important part of governance and control at 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. Strategic and operational risks can be market-related, operations-related or financial in nature. INVISIO Headsets works continuously at identifying all risks that may arise and determining how each respective risk shall be managed. Following is a description of the most significant strategic and operational risks.

MARKET-RELATED RISKS

COMPETITION

The market for professional mobile communication equipment is expected to show continued growth. The market for in-ear headsets is relatively new and is characterized by small companies. INVISIO Headsets' products have been sold for more than 10 years, and the view is that the Company is well-positioned to capture a share of this growing market.

Competitor-monitoring is conducted on a continuous basis internally at INVISIO Headsets as well as together with distributors and customers in the main markets.

TECHNICAL RISKS

INVISIO Headsets' patented technologies and innovative products are considered to be well-positioned ahead of technology shifts and future market trends. INVISIO Headsets is monitoring developments closely in a number of technology areas that are considered to be important for the Company. These activities are led by INVISIO Headsets' director of research and development in collaboration with external parties.

POLITICAL RISKS

Regulatory changes, such as customs regulations and other government rules in countries in which INVISIO Headsets' products are sold, can affect operations. Through its many business partners, INVISIO Headsets monitors political developments in the countries in which the Company is active.

OPERATIONAL RISKS

ABILITY TO MANAGE GROWTH

INVISIO Headsets believes that the potential for future growth is good. The business may grow substantially through rising demand for INVISIO Headsets' products, which puts high demands on management and the operational and financial infrastructure. In pace with growth of the business, the Company must gain assurances 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 business volume. Through its cooperation with PartnerTech, INVISIO Headsets has a professional production partner with a wealth of experience in handling large production volumes.

CUSTOMERS AND COOPERATION AGREEMENTS

INVISIO Headsets conducts business in a large number of geographic markets and in a large number of customer segments. The Company's management works continuously on increasing the number of customer relationships to ensure that no single customer can be critical for the Company's success.

PRODUCT LIABILITY

Quality is a watchword in INVISIO Headsets' product development. The organization has a highly developed product development process with dedicated documentation systems and highly placed demands on systematic routines. INVISIO Headsets' products are certified externally as a quality assurance measure to ensure that applicable norms and standards are met.

INTANGIBLE RISKS

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

DEPENDENCE ON KEY PERSONS AND EMPLOYEES

INVISIO Headsets bases its success on and is dependent on the knowledge, experience and creativity of existing employees and the Company's ability to recruit and retain key persons. Being an employer of choice is therefore an important success factor. Risks related to key persons are managed jointly by the Board and management.

FINANCIAL RISKS

INVISIO Headsets' financial risks consist primarily of liquidity risk and currency risks. Management and the Board work actively and continuously with the Company's liquidity and believe that necessary liquidity will be generated and added to operations through continuing revenues, one-time revenues, borrowing, the exercise of stock options and new share issues. The Company's finance policy, which is adopted yearly by the Board of Directors, provides a framework with guidelines and directives on the management of financial risks in INVISIO Headsets.

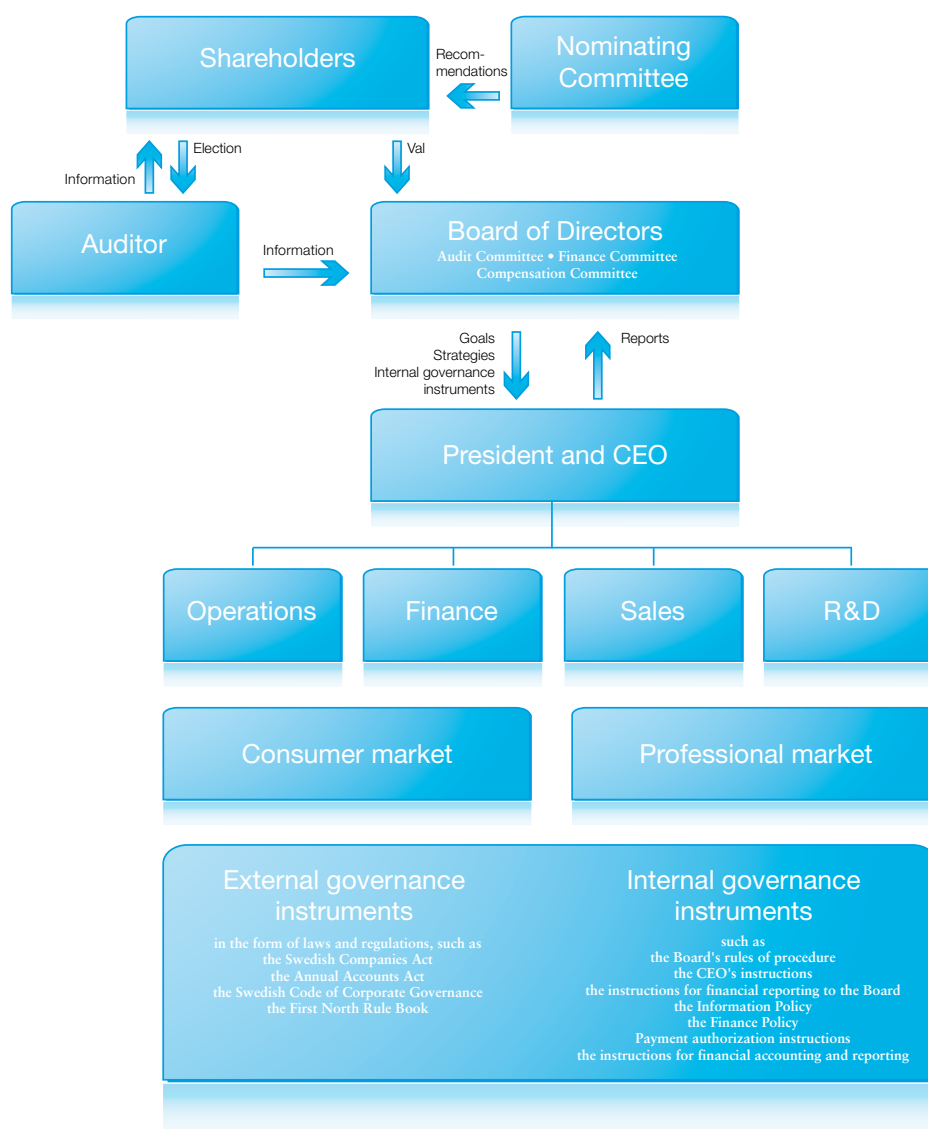
Financial risk management is described further on page 60 in note 2 of the 2008 Annual Report.

CORPORATE GOVERNANCE REPORT

GENERAL

INVISIO Headsets AB (publ) ("INVISIO Headsets" or "the Company") is a Swedish, public stock corporation with registered office in Stockholm. The Company is listed on First North Stockholm, an alternative marketplace and not a regulated market for trading in equities and other securities that is conducted by NASDAQ OMX Nordic Exchange Stockholm. The Swedish Code of Corporate Governance applies for all Swedish stock corporations whose shares are available for trading in a regulated market in Sweden – currently NASDAQ OMX Nordic Exchange Stockholm and

NGM Equity. INVISIO Headsets is thus not formally bound to the Swedish Code of Corporate Governance. However, the basis of 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. The departures from the Swedish Code of Corporate Governance are described below. 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 the shareholders at general meetings, the Board of Directors, and the CEO. An overview of INVISIO Headsets' and the INVISIO Headsets Group's organization, governance and control, including external and internal governance documents, is provided below.

SHAREHOLDERS

SHAREHOLDERS' VOTING RIGHTS

INVISIO Headsets has been listed on First North, Stockholm, since mid-2004. The Company's share capital at December 31, 2008, amounted to SEK 20.6 m (19.6), divided into 20,646,084 shares (19,623,779) (registered number), each with a share quota value of SEK 1.00. All shares have equal voting power. The Company's market capitalization at year-end was approximately SEK 365 m (373).

NUMBER OF SHAREHOLDERS

At year-end 2008 INVISIO Headsets had 195 shareholders (143). Major shareholders consist of Intersettle AG, Zurich, with an ownership stake of 33.92%, Lage Jonason (with family and companies), with an ownership stake of 22.82%, and Alecta Pensionsförsäkring, with an ownership stake of 19.37%. The 11 largest shareholders account for an ownership stake of 90.68%.

GENERAL MEETINGS OF SHAREHOLDERS

The shareholders' right to decide on INVISIO Headsets' affairs is exercised at general meetings of shareholders. Shareholders who are registered in the shareholder register as per the record date and who have given notice of their participation on time have the right to participate at general meetings and vote for all their shares. Shareholders who are represented by proxy must issue a dated power of attorney for such 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, decisions are made on – 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 Chairman 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.

2008 ANNUAL GENERAL MEETING

The 2008 Annual General Meeting was held on April 11 in Stockholm. A total of five shareholders were present, representing 47.84% of the number of shares and votes. The minutes from the AGM can be found on INVISIO Headsets' website: www.invisioheadsets.com. Following are some of the resolutions that were made:

Attorney Mattias Anjou was elected to serve as chairman of the AGM.

The AGM resolved to adopt the Company's income statement and balance sheet for 2007, adopt the consolidated income statement and consolidated balance sheet for 2007, dispose of the Company's deficit in accordance with the Board and CEO's recommendation in the 2007 Board of Directors' report through carry-over to a new account, and to discharge the board members and the CEO from liability for the 2007 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 new share issues, issues of stock options or issues of convertibles. The reason for being able to deviate from the shareholders' pre-emption rights was to enable potential company acquisitions, strengthen the Company's financial position when needed, spread ownership in the Company through a listing of the Company's stock on NASDAQ OMX Nordic Exchange Stockholm, or carry out measures aimed at hedging costs that may arise as a result of the Company's synthetic option program. The combined price to be paid for subscribed shares, stock options or convertibles in cash issues or set-off issues for the purpose of strengthening the Company's financial position, and which are carried out with deviation from the shareholders' pre-emption rights, may be a maximum of SEK 40 m divided among one or more such issues. The combined dilution resulting from one or more issues decided on with the support of this authorization may not exceed 20%. The combined dilution resulting from one or more issues decided on with the support of this authorization and which is not conducted with pre-emption rights for the shareholders, including issues with payment in kind, may not exceed 10%. The subscription price for cash issues or set-off issues that are conducted with deviation from the shareholders' pre-emption shall be coupled to the market value of the Company's shares.

Further, the AGM resolved that the Company's name would be changed to INVISIO Headsets AB (publ).

Heléne Bergquist was elected as a new director on the Company's board, and Christian Paulsson, Fredrik Sandelin and Jan Werne were re-elected as directors. Heléne Bergquist was elected to serve as the new Chairman of the Board. The chartered accounting firm PricewaterhouseCoopers AB was newly elected as auditor for a term until the end of the Annual General Meeting that is held in the fourth financial year after the auditor's election. The AGM resolved that directors' fees shall be payable in the amount of SEK 250,000 to the Chairman of the Board and SEK 100,000 to each of the other directors, plus that an extra fee of not more than SEK 60,000 may be payable in special cases for work with financial matters, contract negotiations and other strategic matters pursuant to a Board decision. The AGM also resolved that a fee shall be payable to the auditor in accordance with an approved invoice.

EXTRAORDINARY GENERAL MEETING 2008

An extraordinary general meeting was held on December 15, 2008, in Stockholm. A total of four shareholders were present, representing 80.14% of the number of shares and votes. The minutes from the extraordinary general meeting can be found on the Company's website:

www.invisioheadsets.com. Following are some of the resolutions that were passed.

At the extraordinary general meeting, two additional directors were elected: Magnus Ruding and Mats Warstedt, to complement the existing board. The extraordinary general meeting resolved that a fee of SEK 40,000 shall be payable to each of the newly elected directors for the period up until the next AGM.

2009 ANNUAL GENERAL MEETING

The 2009 Annual General Meeting will be held at 9 a.m. on April 28, 2009, at the premises of Mannheimer Swartling Advokatbyrå, Norrlandsgatan 21, Stockholm. The notice of the AGM can be found on INVISIO Headsets' website: www.invisioheadsets.com.

NOMINATING COMMITTEE

At the 2008 AGM, Lage Jonason, representing himself and related parties, and Ramsay Brufer, representing Alecta Pensionsförsäkring, together representing approximately 40% of the shares and votes, undertook to perform the duties that are normally incumbent upon a company's Nominating Committee.

Lage Jonason, representing himself and related parties, and Ramsay Brufer, representing Alecta Pensionsförsäkring, have notified the Board of INVISIO Headsets that they intend to recommend that the 2009 AGM resolve mainly as follows:

A nominating committee shall be appointed, which 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 Chairman of the Board and, where applicable, the auditor, as well as 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 Chairman of the Board shall contact the three largest shareholders of the Company, who then each appoint one member, who should not be 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 Chairman 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 Chairman 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 Chairman of the Board shall report to the Nominating Committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be of importance for the work on appointing a board. Individual shareholders of the Company shall be able to submit nominations to the Board for committee members for further evaluation within the framework of the Committee's work.

Information on the Nominating Committee's composition shall be made public not later than six months before the Annual General Meeting and in the Company's third quarter interim report. The Nominating Committee shall have the right to charge the Company with costs for recruiting consultants if this is deemed necessary to obtain a suitable selection of candidates for the Board. The Nominating Committee shall report its work at the Annual General Meeting.

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 administration of the Company's affairs. The Board shall continuously assess the Company's and Group's economic situation. The Board shall also make sure that the Company's organization is designed in such a way that the bookkeeping, asset management and the Company's economic conditions in general are controlled in a secure manner.

Each year, in connection with the statutory board meeting, the Board of INVISIO Headsets adopts the rules of procedure for its work (the rules of procedure for the Board of Directors of INVISIO Headsets). According to these rules of procedure, the Board's duties include setting goals and strategies, adopting internal governance instruments, approving important agreements, approving investments according to certain criteria, approving investments 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 taken up according to certain 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 rules of procedure also clarify the Board's and its committees' internal division of responsibilities including the Chairman's role, the forms of board meetings, the minimum number of board meetings, routines for issuing summonses to board meetings, the Board's meeting plan, items of business to be discussed at board meetings, quorums of the Board, routines for recording minutes of board meetings, and routines for providing decision-making documentation to the Board.

