

INVISIO®



ANNUAL REPORT 2015

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INVISIO IN A MINUTE

INVISIO develops and sells personal communication and hearing protection systems for professional users.



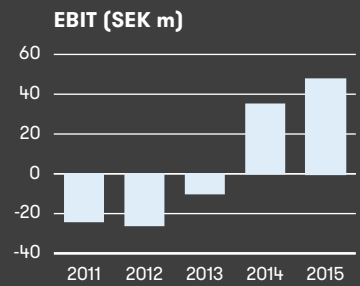
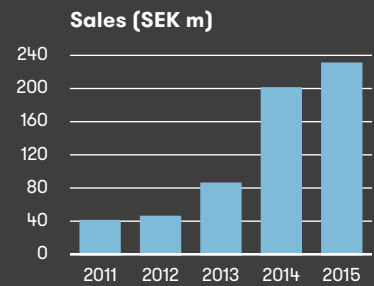
INVISIO's systems enable users to operate and communicate safely and clearly in all environments, even in tough conditions such as loud noise, heat or under water.

The systems consist of advanced headsets and control units that interface to a wide range of other communication devices.

The customers are mainly found in the government sector. Sales are primarily via a global network of partners.



KEY RATIOS



KEY RATIOS	2015	2014	%
Revenue, SEK m	229.8	201.6	14
Operating profit/loss, SEK m	47.3	34.7	37
Profit/loss after tax, SEK m	57.1	44.3	29
Cash flow from operating activities, SEK million	29.9	34.3	-13
MARGINS			
Gross margin, %	51.5	45.3	14
Operating margin, %	20.6	17.2	20
Profit margin, %	24.8	22.0	13
CAPITAL STRUCTURE			
Equity ratio, %	74.9	49.6	51
PER-SHARE DATA			
Earnings per share, SEK	1.35	1.05	29
Shareholders' equity per share, SEK	2.50	1.24	102
Share price at year-end, SEK	75.75	12.80	492

2015 IN BRIEF

SALES

**SEK
229.8 m**

INVISIO reported sales of SEK 229.8 million for 2015, which corresponds to growth of 14 percent compared with the previous year (201.6).

EBIT

**SEK
47.3 m**

Operating profit increased by 37 percent and was SEK 47.3 million (34.7).

PROFIT FOR THE YEAR AFTER TAX

**SEK
57.1 m**

Profit for the year after tax was SEK 57.1 million (44.3).

ORDER INTAKE

**SEK
325.9 m**

Order intake during the year reached SEK 325.9 million. The order book was SEK 163.4 million at year-end.

STRONGER POSITION IN 2015

Continued strong order intake from existing customers

In 2015 INVISIO received a number of important follow-up orders from the American TCAPS program and several NATO countries. Read more on CEO Lars Højgård Hansen's view of the year's developments on page 2.

Breakthrough in new markets

Throughout the world, countries continued to modernize their armies with better personal equipment. INVISIO won long-term contracts in the United Kingdom, Canada and Australia, as well as receiving an important order from the Swedish army. More information about modernization programs can be found on page 16.

Investments in R&D

INVISIO increased its investment in R&D to retain and increase its technical lead. This included product development together with the company's customers and an increase in personnel resources. Read more about INVISIO's power of innovation on pages 12 and 18.

Listing on Nasdaq Stockholm

As part of INVISIO's development and increased international presence, the INVISIO share was listed on Nasdaq Stockholm in May. More information on the share and ownership can be found on page 26.

ALL TIME HIGH ORDER INTAKE AND STRENGTHENED POSITION

2015 was the best year ever for INVISIO. Order intake, sales and earnings reached an all-time high and we broadened our customer base by winning several new contracts with leading defense forces.

For the full year we report sales of SEK 230 million and an operating profit of SEK 47 million. This corresponds to growth of 14 percent and improvement in earnings of 37 percent compared with the previous year. Order intake during the year reached the record level of SEK 326 million and the order book was worth SEK 163 million at the close of the year.

Today INVISIO is an established and profitable growth company and market leader in a growing, global niche, with users in highly demanding environments. During the period 2013-2015 sales increased by 170 percent, from SEK 85 million to SEK 230 million, and the operating profit improved from SEK -11 million to SEK 47 million. We are now a debt-free company with a good cash ratio.

ARMY CUSTOMERS STRENGTHEN OUR POSITION IN THE MARKET

The greatest part of INVISIO's sales refers to modernization of communication equipment and hearing protection by defense forces. Demand for improved mobility, control, effectiveness and personal safety, paired with increased awareness of the effects of hearing loss make INVISIO's products a highly interesting solution.

Our first customers were special forces. They are a valuable reference when we bid for contracts in procurements now being conducted by armies all over the world. The breakthrough came in 2013 when we received the first order within the framework of the American army's TCAPS modernization program.

In 2015 we received more TCAPS-related orders in the USA and supplementary orders from existing cus-

tomers in other NATO countries. In parallel we won three new long-term contracts with armies in the United Kingdom, Canada and Australia. This means that we now have contracts running for several years with both special forces and armies.

Order from the British Ministry of Defence THPS program

In August we won the contract for the THPS program together with our partner and thereafter received a first order worth SEK 130 million. The first deliveries have started and are expected to continue throughout the year. We expect recurring orders from the army and in the long term envisage potential orders from the navy and air force as well. The contract is for four years with an option for a further three years.

Contract in Canada for the ISS program

INVISIO will also play an important part in the Canadian Integrated Soldier Systems (ISS) program in the coming years. In the summer our local partner was awarded a contract for delivery of INVISIO products starting in 2016. We expect a first order worth SEK 20-25 million for INVISIO. The contract runs for at least four years.

Order from the Australian LAND 125 program

At the end of 2015 we won a 5-year contract with the Australian Department of Defense and the LAND 125 program together with our partner. The first order was for SEK 11 million and we have already received two follow-up