The Chairman 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, and make sure that the Board's work is conducted effectively. In particular, the Chairman shall organize and lead the Board's work on creating the best possible conditions for the Board's work, make sure that new board members are provided necessary orientation training and other training that the Chairman and such director jointly find suitable, make sure that the Board continuously updates and deepens its knowledge about the Company, take responsibility for contacts with the owners on owner matters and convey views from the owners to the Board,

make sure that the Board receives satisfactory information and decision-making documentation for its work, set a proposed agenda for board meetings in consultation with the CEO, check to make sure that the Board's decisions are executed, and make sure that the Board's work is evaluated yearly through a systematic and structured process designed to develop the Board's work forms and effectiveness. The Board has established three working committees: the Audit Committee, the Compensation Committee and the Finance 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 accordance with law, applicable accounting standards and other requirements for stock corporations.

The Audit Committee's duties and responsibilities include:

- responsibility for drafting for the Board's work on quality assuring the Company's financial reporting,
- meeting with the Company's auditors on a regular basis to obtain information on the focus and scope of the audit work and to discuss coordination between external audit and the internal control activities and views of the Company's risks,
- establishing guidelines for what other services than auditing that the Company may procure from the Company's auditors,
- evaluating the audit work and informing the Company's Nominating Committee about the result of the audit, and
- assisting the Nominating Committee in the submission of recommendations for auditor and the auditor's fee for its audit assignment.

Quality assurance of the Company's financial reporting is normally conducted in such 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, non-adjusted errors, post-balance sheet events, changes in estimations and assumptions, any confirmed improprieties and other conditions that may affect the quality of the financial reporting.

The Audit Committee consists of all of the board members and is chaired by the Chairman 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 2008, the half-year interim report for January–June 2008, the interim report for January–September 2008, the year-end report for January–December 2008 and the 2008 Annual Report. At board meetings the Audit Committee met with the Company's auditor to obtain information on the audit plan and the result of the auditor's audit.

COMPENSATION COMMITTEE

The Compensation Committee's duties and responsibilities include drafting work on matters related to compensation and other terms of employment for the CEO and other senior executives.

The Compensation Committee consists of all of the board members and is chaired by the Chairman 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.

FINANCE COMMITTEE

The Finance Committee's duties and responsibilities involve representing the Board on continuing matters pertaining to liquidity and financing. In this role the Finance Committee has a supporting function for the Company's CEO and CFO. The Finance Committee's duties and responsibilities also include drafting work ahead of Board decisions on liquidity and financing.

COMPOSITION OF THE BOARD

2008	Born	Function	Elected	Independent	Audit Committee	Compensation Committee	Finance Committee
Heléne Bergquist	1958	Chairman ¹⁾	2008	Yes	Chairman	Chairman	Member
Andrew L. Berman	1958	Director ²⁾³⁾	2007	No ⁶⁾	-	-	-
Joseph C. Formichelli	1942	Director ²⁾	2007	Yes	-	-	-
Christian Paulsson	1975	Director ⁴⁾	2005	No ⁷⁾	Member	Member	Member
Magnus Ruding	1956	Director ⁵⁾	2008	Yes	Member	Member	-
Fredrik Sandelin	1962	Director	2006	Yes	Member	Member	-
Mats Warstedt	1962	Director ⁵⁾	2008	Yes	Member	Member	-
Jan Werne	1952	Director	2004	Yes	Member	Member	-

¹⁾ Chairman and director as from 2008 AGM.

²⁾ Director until the 2008 AGM.

³⁾ CEO from May 3, 2006–February 14, 2007.

⁴⁾ Chairman until the 2008 AGM.

⁵⁾ Director as from the extraordinary general meeting on December 15, 2008.

⁶⁾ Non-independent due to previous position as CEO of the Company.

⁷⁾ Non-independent in relation to Lage Jonason, a major shareholder of the Company.

The Finance Committee consists of two board members including the Chairman of the Board – currently Christian Paulsson and Heléne Bergquist. The Finance Committee's work is reported orally to the entire Board at board meetings and is documented in the minutes from board meetings.

COMPOSITION OF THE BOARD AND ITS COMMITTEES, AND DIRECTORS' INDEPENDENCE

According to the Articles of Association, the Board of INVISIO Headsets shall consist of a minimum of three and maximum of six directors, and currently consists of six directors who were elected to terms extending until the 2009 Annual General Meeting. These directors are Heléne Bergquist, Christian Paulsson, Magnus Ruding, Fredrik Sandelin, Mats Warstedt and Jan Werne. Board members Andrew Berman and Joseph Formichelli left their board assignments in connection with the 2008 AGM. The composition of the Board's Audit Committee, Compensation Committee and Finance Committee is shown in the table "Composition of the Board 2008" on page 35. The same table also shows the Board's opinion regarding directors' independence in relation to the Company and the shareholders and also shows that INVISIO Headsets complies with the requirements in Swedish Code of Corporate Governance that a majority of directors shall be independent in relation to the Company and management, and that at least two of these shall also be independent in relation to the Company's major shareholders.

THE WORK OF THE BOARD

According to the Articles of Association, INVISIO Headsets' board shall meet at least eight times each year in addition to the statutory board meeting. In 2008 the Board met 23 times. The board members' attendance at board meetings is shown in the table "Directors' attendance 2008" below.

The main issues covered at board meetings in 2008 were:

- Budget 2008,
- Year-end report 2007,
- Annual Report 2007,
- the agreement with Motorola,
- Company signatories,
- internal governance instruments,
- establishment of Audit Committee, Compensation Committee and Finance Committee,
- financial accounting and reporting,
- compensation of CEO and other senior executives,
- interim report January–March 2008,
- half-year report January–June 2008,
- the auditor's audit plan,
- interim report January–September 2008,
- Business Plan 2008–2010,
- budget 2009,
- liquidity and financing matters,
- sale of patent,
- the CEO's report and business follow-up, and
- the result of the auditor's audit.

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

DIRECTORS' ATTENDANCE 2008

	Function	Board meetings
Heléne Bergquist	Chairman 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	Director	18 of 23
Mats Warstedt	Director ⁴	2 of 2
Jan Werne	Director	23 of 23

¹ Chairman of the Board and director as from 2008 AGM.

² Director until 2008 AGM.

³ Director until 2008 AGM.

⁴ Director as from extraordinary general meeting on December 15, 2008.

EVALUATION OF DIRECTORS

According to the Board's rules of procedure, the Chairman of the Board is responsible for ensuring that the Board's work is evaluated each year through a systematic and structured process aimed at developing the Board's work forms and effectiveness. For 2008 the evaluation was conducted through interviews and discussions between the Chairman of the Board and individual directors, with subsequent reporting to and discussions with the entire board.

AUDITOR

INVISIO Headsets' auditor audits the annual report, consolidated accounts and bookkeeping, and the Board's and CEO's administration. The auditor works according to an audit plan and reports his 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. Under assignment from the Board, the auditor also conducted a review of the interim report for January–September 2008.

At the 2008 AGM, the chartered accounting firm PricewaterhouseCoopers AB was newly elected to serve as auditor for the time extending through the end of the Annual General Meeting that is held in the fourth financial year after the auditor was elected. The chief auditor is Michael Bengtsson, Authorized Public Accountant.

CEO, MANAGEMENT, FUNCTIONS AND EMPLOYEES

According to the Swedish Companies Act, the CEO shall be responsible for the continuing administration in accordance with the Board's guidelines and instructions. Each year, in connection with the statutory board meeting, the Board of INVISIO Headsets adopts a set of instructions for the CEO. According to these, the CEO shall, in consultation with the Chairman of the Board, make sure that matters are properly prepared for ahead of board meetings and that satisfactory written decision-making documentation that is 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.

BOARD OF DIRECTORS



HELÉNE BERGQUIST (BORN 1958)

Chairman of the Board.
Elected in April 2008.
M.Sc. Econ., management consultant.
Director of Trelleborg AB (publ) and
Nordic Growth Market NGM AB.
Former Senior Vice President, Group
Controller, AB Electrolux, Authorized
Public Accountant, partner and direc-

tor on the board of PricewaterhouseCooper, Sweden. Heléne Bergquist owns 40,950 shares in INVISIO Headsets.



CHRISTIAN PAULSSON (BORN 1975)

Director since 2005.
Christian Paulsson has been involved
in INVISIO Headsets since 2005. He
has extensive experience in the finance
industry, including with Lage Jonason
AB, Mangold Fondkommission AB
and Alfred Berg Fondkommission
AB (today ABN Ambro). He also

has experience from Booz Allen & Hamilton and Akzo Nobel Industrier. Christian Paulsson owns 20,039 shares in INVISIO Headsets.



MAGNUS RUDING (BORN 1956)

Director, elected in December 2008.
D.Eng., Head of Business Development
& Future Technology, Swedish
Defense Materiel Administration.
Deputy Vice Chairman of AFCEA
(Armed Forces Communications and
Electronics Association), Stockholm
Chapter. Magnus Ruding owns no

shares in INVISIO Headsets.



FREDRIK SANDELIN (BORN 1962)

Director since 2006.
Fredrik Sandelin has been involved in
INVISIO Headsets since 2006. He is
CEO of A-Com AB and serves as a
director for companies in the A-Com
Group. Fredrik Sandelin has exten-

sive experience in executive positions,
including with Ratos, where he served
as CFO. Fredrik Sandelin also served for many years with
Scandic Hotels, as an executive vice president and CFO.
Frederik Sandelin owns no shares in INVISIO Headsets.



MATS WARSTEDT (BORN 1962)

Director, elected in December 2008.
Director of Marketing, Saab AB (publ).
Chairman of Saab International USA
LLC, a wholly owned subsidiary of
Saab AB (publ). Mats Warstedt owns
no shares in INVISIO Headsets.



JAN WERNE (BORN 1952)

Director since 2004.
Jan Werne has been involved with
INVISIO Headsets since 2004. He is
CEO of Portendo AB and Chairman
of Labs2. Jan Werne has extensive
experience from leading positions,
including as CEO of Tilgin AB, Utfors
AB and SignOn AB. Jan Werne owns

no shares in INVISIO Headsets

SENIOR EXECUTIVES



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

Following is presentation of senior executives of INVISIO Headsets, their backgrounds, positions and years of service.

LARS HØJGÅRD HANSEN (BORN 1963)

CEO since July 2007, and prior to that acting CEO for the period February–June 2007.

Lars Højgård Hansen has been involved in INVISIO Headsets since 2006. Prior to joining INVISIO Headsets, Lars Højgård Hansen has a long record of experience from executive positions in the telecom industry, including Vice President Marketing for Jabra/GN Netcom and as 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. Lars Højgård Hansen owns 116,666 shares and stock options for 55,000 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 as Finance Director and Administrative Director for Shurgard Scandinavia, CFO of Vattenfall Division Sales, Sweden, and as an independent consultant with assignments such as CFO/controller for Diligentia AB and with Carnegie Holding AB. Bengt Nilsson 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.

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 as Vice President R&D for GN Netcom and various positions with Oticon and Unomedical. Jan Larsen 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.

JENNIE AMAREUS (BORN 1975)

Vice President Operations since October 2008.

Jennie Amareus joined INVISIO Headsets in 2006 as Project Office Manager and has thereafter also served as the Company's Head of Business Development. She has previous experience as Supply Chain Manager & Product Manager for connectBlue in Malmö, Sweden, and prior to that she served as a Team Leader for ABB Automation Products. Jennie Amareus has a degree in Engineering from the Blekinge Institute of Technology. Jenny Amareus owns no shares in INVISIO Headsets.

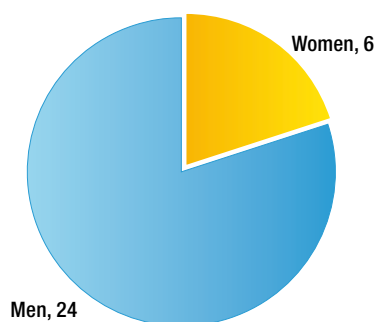
CARSTEN AAGESEN (BORN 1968)

Senior Vice President, Global Sales since May 2008.

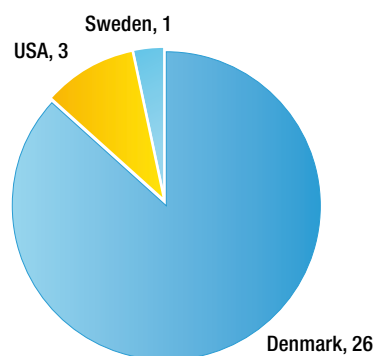
Carsten Aagesen joined INVISIO Headsets in May 2007 as Vice President Consumer Sales, EMEA. He has 15 years of executive experience in international sales and marketing, including as Sales & Marketing Manager and Marketing Manager, Nordic region and Benelux, for Apple; as Director, Global Marketing, for GN Great Nordic/GN Netcom; and as Director, Sales & Product Sourcing, for F Group. Carsten Aagesen has an M.Sc. Econ. degree and a Master's in Marketing and Strategic Management. Carsten Aagesen owns no shares in INVISIO Headsets.

EMPLOYEES AND ORGANIZATION

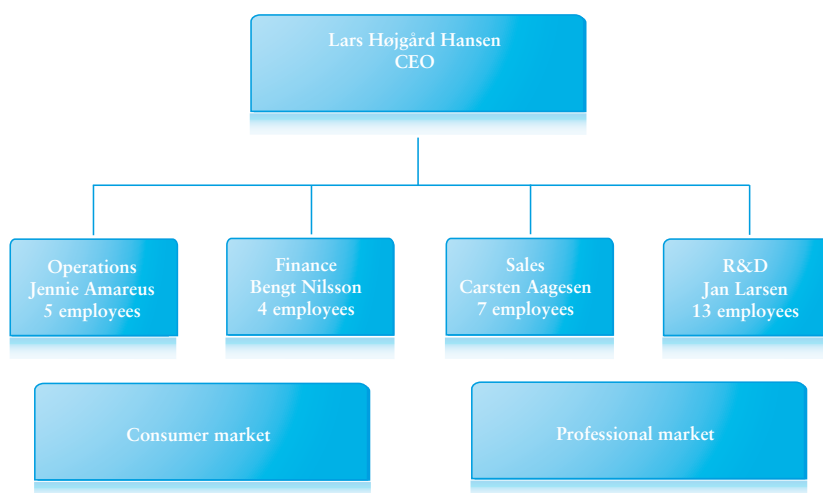
GENDER DISTRIBUTION 12/31/08



GEOGRAPHIC DISTRIBUTION OF EMPLOYEES, 12/31/08



ORGANIZATIONAL STRUCTURE



INVISIO Headsets' operations are organized in two business areas, Professional Products and Consumer Products, and in four functions: Operations, Finance, Sales and Research & Development. INVISIO Headsets' head offices are in Copenhagen, Denmark, which is where management, business operations, marketing and sales, and research and development are conducted. All manufacturing is outsourced to subcontractors. The CEO leads the operations and makes decisions in consultation with the other members of management, who consist of the managers of the four functions. During the year, employees were recruited to key positions in logistics, development and sales. The Company had 30 (40) employees as per December 31, 2008, of which 13 (18) worked in R&D.

COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE AUDITOR, THE CEO AND OTHER SENIOR EXECUTIVES

DIRECTORS' FEES

Directors' fees are decided on by the shareholders at a general meeting. The 2008 Annual General Meeting resolved that a director's fee of SEK 250,000 shall be payable to the Chairman of the Board, and of SEK 100,000 to each of the other directors, plus that an extra fee of a maximum of SEK 600,000 may be payable in special cases pursuant to a board decision. In 2008 the Board decided in favor of an extra fee of SEK 500,000 for the Chairman of the Board. The extraordinary general meeting resolved that a fee of SEK 40,000 shall be payable to each of the newly elected directors – Magnus Ruding and Mats Warstedt – for the period up until the next AGM. No extra fee is payable to members of the Audit Committee, Compensation Committee or Finance Committee.

Through the company JW Management Consulting, board member Jan Werne invoiced the Company for SEK 420,000 in consulting fees (700,000) in 2008. This work pertained to management support and consulting on various contractual matters during the first quarter.

Directors' fees are described in more detail in note 11 to the 2008 Annual Report.

AUDITOR'S FEE

The auditor's fee is decided on by the shareholders at a general meeting. The 2008 Annual General Meeting resolved that a fee 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	2008	2007
Auditing		
PricewaterhouseCoopers	558	-
SET Revisionsbyrå	203	365
Palsgaard & Hansen	346	123
MCG LLP	148	32
	1,255	520

Other assignments

PricewaterhouseCoopers	-	-
SET Revisionsbyrå	120	-
Palsgaard & Hansen	448	368
MCG LLP	30	187
	598	555
	1,853	1,075

COMPENSATION OF THE CEO AND OTHER SENIOR EXECUTIVES

The Company shall offer going-rate terms in the market to the CEO and other senior executives and thereby enable the Company to recruit, develop and retain senior executives. For each person a combined gross level of compensation shall be set, and within this framework the employee him-/herself 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% of the fixed salary. The Company obtains and evaluates information on a regular basis on going-rate compensation levels in the market for executives in relevant industries and markets.

Neither the parent company nor any of 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% of approximately 70% of his fixed salary. Certain other senior executives also have a defined contribution pension entitlement in which the premium is calculated at 10%–25% of fixed salary.

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

2008	Salary	Pension	Other benefits	Total
Management				
Lars H. Hansen, CEO	1,905	429	78	2,412
Andy L. Berman, CEO through Feb. 14, 2007	-	-	-	-
Other executives	5,529	368	-	5,897
Total	7,434	797	78	8,309

2008	Salary	Pension	Other benefits	Total
Management				
Lars H. Hansen, CEO	1,905	429	78	2,412
Andy L. Berman, CEO through Feb. 14, 2007	-	-	-	-
Other executives	5,529	368	-	5,897
Total	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 2008 Annual Report.

Long-term incentive program

In 2007 the Board established a synthetic option program for all employees of the Group. During the term of the program, participants in the program will be granted employment-related options and performance-related options. Grants are made free of charge and cover a total of 700,000 options, of which 350,000 are employment-related and 350,000 performance-related. Exercise of employment 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, set 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.

As per December 31, 2007, a provision of SEK 1,567 thousand (572) has been reserved for the programs. No performance-based options were granted for 2007. Performance-based options for 2008 will be granted, corresponding to 41% of maximum outcome.

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 on his own initiative, 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.

THE BOARD'S DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT PERTAINING TO THE FINANCIAL REPORTING

The Board's responsibility for internal control is regulated in the Swedish Companies Act, and for Swedish stock corporations whose shares are available for trading in a regulated market in Sweden (currently the NASDAQ OMX Nordic Exchange Stockholm and NGM Equity), and also by the Swedish Code of Corporate Governance, which includes requirements for disclosures of annual information about 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 in 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' total internal control and risk management and are 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 which is designed 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 internal control and risk management with respect to financial reporting.

Internal control and risk management with respect to financial reporting are aimed at providing reasonable assurance regarding the reliability of the financial reporting in the form of interim reports, annual reports and year-end reports, and that the external financial reporting has been prepared in accordance with applicable 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 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 instruments that are important aspects of INVISIO Headsets' control environment – is provided in the 2008 Corporate Governance Report on page 32. INVISIO Headsets is characterized by a comparatively lean and decentralized organization with clear responsibility for the respective function heads, who together with the CEO make up the business management.

The Board has overarching responsibility for internal control and risk management with respect to financial reporting. The Board has adopted rules of procedure for the Board of INVISIO Headsets which lay out the Board's responsibility and which regulate the Board's and its committees' internal division of duties.

Further, the Board has appointed an Audit Committee, which consists of the entire board, which 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 accordance with law, applicable accounting standards and other requirements for stock corporations.

The Board has also prepared a set of instructions for the CEO of INVISIO Headsets as well as instructions for financial reporting for the Board of INVISIO Headsets.

Responsibility for maintaining an effective control environment and the ongoing work on internal control and risk management with respect to financial reporting is delegated to the CEO. The Company's CFO works under direction of the CEO on continuously developing and improving the internal control and risk management with respect to financial reporting – in part proactively with focus on the internal control environment, and in part by quality assuring the

external financial reporting. In 2008 INVISIO Headsets initiated a review of internal governance instruments to ensure that they meet the Company's current needs and are in compliance with applicable laws and other external rules. As a result of this review, several internal governance instruments have been updated, including the Board's rules of procedure, the CEO's instructions, the Board's instructions for financial reporting, the Information Policy, the Finance Policy and the payment authorization instructions. In addition, new instructions for financial accounting and reporting have been adopted which contain, among other things, rules for segmental reporting of income and expenses and for functional presentation in the reporting.

RISK ASSESSMENT

INVISIO Headsets' risk assessment with respect to financial reporting is designed to identify and evaluate the most significant risks that affect internal control with respect to financial reporting. Risk assessment provides a foundation for decisions on how risks are to be managed through various control structures in the aim of ensuring that the basic requirements of external 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 capitalized development costs, inventories and trade accounts receivable. As per December 31, 2008, the assessment is that the carrying amount of these items corresponds to their fair value. A more detailed account of the Company's risk management is provided on pages 31 and 46 and in note 2 of the 2008 Annual Report.

CONTROL STRUCTURES

The most significant risks identified with respect to the financial reporting are managed through 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 that are designed to prevent, discover and correct errors and deviations, and which can be both formalized and informal in character. Areas covered by the controls include authorized approval of business transactions, the reliability of business systems, compliance with applicable laws, applicable accounting standards and other requirements placed on listed companies, and areas that contain significant elements of estimation.

INFORMATION AND COMMUNICATION

Information and communication about internal governance instruments with respect to financial reporting are available for 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 that features automatic version management as well as control of authorization, oversight and approval. Information and communication on internal governance instruments are also provided in connection with employee meetings.

The CEO and the Company's CFO report the results of their work on internal control and risk management with respect to financial reporting at Audit Committee meetings.

External financial reporting is conducted in accordance with applicable laws, applicable accounting standards and

other requirements on listed companies as well as in accordance with relevant internal governance instruments, such as the instructions for financial accounting and reporting, and the Information Policy.

FOLLOW-UP

Follow-up to ensure the effectiveness of internal control and risk management with respect to financial reporting is conducted by the Board, the Audit Committee, the CEO and other management. This includes follow-up of the CEO's weekly reports to the Board, of monthly financial reports against budgets and targets, of any reports from the CEO and the Company's CFO with respect to identified shortcomings in internal control with respect to the financial reporting, and follow-up of reports from the Company's auditor. INVISIO Headsets does not have a dedicated internal audit function. The Board has evaluated the need of such a function and has come to the conclusion that the organization's size and the scope of operations do not warrant such a function.

DEPARTURES FROM THE SWEDISH CODE OF CORPORATE GOVERNANCE

The document "Overview of INVISIO Headsets' application of the Swedish Code of Corporate Governance" (Sw: "Översikt av INVISIO Headsets tillämpning av Svensk kod för bolagsstyrning") can be found on INVISIO Headsets' website: www.invisioheadsets.com. Following is an account of the most significant departures:

The time and location of the Annual General Meeting shall be provided on the Company's website prior to the AGM not later than in connection with the third quarter interim report.

Information was provided in connection with the year-end report for 2008. In 2009 this information will be provided on the Company's website in connection with the third quarter interim report.

The Annual General Meeting shall appoint the members of the Nominating Committee or specify how the members are to be appointed.

At the 2008 AGM, Lage Jonason, representing himself and related parties, and Ramsay Brufer, representing Alecta Pensionsförsäkring, together representing approximately 40% of the shares and votes, undertook to perform the duties that are normally incumbent upon a company's nominating committee. They had notified the Board of INVISIO Headsets that they intend to recommend that the 2009 AGM decide how nominating committee members are to be appointed.

The Nominating Committee's recommendations shall be presented in a notice to an Annual General Meeting at which the election of the Board or auditor is to take place and on the Company's website.

The notice of the 2009 Annual General Meeting was published on April 2, 2009. At the 2008 AGM, Lage Jonason, representing himself and related parties, and Ramsay Brufer, representing Alecta Pensionsförsäkring, together representing approximately 40% of the shares and votes, undertook to perform the duties that are normally incumbent upon a company's nominating committee. They intend to report on their recommendations on the number of directors, election of directors and the Chairman of the Board and determination of the directors' and auditor's fees not later than April 14.

BOARD OF DIRECTORS' REPORT

The Board of Directors and President of INVISIO Headsets AB (publ), registered number 556651-0987 ("INVISIO Headsets" or "the Company") herewith submit their annual report and consolidated accounts for the financial year January 1, 2008–December 31, 2008. The Company is a Swedish public stock corporation with 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.

BUSINESS CONCEPT

INVISIO Headsets' business concept is to develop, market and sell headset products for audio communication under its own trademarks and through OEM collaborations with industrial companies (contract development).

OPERATIONS

INVISIO Headsets is a technology company that develops technologies and products for audio communication. The core of INVISIO Headsets' business originates from INVISIO® PRO products, which are based on the Company's patented technology pertaining to bone conduction microphones. In addition, INVISIO Headsets owns another patent family pertaining to a fastening device for headsets (SoftSpring™).

A third patent pertaining to a wireless terminal for VoIP telephony was sold during the first quarter of 2009.

INVISIO Headsets' operations were established in Denmark in 1999. The Company has been listed on First North since mid-2004. INVISIO Headsets' head offices are in Copenhagen, Denmark, which is where the Company's management, business activities, marketing and sales, and research and development are gathered.

INVISIO Headsets has two business areas – Professional Products, consisting of wired, professional headsets under the INVISIO® Pro trademark, and Consumer Products, consisting of outlicensed wireless Bluetooth®-based headsets, for which Motorola has the right to manufacture, market and sell jointly developed headsets.

The Annual General Meeting on April 11, 2008, resolved to change the Company's name from Nextlink AB (publ) to INVISIO Headsets AB (publ). As a result of this name change, the Company's name and brand now coincide, thereby emphasizing the focus on the professional market.

During 2008 a change from a development company to a market-adapted and sales-intensive company with focus on the market for professional products was carried out. This strategic shift was made possible by the exclusive license and cooperation agreement that was signed with Motorola in April on strategic and technological development regarding INVISIO Headsets' consumer products.

The agreement pertains to a five-year cooperation regarding Bluetooth®-based headsets for the consumer market. The agreement gives Motorola global, exclusive access to INVISIO Headsets' patented technology with the right to manufacture, market and sell jointly developed headsets. The first product that Motorola intends to launch is based on INVISIO Headsets' award-winning, advanced Q7 headset based on jawbone conduction technology. Motorola's distribution capacity is expected to ensure a level of market penetration that the Company has

not been able to achieve with own resources. For INVISIO Headsets' operations in the consumer market, the agreement entails the following, among other things:

- Lower development risk
- Access to large-scale distribution and sales
- Better forecasting reliability in revenues and earnings through a set royalty per sold unit plus development compensation.

The cooperation with Motorola is proceeding according to plan and has entailed the discontinuation of INVISIO Headsets' own sales in the business area.

Sales in the Professional Products business are primarily conducted through a number of specialized distributors. In 2008, sales of INVISIO® PRO products continued to rise through new distributors and system integrators with better market penetration in Europe, North America and parts of Asia. Several important reference orders were received and delivered, from among others the U.S. Naval Special Warfare Command for INVISIO® PRO headsets and PTT (Push-to-Talk).

One characteristic of the business area is that orders are often preceded by a long period of time from initial query to quotation and final order. This is because customers want to conduct advanced technical trials and user tests in their respective "home environments," plus they may have preferences for special adaptations of the products. As a result, lead times for orders can be long. In the years immediately ahead, great variation is expected in quarterly sales figures.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Sales and earnings

Consolidated net sales amounted to SEK 40.7 m in 2008 (22.7). The considerably higher level of sales compared with a year earlier is attributable to both professional and consumer products.

Gross profit was SEK 12.8 m (8.1). The gross margin was 31.6% (35.4%). The lower gross margin is attributable to a product mix that contains a larger share of sales of consumer products, which have lower gross margins.

Operating expenses for the year fell substantially, to SEK 56.1 m (74.9). Operating expenses for the year were charged with a provision of SEK 1.6 m (0.6) for the employment-related stock option program.

Net financial items for the year amounted to SEK -1.7 m (-1.3).

The result for the year improved substantially to SEK -44.9 m (-69.3), corresponding to SEK -2.24 per share (-4.22).

Professional Products

Net sales in 2008 totaled SEK 19.1 m (14.1), an increase of 35%. The sharp rise in net sales can be credited to the focus on the business area, with a number of new reference orders and thus new customers.

The gross margin for the business area was 50.5% (56.0%). The gross margin for professional products may fluctuate from year to year depending on the share of sales that are made directly to end customers, with higher margins, compared with the share of sales made through distributors. The gross margin for the year was affected in part by the product mix and in part by a lower share of direct sales.

In September an agreement was signed with the Finnish company SAVOX Communications on product and sales cooperation via the respective companies' market channels. SAVOX's PTT (Push-to-Talk) products provide greater opportunities to offer new, competitive communication solutions to fire departments, rescue services and police departments.

Talks are currently being held with a number for major system integrators on using the next generation of INVISIO® PRO in their total solutions, primarily for defense-related applications.

Consumer Products

Net sales in 2008 totaled SEK 21.5 m (8.6), an increase of 150%. Net sales consisted of the ongoing closeout of INVISIO® G5 and INVISIO® B3 units. The gross margin for the business area was 14.8% (1.6%).

In 2008 INVISIO Headsets sold 55,730 units (48,913).

The order book for consumer products amounted to SEK 0.0 m at year-end (23.4). The decrease is attributable to the fact that INVISIO Headsets will no longer be conducting own sales of consumer products.

After Motorola's planned launch of the first consumer product employing INVISIO Headsets' technology in 2009, INVISIO Headsets will begin receiving royalty revenues from Motorola.

Organization and employees

During the year, INVISIO Headsets' management was expanded through internal recruitment of two key employees. At the start of the year Carsten Aagesen was named Senior Vice President Global Sales with overall responsibility for the Company's aggregate sales. In November Jennie Amareus was named as the new Vice President Operations with responsibility for the Company's purchasing, logistics and customer service activities.

During the fourth quarter the sales organization was expanded with three new sales managers with responsibility for existing and new customers in Europe, the U.S. and parts of Asia.

A cost-cutting program resulting from the Motorola agreement has resulted in a decrease in the number of employees. The total number of employees of INVISIO Headsets was 30 (40) at year-end.

Environment

The Company does not conduct any operations that are covered by an obligation for permits or notification pursuant to the Environmental Code.

Research and development

Research and development is the core of INVISIO Headsets and is conducted mainly internally within the Company. Focus is primarily on development of software and hardware for integrated headsets and audio DSP (Digital Signal Processor) systems. Most of the engineers work with development of products under the Company's own brand, INVISIO®.

The Company owns two very strong registered patents with central importance for the business. These cover the technology to convert speech vibrations from the jawbone to sound, and INVISIO Headsets' unique SoftSpring™ earpiece.

Work on a new technical platform for professional products is proceeding according to plan and is currently in the final phase. In June the Company introduced INVISIO® X50, the world's first headset employing jawbone conduction technology and built-in hearing protection.

In November INVISIO Headsets launched new, heat-resistant headsets for use in environments up to 300°C. The product is intended for fire departments, rescue services and special industries.

Work is being conducted continuously on documentation and quality management systems, high-quality manufacturing and certifications. Currently INVISIO Headsets has certification according to the standards CE (ESD, EMS) and ATEX/ETL/FM/cUL (Hearing protection certification).

INVISIO Headsets' production partner, PartnerTech, is ISO9000-certified.

Capital expenditures in 2008 amounted to SEK 9.3 m (11.7), of which SEK 8.1 m (8.1) were capitalized development costs. These pertained primarily to development of future professional products.

Tools and test equipment pertaining to the Consumer Products business area were sold during the year to Motorola as part of the agreement between the two companies.

Administrative control

A new structure for the Group's financial reporting and segmental reporting of income and expenses, along with a functional presentation of reporting, was adopted in 2008, see note 3. The new structure facilitates internal follow-up of targets and plans while making the external reporting clearer.

Financial governance and control were also strengthened with respect to clearer responsibility for income and expenses throughout the organization.

Preparations for an introduction on NASDAQ OMX Nordic Exchange Stockholm are proceeding according to plan. If the conditions allow in the financial market, the intention is to list INVISIO Headsets AB (publ) during the second half of 2009.

EVENTS AFTER THE END OF THE YEAR

Orders worth SEK 1.2 m were received in January for delivery during the first and second quarters of 2009 for INVISIO® X5, the Company's new, advanced headset with built-in hearing protection.

In February INVISIO Headsets participated at the International Defense Exhibition & Conference (IDEX) in Abu Dhabi, featuring a complete product range for professional users.

In February a patent pertaining to a wireless terminal for VoIP telephony was sold for approximately SEK 40 m.

FINANCIAL DEVELOPMENT

Capital expenditures

Capital expenditures in 2008 amounted to SEK 9.3 m (11.7), of which SEK 8.1 m (8.1) were capitalized development costs. These pertained primarily to development of future professional products.

Tools and test equipment pertaining to the Consumer Products business area were sold during the year to Motorola as part of the agreement between the two companies.

Cash flow and liquidity

Cash flow from operating activities was SEK -38.1 m (-53.2) for the year. Cash and cash equivalents held by the Group at year-end amounted to SEK 0.9 m (11.6). After the end of the year, liquidity was strengthened through an inflow of SEK 3.2 m from the exercise of stock options before the end of the year as well as through an inflow of SEK 1.8 m resulting from the exercise of additional stock options and through the sale of the VoIP patent.

Shareholders' equity

The Company received a total of SEK 24.4 m as a result of the exercise of various stock options in 2008.

During the year the share capital increased by SEK 1,022,305, divided into 1,022,305 shares. The total registered share capital at year-end was SEK 20,646,084, divided into SEK 20,646,084 shares.

Through stock options that were exercised at the end of December, which had not yet been registered with the Swedish Companies Registration Office at year-end, an additional 288,000 shares will be issued. In all the Company received proceeds of SEK 6.2 m from share issues, of which SEK 3.0 m was paid in before the year-end and the remaining SEK 3.2 m has been reported on the balance sheet as per December 31 as other receivables, which were paid in to the Company in January after the end of the year. After registration with the Swedish Companies Registration Office, the share capital will increase by SEK 288,000 to SEK 20,934,084, and the number of shares outstanding will increase by 288,000 to 20,934,084.

The Group's reported shareholders' equity as per December 31, 2008, amounts to SEK 4.1 m (20.0), entailing a visible equity ratio of 9% (34%). Surplus value exists in the VoIP patent, among other things, which was sold in February 2009 for approximately SEK 40 m. This was stated at SEK 0 in the consolidated balance sheet as per December 31, 2008.

Dividend

The Board of Directors proposes that no dividend be paid for the 2008 financial year.

PARENT COMPANY

INVISIO Headsets AB (publ) conducts its operations through the wholly owned subsidiary INVISIO Headsets A/S in Denmark.

Net sales for the Company in 2008 totaled SEK 0.1 m (0.6). The operating loss for the year was SEK -7.8 m (-7.8). The loss after tax for the year was SEK -62.5 m (-8.8), of which shareholders' contributions to subsidiaries amounted to SEK 53 m (0).

Cash and cash equivalents held by the Company at year-end amounted to SEK 0.2 m (7.0), and the equity ratio was 79% (88%). The Company had 1 employee (1).

THE WORK OF THE BOARD OF DIRECTORS

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

Each year, in connection with the statutory board meeting, the Board of INVISIO Headsets adopts the rules of procedure for its work. In addition to specifying the Board's duties, the rules of procedure also clarify the Board's and its committees' internal division of responsibilities including the Chairman's role, the forms of board meetings, the minimum number of board meetings, routines for issuing summonses to board meetings, the Board's meeting plan, items of business to be discussed at board meetings, quorums of the Board, routines for recording minutes of board meetings, and routines for providing decision-making documentation to the Board. Each year, in connection with the statutory board meeting, the Board of INVISIO Headsets adopts a set of instructions for the CEO and instructions on financial reporting for the Board of Directors.

According to the Articles of Association, INVISIO Headsets' board shall meet at least eight times each year in addition to the statutory board meeting. In 2008 the Board met 23 times.

The main issues covered at board meetings in 2008 were the budget and Business Plan for 2008-2010, the year-end report, the Annual Report, interim reports, the half-year report, company signatories, internal governance instruments, the establishment of the Audit Committee, Compensation Committee and Finance Committee, financial accounting and reporting, the CEO's reporting and follow-up of operations, the auditor's audit plan and the result of the auditor's audit, and compensation of the CEO and other senior executives.

The Board consisted of four members since the 2008 Annual General Meeting and was expanded by an addi-

tional two members, to six members, at an extraordinary general meeting held during the year.

ACCOUNTING PRINCIPLES

The Group applies International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and Swedish Financial Accounting Standards Council recommendation 30 – Supplementary Accounting Rules. The consolidated accounting according to IFRS is a result of an EU statute that applies for 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 from 2005.

Since the second half of 2008 the Group's financial reporting has been conducted with a segmental presentation of income and expenses and further development of a functional presentation of the accounting, see note 3. Comparison figures have not been changed.

BUSINESS 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 losses. 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. Strategic and operational risks can be market-related, operations-related or financial in nature. INVISIO Headsets works continuously at identifying all risks that may arise and determining how each respective risk shall be managed.

Market-related risks pertain primarily to competitive risk, technical risks and political risks. Operational risks pertain primarily to the ability to manage growth, customers and cooperation agreements, product liability, intangible risks and dependence on key persons and employees. Finally, financial risks consist primarily of liquidity risks and currency risks. Management and the Board work actively and continuously with the Company's liquidity and believe that necessary liquidity will be generated and added to operations through continuing revenues, one-time revenues, borrowing, the exercise of stock options and new share issues.

In the Company's opinion, no additional material risks or uncertainties have arisen during the year in addition to those reported on pages 31 and 42 and in note 2 of the 2008 Annual Report.

Disputes

During the fourth quarter a ruling was handed down regarding the dispute between three former employees and INVISIO Headsets A/S and INVISIO Headsets AB, respectively, whereby INVISIO Headsets was ordered to pay a total of approximately DKK 2.5 m. An appeal has been filed with a higher court, and a provision of SEK 3.7 m has been made for possible future costs stemming from this dispute.

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 for INVISIO Headsets.

OUTLOOK FOR 2009

Professional Products business area

The number of queries and full-scale customer tests is rising in pace with growing sales activities. During the first quarter the Company expects to sign additional cooperation agreements and thereby continue increasing the number of distributors and major business partners.

In 2008 INVISIO® Headsets participated for the first time in a number of important trade shows (EUROSATORY in Paris, TETRA World Congress, PMR Expo, etc.), with very good results. These activities will be stepped up in 2009. Additional marketing activities will also be started toward end users in key markets.

Net sales for the Professional Products business area are expected to fluctuate from quarter to quarter due to the long time that passes from initial query to quotation and finally to a firm order.

The sales increase for professional products is expected to be substantial in 2009.

Consumer Products business area

During the first quarter all energy will be dedicated to the continued cooperation with Motorola in the aim of preparing for and bringing about the launch of Motorola's first consumer product employing INVISIO Headsets' technology. Motorola's market launch is expected to take place some time into 2009.

Although the effects of the financial crisis in the area of mobile telephone accessories have not yet been felt by the business area, the Company is watching developments closely. In terms of performance, the products covered by the Motorola agreement are in the high-end segment. Experience shows that temporary downturns in the economy usually do not affect the concerned target group's purchasing behavior to any significant extent.

The sale of the remaining INVISIO® G5 products is expected to be completed during the first half of 2009.

Proposed disposition of earnings

PARENT COMPANY	SEK
At the disposal of the Annual General Meeting:	
Accumulated loss	-1,633,000
Share premium reserve	93,374,745
Loss for the year	-62,452,658
	29,289,087

To be disposed of as follows:

The Board of Directors and President propose that the accumulated losses of SEK -64,085,658, of which SEK -62,452,658 pertains to the loss for the year, be settled against the share premium reserve, which will thereafter total SEK 29,289,087, to be carried forward.

INCOME STATEMENTS – GROUP

SEK 000	Note	2008	2007
	1,2		
Income	2,3,4	40,686	22,786
Goods for resale		-27,845	-14,720
<i>Gross profit</i>		<i>12,841</i>	<i>8,066</i>
OPERATING EXPENSES			
Raw materials and consumables		-1,041	-5,354
Other external costs	7,8,9	-26,926	-33,743
Employee benefits	10,11	-21,052	-32,582
Depreciation, amortization and impairment charges	13,14	-7,036	-3,192
<i>Total operating expenses</i>		<i>-56,055</i>	<i>-74,871</i>
<i>Operating loss</i>		<i>-43,214</i>	<i>-66,805</i>
FINANCIAL ITEMS			
Financial income		404	1,054
Financial expense		-2,070	-2,321
<i>Net financial items</i>		<i>-1,666</i>	<i>-1,267</i>
<i>Loss before tax</i>		<i>-44,880</i>	<i>-68,072</i>
Income tax	12	-	-1,262
<i>Net loss for the year</i>		<i>-44,880</i>	<i>-69,334</i>
Earnings per share (SEK)	24	-2.24	-4.22
Earnings per share after dilution (SEK)	24	-2.23	-4.17
Number of shares outstanding (thousands)	24	20,646	19,624
Average number of shares outstanding (thousands)	24	20,052	16,433
Number of shares outstanding after dilution (thousands)	24	20,136	16,643

CASH FLOW STATEMENTS – GROUP

SEK 000	Note	2008	2007
Operating activities	1,2		
Loss before tax		-44,880	-68,072
Adjustment for non-cash items	5	6,015	4,813
Tax		-	-1,262
<i>Cash flow from operating activities before changes in operating capital</i>		-38,865	-64,521
Changes in inventories		-1,156	9,698
Changes in operating receivables		4,950	465
Changes in operating liabilities		-3,062	1,145
Cash flow from changes in operating capital		732	11,308
<i>Cash flow from operating activities</i>		-38,133	-53,213
Investing activities			
Capitalization of internal development costs		-8,081	-8,048
Purchases of property, plant and equipment		-1,238	-3,689
Purchases of financial assets		-	203
Sales of property, plant and equipment		2,843	195
Change in financial assets		4,955	-4,651
<i>Cash flow from investing activities</i>		-1,521	-15,990
Financing activities			
New issues		24,401	72,420
Loans floated		4,329	-4,892
<i>Cash flow from financing activities</i>		28,730	67,528
CASH FLOW FOR THE YEAR		-10,924	-1,675
Cash and bank balances, opening balance		11,633	13,171
Translation differences in cash and bank balances		155	137
<i>Cash and bank balances, closing balance</i>		864	11,633
Supplementary disclosures to the cash flow statement			
Interest received during the year		404	1,054
Interest paid during the year		-2,070	-2,321

BALANCE SHEETS – GROUP

SEK 000, DECEMBER 31	Note	2008	2007
ASSETS	1,2		
Non-current assets			
Intangible assets	13	25,375	19,316
Property, plant and equipment	14	3,238	5,984
Financial assets	15	759	3,983
<i>Total non-current assets</i>		29,372	29,283
Current assets			
Inventories	16	6,421	4,415
Accounts receivable, trade	25	5,713	6,797
Other receivables ^{1,2}		4,296	6,070
Prepaid expenses and accrued income	17	763	846
Cash and bank balances		864	11,633
<i>Total current assets</i>		18,057	29,761
TOTAL ASSETS		47,429	59,044
SHAREHOLDERS' EQUITY AND LIABILITIES	1,2		
Shareholders' equity	21		
Share capital		20,646	19,624
Other capital contributions		157,132	131,108
Other reserves		3,046	1,175
Loss carried forward, including loss for the year		-176,756	-131,876
Shareholders' equity attributable to owners of the parent		4,068	20,031
Minority interests		-	-
<i>Total shareholders' equity</i>		4,068	20,031
Current liabilities			
Liabilities to credit institutions	18	17,856	13,195
Accounts payable, trade		14,231	13,352
Other liabilities	10	6,304	6,482
Accrued expenses and deferred income	20	4,970	5,984
<i>Total current liabilities</i>		43,361	39,013
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		47,429	59,044
Pledged assets	22	5,917	11,870
Contingent liabilities	22	None	None

¹ Including a bank guarantee of SEK 1,622 thousand, as per 12/31/07.

² Of which, receivable of SEK 3,246 thousand for issue payment as per 12/31/08.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – GROUP

SEK 000, NOTE 1, 2	Share capital ^{Note 21}	Other capital contributions	Other reserves	Loss brought forward, incl. loss for the year	Total shareholders' equity
Amount at start of year, 2007	14,663	63,649	918	-62,542	16,688
New share issue 1	2,095	34,564	-	-	36,659
New share issue 2	2,803	43,454	-	-	46,257
Option redemption 2004/2008	40	512	-	-	552
Option redemption 2004/2008	23	292	-	-	315
Option redemption 2004/2008	-	601	-	-	601
Cost for new issues	-	-11,964	-	-	-11,964
Translation difference	-	-	257	-	257
Net loss for the year	-	-	-	-69,334	-69,334
<i>Amount at year-end 2007</i>	<i>19,624</i>	<i>131,108</i>	<i>1,175</i>	<i>-131,876</i>	<i>20,031</i>
Amount at start of year 2008	19,624	131,108	1,175	-131,876	20,031
Option redemption 2004/2008	44	-44	-	-	0
Adjustment of new issue costs	-	48	-	-	48
Option redemption 2006/2010	32	404	-	-	436
Option redemption 2006/2010	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	185	3,818	-	-	4,003
Option redemption 2006/2010	25	516	-	-	541
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
Translation difference	-	-	1871	-	1,871
Net loss for the year	-	-	-	-44,880	-44,880
<i>Amount at year-end 2008</i>	<i>20,646</i>	<i>157,132</i>	<i>3,046</i>	<i>-176,756</i>	<i>4,068</i>

¹ Unregistered share capital of 188 000 shares.

INCOME STATEMENTS – PARENT COMPANY

SEK 000	Note	2008	2007
	1,2		
OPERATING INCOME	6	120	584
OPERATING EXPENSES			
Other external costs	7,9	-5,857	-6,753
Employee benefits	10,11	-2,034	-1,609
Depreciation and impairment charges	14	-13	-6
<i>Total operating expenses</i>		-7,904	-8,368
<i>Operating loss</i>		-7,784	-7,784
FINANCIAL ITEMS			
Financial income		619	246
Result from share in Group companies	19	-53,000	-
Financial expense		-2,288	-1,226
<i>Net financial items</i>		-54,669	-980
<i>Loss before tax</i>		-62,453	-8,764
Income tax	12	-	-
<i>Net loss for the year</i>		-62,453	-8,764

CASH FLOW STATEMENTS

– PARENT COMPANY

SEK 000	Note	2008	2007
Operating activities	1,2		
Loss before tax		–62,453	–8,764
Adjustment for non-cash items	5	53,013	6
<i>Cash flow from operating activities before changes in operating capital</i>		–9,440	–8,758
Changes in operating receivables		21,297	17,687
Changes in operating liabilities		1,121	–2,284
Cash flow from changes in operating capital		22,418	15,403
<i>Cash flow from operating activities</i>		12,978	6,645
Investing activities			
Acquisition of subsidiary/shareholder contribution	19	–53,000	–72,345
Change in financial assets		3,260	–4,892
<i>Cash flow from investing activities</i>		–49,740	–77,237
Financing activities			
New issues		24,401	72,420
Loans floated		5,500	–4,998
<i>Cash flow from financing activities</i>		29,901	67,422
CASH FLOW FOR THE YEAR		–6,861	–3,170
Cash and bank balances, opening balance		7,017	10,187
<i>Cash and bank balances, closing balance</i>		156	7,017
Supplementary disclosures to the cash flow statement			
Interest received during the year		619	246
Interest paid during the year		–2,288	–1,226

BALANCE SHEETS – PARENT COMPANY

SEK 000, 31 DECEMBER	Note	2008	2007
ASSETS	1,2		
Property, plant and equipment	14	-	13
<i>Financial assets</i>			
Financial assets/shares in subsidiaries	19	81,871	81,871
Financial assets/other non-current receivables	15	-	3,270
<i>Total non-current assets</i>		81,871	85,154
Current assets			
Receivables from Group companies		22,703	43,119
Other receivables ^{1,2}		3,590	3,448
<i>Total current receivables</i>		26,293	46,567
Cash and bank balances		154	7,017
<i>Total current assets</i>		26,447	53,584
TOTAL ASSETS		108,318	138,738
SHAREHOLDERS' EQUITY AND LIABILITIES	1,2		
Shareholders' equity	21		
<i>Restricted shareholders' equity</i>			
Share capital		20,646	19,624
Statutory reserve		35,452	35,452
<i>Total restricted shareholders' equity</i>		56,098	55,076
<i>Unrestricted shareholders' equity</i>			
Share premium reserve		93,376	95,216
Loss carried forward		-1,633	-19,100
Net loss for the year		-62,453	-8,764
<i>Total unrestricted shareholders' equity</i>		29,290	67,352
<i>Total shareholders' equity</i>		85,388	122,428
Current liabilities			
Liabilities to credit institutions	18	15,502	10,002
Accounts payable, trade		3,434	1,772
Liabilities to Group companies		2,010	3,010
Other liabilities		70	412
Accrued expenses and deferred income	20	1,914	1,114
<i>Total current liabilities</i>		22,930	16,310
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		108,318	138,738
Pledged assets	22	2,976	7,868
Contingent liabilities	22	None	None

¹ Including a bank guarantee of SEK 1,622 thousand, as per 12/31/07.

² Of which, receivable of SEK 3,246 thousand for issue payment as per 12/31/08.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY

SEK 000, NOTE 1, 2	Share capital ^{Note 21}	Statutory reserve	Share premium reserve	Loss brought forward	Net loss for the year	Total shareholders' equity
Amount at start of year, 2007	14,663	35,452	27,757	-1,435	-17,665	58,772
Reclassification of previous year's loss	-	-	-	-17,665	17,665	0
New share issue 1	2,095	-	34,564	-	-	36,659
New share issue 2	2,803	-	43,454	-	-	46,257
Option redemption 2004/2008	40	-	512	-	-	552
Option redemption 2004/2008	23	-	292	-	-	315
Option redemption 2004/2008	-	-	601	-	-	601
Cost for new issues	-	-	-5,520	-	-	-5,520
Cost for new issues	-	-	-6,444	-	-	-6,444
Net loss for the year	-	-	-	-	-8,764	-8,764
<i>Amount at year-end 2007</i>	<i>19,624</i>	<i>35,452</i>	<i>95,216</i>	<i>-19,100</i>	<i>-8,764</i>	<i>122,428</i>
Amount at start of year 2008	19,624	35,452	95,216	-19,100	-8,764	122,428
Reclassification of previous year's loss	-	-	-27,864	19,100	8,764	0
Option redemption 2004/2008	44	-	-44	-	-	0
Adjustment of new issue costs	-	-	48	-	-	48
Option redemption 2006/2010	32	-	404	-	-	436
Option redemption 2006/2010	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	185	-	3,818	-	-	4,003
Option redemption 2006/2010	25	-	516	-	-	541
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	-	-	-	-1633	-	-1,633
Net loss for the year	-	-	-	-	-62,453	-62,453
<i>Amount at year-end 2008</i>	<i>20,646</i>	<i>35,452</i>	<i>93,376</i>	<i>-1,633</i>	<i>-62,453</i>	<i>85,388</i>

¹⁾ Unregistered share capital of 288,000 shares.

NOTES

Note 1 General information, accounting and valuation principles

General information

The INVISIO Headsets Group today consists of the wholly owned subsidiaries INVISIO Headsets A/S, INVISIO Inc., Nextlink IPR AB and Nextlink Patent AB.

The parent company has its registered office in Stockholm.

The Company's business involves developing, marketing and selling headset products. During the year, a license and development agreement was signed with Motorola for wireless headsets for the consumer market. The agreement has a term of five years and gives Motorola global, exclusive access to INVISIO Headsets' patented technology with the right to manufacture, market and sell jointly developed headsets.

INVISIO Headsets AB (publ) is currently listed on NASDAQ OMX First North.

This consolidated annual report was approved by the Board of Directors on April 3, 2009.

INVISIO Headsets AB
PO Box 49149
SE-100 29 Stockholm
Sweden

Conformity with standards and regulations

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

In addition, the consolidated accounts 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.

This entails that the IFRS valuation and disclosure rules are applied with the deviations described in the parent company's accounting policies. The IFRSs and interpretations that have been published but not taken effect as per December 31, 2008, are not judged to have any material impact on the Group's financial statements.

Standards, amendments and interpretations of existing standards that have not yet taken effect and that are not applied prospectively by the Group.

- IAS 1 (Revised), "Presentation of Financial Statements" (effective as per 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" are reported separately from changes in equity that pertain to transactions with shareholders. The requirement will be made that all changes in equity that do not pertain to

owners are reported in a single statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). If a company makes a retrospective recalculation or an amended classification of comparative information, it must present a recalculated balance sheet as per the start of the comparison period, in addition to the applicable requirement to present balance sheets at the end of the current period and the comparison period. The Group will be applying IAS 1 (Amended) starting on January 1, 2009. It is likely that both a separate income statement and statement of comprehensive income will be presented.

- IAS 23 (Amendment), "Borrowing Costs" (applies as from January 1, 2009). The amendment requires that an entity shall capitalize borrowing costs that are directly attributable to the acquisition, 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. The alternative of immediately expensing these borrowing costs will be eliminated. The Group will be applying IAS 23 (Amendment) as from January 1, 2009; however, this is not relevant for the Group, since there are no assets for which borrowing costs can be capitalized.
- IAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective July 1, 2009). The revised standard requires that the effects of all transactions with minority shareholders are reported in equity if they do not entail any change in the controlling influence and these transactions no longer give rise to goodwill or profits and losses. The standard also stipulates that when a parent company loses its controlling influence, any remaining share shall be restated at fair value, and a profit or loss shall be recognized in the income statement. The Group will apply IAS 27 (Revised) prospectively for transactions with minority owners starting on January 1, 2010.
- IAS 32 (Amendment), "Financial Instruments: Classification" and IAS 1 (amendment), "Presentation of Financial Statements" – "Puttable Financial Instruments and Obligations Arising on Liquidation" (applies from January 1, 2009). According to the amended standards, classification as equity shall be done for redeemable financial instruments and instruments, or parts of instruments, that obligate the company to transfer to another part a proportional share of the company's net assets only upon liquidation, under the condition that the financial instruments have special qualities and meet certain terms. The Group will apply IAS 32 and IAS 1 (Amendment) as from January 1, 2009; however, this is not expected to have any impact on the Group's financial statements.
- IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" – "Eligible Hedged Items" (applies as from July 1, 2009). The amendment clarifies how existing principles for hedge accounting are to be applied in two specific situations. It clarifies when inflation can be identified as the hedged risk in a financial instrument and how accounting is to take

place when using options as hedge instruments. The Group will be applying IAS 39 (Amendment) as from January 1, 2009; however, this is not expected to have any impact on the consolidated financial statements.

- IFRS 2 (Amendment), "Share-based Payment" (applies from January 1, 2009). The amended standard addresses vesting conditions and cancellations. It clarifies that vesting conditions are only service conditions and performance conditions. Other aspects of share-based payment constitute non-vesting conditions. These aspects shall be taken into account when the actual value as per the grant date is set for transactions with employees and others who perform similar services. They thus do not affect the number of options that are expected to be earned or the valuation of these after the grant date. All cancellations, regardless of whether they are made by the company or other parties, shall be treated in the same way in the accounting. The Group will apply IFRS 2 (Amendment) as from January 1, 2009; however, this is not expected to have any impact on the consolidated financial statements.
- IFRS 3 (Revised), "Business Combinations" (applies from July 1, 2009). The revised standard continues to prescribe that the acquisition method be applied for business combinations, but with a few important changes. For example, all payments towards the purchase of a business shall be stated at fair value as per the acquisition date, while subsequent, conditional payments are to be classified as liabilities that are thereafter restated through profit or loss. The minority interest in the acquired business can be stated either at fair value or at the minority owner's proportionate share of the acquired business's net assets. All transaction costs attributable to acquisitions shall be expensed. The Group will be applying IFRS 3 (Revised) prospectively for the all business combinations as from January 1, 2010.
- IFRS 8, Operating Segments (applies from January 1, 2009). IFRS 8 replaces IAS 14 and adapts the segment reporting to the requirements of the USA standard SFAS 131 Disclosures About Segments of an Enterprise and Related Information. The new standard requires that segmental information is presented from management's perspective, which entails that it is presented in the manner that is used in the internal reporting. The Group will apply IFRS 8 as from January 1, 2009. Management still analyzes which effect the reporting will have, but it appears likely that both the number of segments for which information is disclosed and the manner in which reporting takes place for the segment will be changed in a way that corresponds with the internal reports that are presented to the chief operating decision-maker, since goodwill is allocated among groups of cash-generating units at the segmental level.
- IFRIC 12, Service Concession Arrangements (applies from January 1, 2008, but has not yet been endorsed by the EU). This interpretation is still subject to the EU's approval process. IFRIC 12 applies for contractual arrangements where an operator in the private sector participates in the development, financing, operation

and maintenance pertaining to infrastructure for public sector services. IFRIC 12 is not relevant for the Group since no Group company delivers services to the public sector.

- IFRIC 13, Customer Loyalty Programs (obligatory for companies as from January 1, 2009, but applied earlier if possible). IFRIC 13 clarifies when goods or services are sold together with some form of customer loyalty incentive (such as loyalty points or free products), it is a matter of a multiple elements arrangement. The payment received from the customer is allocated between the various parts of the contract based on the fair value of the respective parts. IFRIC 13 is not relevant for the Group, since no Group company has any loyalty programs.
- IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (obligatory for companies in the EU as from January 1, 2009, but applied earlier if possible). IFRIC 14 provides guidance in determining the limits in IAS 19 in the valuation of a defined benefit asset. It also explains how the defined benefit asset or liability can be affected by an obligation pertaining to the minimum funding requirement. This interpretation has no impact on the Group's financial statements, since there are no defined benefit assets in any of the Group's pension plans, and these plans do not entail that the Group is obligated to any minimum funding requirement.
- IFRIC 15, "Agreements for Construction of Real Estate" (applies from January 1, 2009). The interpretation clarifies whether IAS 18 Revenue or IAS 11 Construction Contracts shall be applied for certain transactions. It will likely lead to the application of IAS 18 for several transactions. IFRIC 15 is not relevant for the Group's operations since all revenue is reported in accordance with IAS 18.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (Applies from October 1, 2008). IFRIC 16 clarifies the accounting treatment of hedges of net investments. This includes the fact that a hedge of a net investment pertains to differences in functional currency, not reporting currency, and that hedge instruments can be held by any company in the Group. The requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates" apply for the hedged item. The Group will be applying IFRIC 16 as from January 1, 2009. This is not expected to have any material impact on the consolidated financial statements.
- IFRIC 17, "Distributions of Non-cash Assets to Owners" (applies for financial years that begin on July 1, 2009 or later). IFRIC 17 issues guidance that a liability pertaining to a non-cash distribution shall be reported when the company has an obligation to its shareholders and that the liability shall be carried at fair value. When the liability is settled, i.e., at the date of distribution, the assets distributed to settle the liability shall be restated at fair value. The result of the revaluation shall be reported in the income statement. IFRIC 17 also stipulates that IFRS 5 Assets Held for Sale and

discontinued operations are suitable for non-current assets that are available for distribution. The Group will be applying IFRIC 17 for non-cash distributions and in cases where the distribution is a combination of a non-cash distribution and cash, prospectively from January 1, 2010.

- IFRIC 18 "Transfers of Assets from Customers" (applies for transfers of property, plant and equipment or cash from customers, when these assets are received on July 1, 2009, or later). IFRIC 18 clarifies the accounting treatment of agreements in which a company receives an asset which must be used either to connect a customer to a network, or continuously provide the customer access to goods and services. The interpretation clarifies, among other things, under which conditions the definition of an asset is met, reporting in the balance sheet and its cost on the initial accounting occasion, and the accompanying reporting of revenue. The interpretation is not expected to have any impact on the Group's financial statements, since the Group does not have any agreements of this type with its customers.

EU endorsement status

As per December 31, 2008, none of the standards, amendments of standards or interpretations described above were adopted by the EU, with the exception of IAS 1, IAS 23, IAS 32, IFRS 2, IFRS 8, IFRIC 13 and IFRIC 14.

Basis of consolidation

The consolidated accounts cover the parent company, INVISIO Headsets AB (publ.), and its subsidiaries. The financial statements for INVISIO Headsets and its subsidiaries that are included in the consolidated accounts pertain to the same period and have been prepared in accordance with the accounting policies that apply for the Group.

All intra-Group dealings, income, expenses, profits or losses that arise in transactions between companies covered by the consolidated accounts have been eliminated in their entirety. A subsidiary is included in the consolidated accounts in accordance with the acquisition method from the date of acquisition, which is the date on which the parent company gains a controlling influence, and is included in the consolidated accounts up to the day on which the controlling influence ceases.

The cost of an acquisition consists of the fair value of assets paid in consideration and liabilities arising or taken over as of the day of transfer, plus costs 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 cost 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 units 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 accounts use the parent company's functional currency as the presentation currency, which is the Swedish krona. The result and financial position of all Group companies with other functional currencies than the presentation currency have been recalculated 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 have been accounted for as a separate heading under equity.

Exchange rate differences that arise between Group companies are reported as a separate part of 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 1/SEK 1.288 (1.24) has been used, and for the balance sheet an exchange rate of DKK 1/SEK 1.47 (1.27) has been used. When translating the accounts of the US subsidiary, the following exchange rates have been used: for the income statement the rate USD 1/SEK 6.58 (6.76), and for the balance sheet USD 1/SEK 7.75 (6.47).

Classifications

Non-current assets, non-current liabilities and provisions consist in all essential respects only of amounts that are expected to be recovered or paid later than twelve months from the balance sheet date. Current assets and current liabilities consist in all essential respects 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 disclosed in a note to each balance sheet item.

Income

The Group's net sales consist of sales of products and royalty compensation from Motorola. Sales of products are accounted upon delivery to the customer, in accordance with the terms and conditions of sale. This means that income is recognized when the significant risks and benefits associated with the product have been transferred to the buyer and the seller no longer has any control over the product. Sales are accounted for net after Value Added Tax, discounts and exchange rate differences for sales in foreign currencies. Intra-Group sales are eliminated from the consolidated accounts.

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

Interest income is recognized when the right to receive dividends has been established.

Taxes

For items reported in the income statement, the associated tax is also reported in the income statement. For items accounted for 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 book 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 accounts, see note 19.

Impairment charges

The carrying amount of the Group's assets, with the exception of financial assets – which are stated at fair value with changes in value reported through profit or loss in accordance with IAS 39 – are tested whenever there is reason to believe that there is an indication of a need to recognize impairment. If such an indication exists, the recoverable amount of the asset is calculated. An impairment charge is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment charges are charged to the income statement

Calculation of the recoverable amount

The recoverable amount of assets belonging to the categories loans receivables and trade accounts receivable, which are reported at amortized cost, is calculated as the present value of future cash flows discounted using the effective interest rate that applied at the initial time the asset was reported. Assets with short maturities are not discounted.

The recoverable amount of other assets is the highest of the fair value less selling costs and the value in use. When calculating the value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the specific asset. For an asset that does not generate cash flows that are significantly independent of other assets, a joint recoverable amount is calculated for the cash-generating unit to which the asset belongs.

Estimations and assumptions

Company management makes estimations and assumptions about the future that affect the reported values. The result is that the reported amounts in these cases rarely correspond to the actual amounts. The estimations and assumptions that entail a material risk for significant adjustments of reported values in future financial years are attributable to capitalized development costs.

As soon as an indication exists, capitalized development costs are tested for impairment in accordance with the described accounting principle. Intangible non-current assets under development are tested annually for impairment even when an indication of a need to recognize impairment is lacking. 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 impairment charges

Impairment charges are reversed if a subsequent increase of the recoverable amount can be objectively related to an event that has occurred after the impairment charge was recognized and a change has been made in the assumptions on which the calculation of the recoverable amount was based.

An impairment charge is reversed only to the extent the asset's carrying amount after the reversal does not exceed the carrying amount that the asset would have had if no impairment charge 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 by IAS 39 Financial Instruments: Recognition and Measurement. Financial instruments are initially reported at cost, corresponding to the instrument's fair value plus transaction costs for receivables and liabilities stated at amortized cost.

A financial asset or financial liability is carried on the balance sheet when the company becomes party to the instrument's contractual terms and conditions. Trade accounts receivable are carried on the balance sheet once an invoice has been sent. A liability is accounted for when the counterparty has performed and has a contractual liability to pay, even if an invoice has not yet been received. Trade accounts payable are reported when an invoice has been received. A financial asset is derecognized from the balance sheet when the rights pursuant to the agreement have been realized, cease or when the company loses control over them. The same applies for parts of financial assets. A financial liability is derecognized from the balance sheet when the liability under the agreement has been fulfilled or otherwise extinguished. The same applies for parts of financial liabilities. Purchases and sales of financial assets are accounted for on the transaction date, which is the day on which the company commits itself to buying or selling the asset.

As per each balance sheet date the Group assesses whether objective evidence exists to recognize impairment of a financial asset or group of financial assets, such as whether it is not likely that a debtor can fulfill its obligations. Impairment testing of trade accounts receivable is described below.

INVISIO Headsets' financial assets and liabilities are classified in the following categories: trade accounts receivable, loans receivable and financial liabilities stated at amortized cost.

Loan receivables and trade 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 more than 12 months after the balance sheet date, which are classified as non-current assets.

Trade accounts receivable are stated in the amount at which they are expected to be received after deducting for bad debts, which are assessed individually. The anticipated term of trade accounts receivable is short, which is why the value is reported at nominal amounts without discounting. A provision for a drop in the value of trade accounts payable 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 accounts receivable.

Significant financial problems for the debtor, the probability that the debtor will go bankrupt or carry out a financial reconstruction, and failure or delays in payment are regarded as indicators that a need to recognize impairment exist. The size of the provision consists of the difference between the asset's carrying amount and the present value of estimated future cash flows. A write-down of an account receivable is reported in the income statement under operating income/expense, and impairment of a loan receivable is reported under the heading financial expenses.

Financial liabilities are stated at amortized cost. Loans and other financial liabilities, such as trade accounts payable, are included in this category.

Financial liabilities are initially stated at fair value, net after transaction costs. Financial liabilities are thereafter stated at amortized cost, 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 interest method.

Non-current liabilities have an anticipated term that is longer than one year, while current liabilities have a maximum term of one year. Trade accounts payable and other operating liabilities with a short expected term are therefore normally reported as current liabilities.

Research and development costs

INVISIO applies IAS 38 Intangible Assets. In accordance with this accounting recommendation, costs for development of new products, production systems and software shall be reported as intangible assets if the following will occur 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 recognized as an expense as incurred.

Development costs that have previously been recognized as an expense are not carried as an asset in a subsequent period. Capitalized costs for development work are judged to have a limited useful life and are reported at cost less amortization, see note 13.

Property, plant and equipment/depreciation

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

Any profit or loss arising upon the disposal of the asset is reported through profit or loss.

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

Depreciation/amortization

Depreciation/amortization according to plan has been booked as follows:

Intangible assets, of which Professional 0% and Consumer Products 33%. Equipment and tools, fixtures and fittings 20%–33%.

Inventories

Inventories have been valued using the first in, first out principle, at the lowest of cost and the net sales value on 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 include only bank balances.

Segment reporting

An operating segment is a group of assets and operations that provide products and services that are exposed to risks and opportunities, which differ from what applies for other operating segments. Geographic areas provide products and services in an economic environment that is exposed to risks and opportunities that differ from what applies for other economic environments. No breakdown of assets, liabilities and investments can be made per segment in a reasonable and reliable manner, since the operations are entirely integrated with respect to technical platform.

Receivables and liabilities in foreign currency

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

Borrowing costs

Borrowing costs are expensed in the period they are attributable to, regardless of how the borrowed funds were used.

Employee benefits

Nextlink Patent AB and Nextlink IPR AB have no employees. Other employees are compensated in local currency of the respective companies. There is no defined benefit pension plan.

Leasing

Non-current assets held through leasing are classified in accordance with the economic significance of the lease contract. Leased assets held via finance leases are reported as non-current 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.

Related party disclosures

Lage Jonason with related persons is the company's largest single shareholder. During the year, a total of SEK 454 thousand (1,079 thousand) was invoiced between INVISIO Headsets and Lage Jonason AB. Costs pertain primarily to outlays for board member Christian Paulsson, an employee of Lage Jonason AB, in connection with completed negotiations with Motorola. In 2008 board member Jan Werne, through the company JW Management Consulting, invoiced consulting fees of SEK 420 thousand (700 thousand). This work pertained to management support and consulting on various contractual matters during the first quarter. In 2007 INVISIO Headsets AB received SEK 4,500 thousand in the form of an advance for the 1/2007 new issue and a loan of SEK 500 thousand for the 2/2007 new issue from Lage Jonason AB. Both amounts were fully paid on the balance sheet date.

Lage Jonason has personally stood surety for some of the Company's liabilities to credit institutions, in the amount of SEK 15.5 million (10.0).

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, Compensation of senior executives.

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 market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy, which is adopted by the Board, is to strive to minimize unfavorable effects on the result of operations and financial position.

Subsidiaries

The Group's subsidiaries independently determine their own financial strategy via their respective boards. The boards decide on a day to day basis whether transactions exposure shall be hedged through forward contracts.

Market risk

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.

The parent company has no interest-bearing financial assets.

Based on the level of financial interest-bearing assets as per December 31, 2008, a one percentage point change in market rates of interest would affect the Group's earnings by SEK 0 thousand (7). The corresponding figure for the parent company is SEK 0 (0).

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

The Group uses invoice borrowing for the Group's invoices, where the borrowing rate may amount to a maximum of 80%. The limit and rate of borrowing is set by individual assessment.

The parent company's financial liabilities pertain primarily to liabilities to credit institutions.

All liabilities have a variable interest rate. Based on the financial interest-bearing liabilities as at December 31, 2008, a one percentage point change in the market interest rate would affect the Group's earnings by SEK 179 thousand (101). The corresponding figure for the parent company is SEK 155 thousand (100).

Currency risk

The Group operates internationally and is exposed to currency risks from various currency exposures, in particular in relation to the U.S. dollar.

The company's purchases for the professional market are made in SEK. Sales are made primarily in USD, DKK and euros (EUR).

Currency risks arise through future business transactions, reported assets and liabilities and net investments in foreign operations. Currently, the net exposure to each currency is limited. For this reason, the Group does not have a policy of hedging its exposures. The consolidated part of the Group is exposed to currency risk pertaining

to trade accounts receivable and trade accounts payable. If all currencies had been 5 % higher/lower, the Group's earnings would have been affected by approximately SEK -/+583 thousand (321) as a result of its exposures on the balance sheet date. The corresponding figure for the parent company is approximately SEK +/- 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 maximum exposure to credit risks pertaining to financial assets, excluding trade accounts receivable, was SEK 0 (0) at December 31, 2008. In other respects, no material concentration of credit risk exists, neither geographically nor in a particular customer segment, except for receivables tied 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 constituted 25.6% (0.3%) of total trade accounts

receivable as per the balance sheet date, see note 25.

There are no other financial assets overdue for payment.

Liquidity risk

Prudence in the management of liquidity risk entails having sufficient liquid assets and marketable securities, or alternatively, contracted overdraft facilities in order to be able to close market positions. Company management and the Board are of the opinion that necessary liquidity will be generated and provided to the operations through continuing revenues, one-time revenues, borrowing, exercise of stock options, and new share issues.

Fair values

The carrying amount 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 trade accounts receivable and loans receivable, while the financial liabilities of the Group and parent company belong to the category financial liabilities valued at amortized cost. Following is a specification of each category:

DECEMBER 31	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Financial assets				
<i>Trade accounts receivable and loan receivables</i>				
Other non-current receivables	759	3,983	-	3,270
Receivable from Group companies	-	-	22,703	43,119
Trade accounts receivable	5,713	6,797	-	-
Other receivables	4,296	6,070	3,590	3,448
Prepaid expenses and accrued income	-	-	-	-
Cash and bank balances	864	11,633	154	7,017
<i>Total financial assets</i>	<i>11,632</i>	<i>28,483</i>	<i>26,447</i>	<i>56,854</i>
Financial liabilities				
<i>Financial liabilities valued at amortized cost</i>				
Liabilities to credit institutions	15,502	10,125	15,502	10,002
Trade accounts payable	14,231	13,352	3,434	1,772
Liabilities to Group companies	-	-	2,010	3,010
Accrued expenses and deferred income	8,658	9,552	70	412
Accrued liabilities	4,970	5,984	1,914	1,114
<i>Total financial liabilities valued at amortized cost</i>	<i>43,361</i>	<i>39,013</i>	<i>22,930</i>	<i>16,310</i>

Gains and losses for financial assets and liabilities

The total exchange rate difference amounts to SEK 228 thousand (60) for the Group and to SEK 345 thousand (254) for the parent company, and is reported in the operating result.

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 49.

Note 3 Segmental breakdown of income statement for the Group

Income statement per segment, 2008

SEK 000	Professional Products	Consumer Products	Other	Total
Income	19,142	21,544	-	40,686
Goods for resale	-9,482	-18,363	-	-27,845
Gross profit	9,660	3,181	-	12,841
Selling and marketing costs	-16,485	-6,764	-1,506	-24,755
Administrative expenses	-5,733	-3,065	-6,855	-15,653
Research and development costs	-6,514	-8,654	-479	-15,647
Operating loss	-19,072	-15,302	-8,840	-43,214
Net financial items	-214	-177	-1,275	-1,666
Loss before tax	-19,286	-15,479	-10,115	-44,880
Tax	-	-	-	-
Loss for the year	-19,286	-15,479	-10,115	-44,880

Income statement per segment, 2007

SEK 000	Professional Products	Consumer Products	Total
Income	14,140	8,646	22,786
Goods for resale	-6,216	-8,504	-14,720
Gross profit	7,924	142	8,066
Undistributed operating expenses	-	-	-71,679
Undistributed depreciation/amortization	-	-	-3,192
Operating loss	-	-	-66,805
Undistributed net financial items	-	-	-1,267
Loss before tax	-	-	-68,072
Tax	-	-	-1,262
Loss for the year	-	-	-69,334

Note 4 Breakdown of income per geographic segment

Breakdown of income per geographic segment

Group	2008	2007
Europe	11,259	14,576
North America	19,388	5,128
Other world	10,039	3,082
Total	40,686	22,786

Note 5 Non-cash items

Group	2008	2007
Depreciation/amortization	7,036	3,192
Translation difference	-1,021	1,750
Capital loss	-	-129
Total	6,015	4,813

Moderbolaget	2008	2007
Impairment	53,000	-
Depreciation/amortization	13	6
Total	53,013	6

Note 6 Intra-Group transactions

Of the parent company's invoicing, SEK 120 thousand (584) pertains to subsidiaries. Invoicing by subsidiaries to the parent company amounted to SEK 360 thousand (2,742).

Note 7 Auditors' fees

	Group		Parent company	
	2008	2007	2008	2007
Auditing				
PricewaterhouseCoopers	558	-	300	-
SET Revisionsbyrå	203	365	203	349
Palsgaard & Hansen	346	123	-	-
MCG LLP	148	32	-	-
Other assignments¹⁾				
PricewaterhouseCoopers	-	-	-	-
SET Revisionsbyrå	120	-	120	-
Palsgaard & Hansen	448	368	-	-
MCG LLP	30	187	-	-
Total	1,853	1,075	623	349

¹⁾ Other assignments pertain primarily to consulting on accounting matters and tax consulting.

Note 8 Other non-recurring operating expenses

Group	2008	2007
Write-down of inventory	-	11,857
Termination pay	2,770	2,583
Provision for dispute with former employees	-	3,100
Total	2,770	17,540

Note 9 Rental and leasing agreements

The Group's rental and leasing fees during the year amounted to a total of SEK 1,999 thousand (4,737).

Contracted future rental and leasing fees amount to SEK 2,836 thousand (6,460) and will fall due for payment in the coming three years as follows: 2009: 2,133 (2,312), 2010: 697 (697), and 2011: 6 (0).

The parent company's leasing agreements for the year amounted to SEK 98 thousand (0). The term of the contracts runs until December 31, 2010, with an annual cost of SEK 61 thousand.

Note 10 Employees

Average number of employees	2008		2007	
	Number of employees	Of whom, men	Number of employees	Of whom, men
Parent company	1	1	1	1
Denmark	29	23	35	23
U.S.	3	1	8	5
Total	33	25	44	29

Share of women in executive positions, %	2008		2007	
	Board	Other executives	Board	Other executives
Parent company	17	-	-	-
Group	17	20	-	-
Total	17	20	-	-

Salaries and other remuneration ¹⁾	2008	2007
Parent company	1,593	818
Subsidiaries	24,336	26,579
Capitalized salaries pertaining to development	-6,516	-5,185
Group total	19,413	22,212
<i>Social security costs excl. pension costs</i>		
Parent company	517	533
Subsidiaries	540	498
Group total	1,057	1,031
<i>Pension costs</i>		
Parent company	0	97
Subsidiaries	982	477
Group total	982	574
Total personnel costs	21,452	23,817

¹⁾ Including compensation for laid-off employees, which is reported under Other external costs, see note 8.

Sickness-related absence

INVISIO Headsets has fewer than 10 employees, and thus no statistics on sickness-related absence are reported.

Pensions

Neither the parent company nor 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% approximately 70% of his fixed salary.

Other senior executives are also entitled to a defined contribution pension in which the premiums are calculated at 10%–25% of their fixed salaries.

Option program

A synthetic option program was introduced by the Board in 2007 for all employees of the Group. The participants in the program will be allocated both employment-related options ("Employment options") and performance options ("Performance options") on an ongoing basis during the term of the program. Grants will be free of charge, and cover a total of 700,000 options, of which 350,000 are Employment options and 350,000 Performance options. Exercise of Employment options requires in principle that the participants are still employed at the date of exercise. In addition, exercise of Performance options requires the fulfillment of certain targets set by the Board. The option program has a term of approximately four years from the time of allocation and expires on June 30, 2011. The growth in value of granted options is maximized at three times the share price at the time of the launch. As per December 31, 2008, SEK 1,567 thousand (572) has been reserved for the program. No performance options for 2007 have been granted. Performance options will be granted for 2008 corresponding to 41% of the maximum outcome.

Note 11 Compensation of senior executives

	2008				2007			
	Directors' fees/salary	Pension	Other benefits	Total	Directors' fees/salary	Pension	Other benefits	Total
Board of Directors								
Heléne Bergquist, Chairman of the Board	688	-	-	688	-	-	-	-
Andy L. Berman	-	-	-	-	100	-	-	100
Joseph C. Formichelli	-	-	-	-	100	-	-	100
Christian Paulsson	75	-	-	75	200	-	-	200
Magnus Ruding	-	-	-	-	-	-	-	-
Fredrik Sandelin	75	-	-	75	100	-	-	100
Mats Warstedt	-	-	-	-	-	-	-	-
Jan Werne	75	-	-	75	100	-	-	100
<i>Total¹</i>	<i>913</i>	<i>-</i>	<i>-</i>	<i>913</i>	<i>600</i>	<i>-</i>	<i>-</i>	<i>600</i>
Management								
Lars H. Hansen, CEO	1,905 ⁴	429	78	2,412	1,614 ^{2,4}	276	-	1,890
Andy L. Berman, CEO through April 14, 2007	-	-	-	-	323	-	-	323
Other executive management	5,529 ⁵	368	-	5,897	3,580 ^{3,5}	182	-	3,762
<i>Total</i>	<i>7,434</i>	<i>797</i>	<i>78</i>	<i>8,309</i>	<i>5,517</i>	<i>458</i>	<i>-</i>	<i>5,975</i>

¹ The 2008 Annual General Meeting 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 2008, three-fourths of the year's directors' fees have been booked. In addition, the 2008 Annual General Meeting resolved that an extra fee of a maximum of SEK 600,000 shall be available for payment for special cases for work with financial matters, contract negotiations and other strategic matters pursuant to a Board decision. For 2008, SEK 500,000 has been booked as extra fees paid to the Chairman of the Board. In addition to this, the Board has received compensation for outlays.

² In 2007 the CEO received 200,000 options in the synthetic option program that was issued in 2007.

³ In 2007, other senior executives received a total of 150,000 options in the synthetic option program that was issued in 2007.

⁴ Variable salary can amount to a maximum of 50% of base salary. No variable salary was paid for 2008.

⁵ Variable salary can amount to a maximum of 0–35% of base salary. No variable salary was paid for 2008.

Notice period

According to his employment contract, the CEO has 12-month notice period in the event the Company serves notice. In the event the CEO leaves on 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 Tax

Group	2008	2007
Tax on result for the year		
Current tax ¹	0	1,262 ¹
Deferred tax	-	-
<i>Total</i>	<i>0</i>	<i>1,262¹</i>
Reconciliation of effective tax, Group		
Loss before tax	-44,880	-69,334
Tax according to applicable tax rate, 28%	13,686	19,414
Increase in loss carryforward without corresponding capitalization of deferred tax	-44,880	-69,334
<i>Reported effective tax</i>	<i>-</i>	<i>-</i>

¹ Tax on sales pertaining to Korea.

All companies in the Group have accumulated loss carryforwards. All of these have no time limitation and can therefore be used to reduce taxes on future profits. Since it is uncertain regarding the opportunity – and within which time frame – that these deficits can be utilized, these have not been capitalized as a deferred tax asset. New evaluations of whether deferred tax assets for loss carryforward shall be reported or not are carried out continuously.

Accumulated loss carryforwards in the Group amounted to SEK 206 m as per December 31, 2008.

Note 13 Intangible non-current assets

Group, December 31	2008		2007	
	Professional	Consumer	Professional	Consumer
<i>Opening cost</i>	3,110	21,704	-	15,833
Internally developed assets	7,194	887	3,110	4,938
Exchange rate differences for the year	626	4,369	-	933
<i>Closing accumulated cost</i>	10,930	26,960	3,110	21,704
<i>Opening amortization</i>	-	-5,498	-	-3,585
Amortization for the year	-	-5,406	-	-1,705
Exchange rate differences for the year	-	-1,611	-	-208
<i>Closing accumulated amortization</i>	-	-12,515	-	-5,498
Closing carrying amount	10,930	14,445	3,110	16,206

Research and development costs amounted to SEK 16,506 thousand (16,759), corresponding to 26% (74%) of net sales. Of these costs, SEK 8,081 thousand (8,048) have been capitalized, and the remainder have been charged against the result for the period.

Assets developed during the year pertain primarily to the new product portfolio for professional products, which will be launched starting in spring 2009.

Information on impairment testing

The recoverable amount for capitalized development costs is determined on the basis of the expected 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 life cycles.

Company management has determined budgeted gross margins based on its expectations about market development. The weighted average growth rate used corresponds to the forecasts shown in industry reports. Any differences arising from expected volume and actual volume are subject to impairment.

Note 14 Property, plant and equipment

Group, December 31	2008	2007
Opening cost	9,521	5,693
Via company acquisitions, etc.	-	-
Purchases	1,238	3,689
Sales and disposals	-2,596	-168
Exchange rate differences for the year	1,364	307
<i>Closing accumulated cost</i>	9,527	9,521
Opening depreciation	-3,537	-2,039
Via company acquisitions, etc.	-	-
Depreciation for the year	-1,630	-1,487
Sales and disposals	-553	102
Exchange rate differences for the year	-569	-113
<i>Closing accumulated depreciation</i>	-6,289	-3,537
Closing carrying amount	3,238	5,984

Parent company, December 31	2008	2007
Opening cost	25	25
Purchases	0	-
Sales and disposals during the year	-25	-
<i>Closing accumulated cost</i>	0	25
Opening depreciation	-12	-6
Depreciation/disposals for the year	12	-6
<i>Closing accumulated depreciation</i>	0	-12
Closing carrying amount	0	13

Note 15 Financial assets

Group, December 31	2008	2007
Opening cost	3,983	889
Bank guarantee	-	3,270
Changes	-3,270	-203
Exchange rate differences for the year	46	27
<i>Closing carrying amount</i>	<i>759</i>	<i>3,983</i>
Parent company, December 31	2008	2007
Opening cost	3,270	-
Bank guarantee	-	3,270
Change	-3,270	-
<i>Closing carrying amount</i>	<i>0</i>	<i>3,270</i>

Note 16 Inventories

Group, December 31	2008	2007
Finished products	3,973	3,415
Products in progress	2,116	1,000
Goods in transit	332	0
<i>Total</i>	<i>6,421</i>	<i>4,415</i>

Note 17 Deferred expenses and accrued income

Group, December 31	2008	2007
Personnel-related costs	-	-
Other	763	846
<i>Total</i>	<i>763</i>	<i>846</i>
Parent company, December 31	2008	2007
Personnel-related costs	-	-
Other	-	-
<i>Total</i>	<i>-</i>	<i>-</i>

Note 18 Liabilities to credit institutions

Group, December 31	2008	2007
Bank loans	15,500	10,000
Liabilities pertaining to invoice lending/other	2,356	3,195
<i>Total</i>	<i>17,856</i>	<i>13,195</i>

Banks loans that fall due within 3 months, SEK 6,875 thousand, and bank loans that fall due between 3–9 months, SEK 8,625 thousand.

Parent company, December 31	2008	2007
Bank loans	15,500	10,000
Liabilities pertaining to invoice lending	2	2
<i>Total</i>	<i>15,502</i>	<i>10,002</i>

Bank loans that fall due within 3 months, SEK 6,875 thousand, and bank loans that fall due between 3–9 months, SEK 8,625 thousand.

Note 19 Shares and participations in subsidiaries

Parent company, December 31	2008	2007
Opening book value	81,871	9,526
Shareholder contribution	53,000	70,000
Write-down of shares	-53,000	-
Investment	-	2,345
Closing carrying amount	81,871	81,871

Shares owned by the parent company,

Company	Registered number	Domicile	Number of shares	Share of equity, %	Book value
INVISIO Headsets AS (name changed during the year)	20 75 82 36	Hvidovre, Denmark	672,590	100	78,895
Nextlink IPR AB	556691-0385	Stockholm, Sweden	1,000	100	2,517
Nextlink Patent AB	556680-1774	Stockholm, Sweden	1,000	100	407
INVISIO Inc.	16-1761709	Delaware, USA	10,000	100	52

Shares owned by the parent company, 2007

Company	Registered number	Domicile	Number of shares	Share of equity, %	Book value
Nextlink.to A/S	20 75 82 36	Hvidovre, Denmark	672,590	100	78,895
Nextlink IPR AB	556691-0385	Stockholm, Sweden	1,000	100	2,517
Nextlink Patent AB	556680-1774	Stockholm, Sweden	1,000	100	407
INVISIO Inc.	16-1761709	Delaware, USA	10,000	100	52

Note 20 Accrued expenses and deferred income

Group, December 31	2008	2007
Personnel-related costs	3,603	2,448
Other	1,367	3,536
Total	4,970	5,984

Parent company, December 31	2008	2007
Personnel-related costs	968	59
Other	946	1,055
Total	1,914	1,114

Note 21 Shareholders' equity

See also the report Changes in shareholders' equity, page 50 and 54.

Parent company

As per December 31, 2008, the share capital amounted to SEK 20,646 thousand, divided into 20,646,084 shares with a share quota value of SEK 1. Through stock options that were exercised at the end of December, which have not yet been registered with the Swedish Companies Registration Office, an additional 288,000 shares will be issued. The number of outstanding stock options amounts to 3,202,053, broken down into three programs:

- The option program 2006/2010 amounts to 75,551 stock options which give the right to subscribe for 83,106 shares at a price of SEK 21.64 per share through December 1, 2010.
- The option program 2007/2011 amounts to 1,017,225 stock options which give the right to subscribe for 1,118,947 shares at a price of SEK 25.96 per share through December 1, 2011.
- The option program 2008/2013 amounts to 2,000,000 stock options which give the right to subscribe for 2,000,000 shares at a price of SEK 25.00 per share through April 30, 2013.

Note 22 Pledged assets and contingent liabilities

Pledged assets as per December 31	Group		Parent company	
	2008	2007	2008	2007
For liabilities to credit institutions				
Shares in subsidiaries	204	181	2,976	2,976
Bank accounts	-	4,892	-	4,892
Pledged trade accounts receivable	5,713	6,797	-	-
Total	5,917	11,870	2,976	7,868
Contingent liabilities	None	None	None	None

Note 23 Disputes in the Group

The dispute between three former employees and INVISIO Headsets A/S and INVISIO Headsets AB, respectively, whereby INVISIO Headsets was ordered to pay a total of approximately DKK 2.5 m. INVISIO has appealed this ruling to a higher court, and a provision of SEK 3.7 m has been made for possible future costs stemming from this dispute.

Note 24 Earnings per share in the Group

Earnings per share before dilution	2008	2007
Loss for the period	-44,880	-69,334
Average number of shares outstanding (thousands)	20,052	16,433
<i>Earnings per share before dilution</i>	<i>-2.24</i>	<i>-4.22</i>
Earnings per share after dilution	2008	2007
Loss for the period	-44,880	-69,334
Average number of shares outstanding (thousands)	20,136	16,643
<i>Earnings per share after dilution</i>	<i>-2.23</i>	<i>-4.17</i>

Earnings per share before dilution are based on the year's profit/loss attributable to shareholders of the parent company and a weighted average of the number of shares outstanding.

Earnings per share after dilution are based on the year's profit/loss attributable to shareholders of the parent company and a weighted average of the number of

shares outstanding, plus a weighted number of shares which would be added if all potential shares, which give 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 share price for 2008 was SEK 22.65. One of the three option programs, 2006/2010, meets the conditions.

As shown in note 21, INVISIO Headsets has three outstanding option programs, which give the right to subscribe for a total of 3,202,054 shares. Upon full conversion, the number of shares will amount to 23,848,138.

Calculation of dilution

The number of shares after dilution in 2008 will be	20,136
Average share price 2008:	22.65

Option program 2006/2010

Number of options	75,551
Number of shares	83,106
Subscription price	21.64
Redemption upon full exercise	1,798,414
Corresponding to number of shares at average price	101,605
Number of shares without compensation	-18,499
Total	83,106

Option program 2007/2011

Number of options	1,017,225
Number of shares	1,118,948
Subscription price	25.96
Redemption upon full exercise	29,047,864
Corresponding to number of shares at average price	1,641,122
Number of shares without compensation	-522,174
Total	1,118,948

Option program 2008/2013

Number of options	2,000,000
Number of shares	2,000,000
Subscription price	25.00
Redemption upon full exercise	50,000,000
Corresponding to number of shares at average price	2,824,859
Number of shares without compensation	-824,859
Total	2,000,000

Note 25 Trade accounts receivable

As per December 31, 2008, trade accounts receivable amounting to SEK 1,995 thousand (4,737) were overdue for payment for the Group. A need to recognize impairment of SEK 1,462 thousand (200) is judged to exist. Other trade accounts receivable pertain to customers that have not previously had any difficulty in paying. The age analysis of the company's trade accounts receivable is shown below. The parent company has no trade accounts receivable.

December 31	Group	
	2008	2 007
Past due but not impaired trade accounts receivable		
Not past due	3,718	2,060
Past due 1–30 days	349	841
Past due 31–60 days	123	1,883
Past due 61–90 days	103	1,835
Past due 91–120 days	104	7
Past due 121 days or more	1316	171
<i>Total</i>	<i>5,713</i>	<i>6,797</i>

December 31	Group	
	2008	2 007
Reserve for bad trade accounts receivable		
Provision at start of year	200	1,415
Confirmed losses	–229	–1,081
Exchange rate differences	-	-
Recovery of expected losses	1,491	–134
<i>Provision at year-end</i>	<i>1,462</i>	<i>200</i>
Reserve for bad trade accounts receivable according to:		
Not past due	-	-
Past due 1–30 days	-	-
Past due 31–60 days	-	-
Past due 61–90 days	-	22
Past due 91–120 days	-	7
Past due 121 days or more	1,462	171
<i>Total</i>	<i>1,462</i>	<i>200</i>

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on April 28, 2009, for adoption.

The Board of Directors and President 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 view of the parent company's financial position and results of operations.

The Board of Directors' Report for the Group and parent company give a true and fair overview of the development of the Group's and 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, April 3, 2009

Fredrik Sandelin
Director

Heléne Bergquist
Chairman

Christian Paulsson
Director

Mats Warstedt
Director

Jan Werne
Director

Magnus Ruding
Director

Lars Højgård Hansen
President and CEO

Stockholm, April 6, 2009

Michael Bengtsson
Authorized Public Accountant
PricewaterhouseCoopers AB

AUDIT REPORT

To the Annual General Meeting of
INVISIO Headsets AB (publ)
Reg. no. 556651-0987

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of INVISIO Headsets AB (publ) for the year 2008. (The company's annual report is included on pages 43–69 in the printed version of this document.) The board of directors and the president are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and application of International Financial Reporting Standards (IFRS) as adopted by the EU and the 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. Those standards require 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 president and significant estimates made by the board of directors and the president 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 president. We also examined whether any board member or the president has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the 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 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 Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration 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 president be discharged from liability for the financial year.

Stockholm, Sweden, April 6, 2009

Michael Bengtsson
Authorized Public Accountant
PricewaterhouseCoopers AB

FIVE-YEAR SUMMARY

INCOME STATEMENTS, SEK 000	2008	2007	2006	2005	2004
<i>Income</i>	40,686	22,786	57,517	38,028	19,060
Goods for resale	-27,845	-14,720	-34,293	-28,972	-10,207
<i>Gross profit</i>	12,841	8,066	23,224	9,056	8,853
Operating expenses	-49,019	-71,679	-64,996	-17,977	-13,261
Depreciation, amortization and impairment charges	-7,036	-3,192	-1,957	-1,255	-850
<i>Operating loss</i>	-43,214	-66,805	-43,729	-10,176	-5,258
Net financial items	-1,666	-1,267	-2,414	-787	-130
<i>Loss before tax</i>	-44,880	-68,072	-46,143	-10,963	-5,388

BALANCE SHEETS, DECEMBER 31, 2008 SEK 000	2008	2007	2006	2005	2004
ASSETS					
Non-current assets					
Intangible assets	25,375	19,316	12,248	2,168	2,871
Property, plant and equipment	3,238	5,984	3,654	2,245	500
Financial assets	759	3,983	889	216	141
<i>Total non-current assets</i>	29,372	29,283	16,791	4,629	3,512
Current assets					
Inventories	6,421	4,415	13,709	8,273	4,401
Trade accounts receivable	5,713	6,797	8,271	7,964	3,636
Other receivables/prepaid expenses and accrued income	5,059	6,916	3,761	3,175	788
Cash and bank balances	864	11,633	13,171	19,419	8,206
<i>Total current assets</i>	18,057	29,761	38,912	38,831	17,031
TOTAL ASSETS	47,429	59,044	55,703	43,460	20,543
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	4,068	20,031	16,688	33,280	14,688
Current liabilities					
Liabilities to credit institutions	17,856	13,195	17,734	4,447	2,372
Trade accounts payable	14,231	13,352	13,641	4,849	1,646
Other liabilities/accrued expenses and deferred income	11,274	12,466	7,640	884	1,837
<i>Total current liabilities</i>	43,361	39,013	39,015	10,180	5,855
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	47,429	59,044	55,703	43,460	20,543

CASH FLOW STATEMENT, SEK 000	2008	2007	2006	2005	2004
<i>Loss before tax</i>	-44,880	-68,072	-46,143	-10,963	-5,388
<i>Adjustment for non-cash items</i>	6,015	4,813	2,131	1,498	-3,024
<i>Taxes</i>	-	-1,262	-	-	-
<i>Cash flow from operating activities before changes in working capital</i>	-38,865	-64,521	-44,012	-9,465	-8,412
<i>Changes in working capital</i>	732	11,308	9,219	-8,337	3,458
<i>Cash flow from operating activities</i>	-38,133	-53,213	-34,793	-17,802	-4,954
<i>Cash flow from investing activities</i>	-1,521	-15,990	-14,023	-2,006	1,895
<i>Cash flow from financing activities</i>	28,730	67,528	42,568	31,021	11,265
CASH FLOW FOR THE YEAR	-10,924	-1,675	-6,248	11,213	8,206

KEY RATIOS	2008	2007	2006	2005	2004
MARGINS					
Gross margin, %	31.6	35.4	40.4	23.8	46.4
Operating margin, %	-106.2	-293.2	-76.0	-26.8	-27.6
Profit margin, %	-110.3	-298.7	-80.2	-28.8	-28.3
CAPITAL STRUCTURE					
Equity ratio, %	8.6	33.9	30.0	76.6	71.5
OTHER					
Number of professional products sold	9,903	7,276	10,282	6,405	4,155
Number of consumer products sold	55,730	48,913	173,392	109,243	10,060
Number of employees	30	40	39	22	15
DATA PER SHARE					
Number of shares at end of period	20,646,084	19,623,779	14,663,453	12,796,698	10,663,915
Earnings per share, SEK	-2.24	-4.22	-3.47	-1.03	-0.76
Equity per share, SEK	0.19	1.02	1.14	2.60	1.38
Share price at year-end, SEK	17.70	19.00	21.40	26.00	8.50

DEFINITIONS

GROSS MARGIN

Gross profit in relation to revenues, expressed as a percentage.

OPERATING MARGIN

Operating profit in relation to revenues, expressed as a percentage.

PROFIT MARGIN

Profit for the year in relation to revenues, expressed as a percentage.

EQUITY RATIO

Shareholders' equity at the end of the period in relation to total assets – the sum of equity and liabilities – at the end of the period, expressed as a percentage.

NUMBER OF SHARES OUTSTANDING

The number of shares outstanding at the end of the period.

AVERAGE NUMBER OF SHARES OUTSTANDING

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

AVERAGE NUMBER OF SHARES OUTSTANDING AFTER DILUTION

Weighted average of the number of shares outstanding during the period, plus a weighted number of shares added if all potential shares that could give rise to dilution are converted to stock. 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 in relation to the number of shares outstanding.

EARNINGS PER SHARE AFTER DILUTION

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

SHAREHOLDERS' EQUITY PER SHARE

Shareholders' equity in relation to the number of shares outstanding, adjusted for non-registered issues.

AVERAGE NUMBER OF EMPLOYEES

The number of employees recalculated to full-time positions.

NUMBER OF EMPLOYEES AT YEAR-END

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

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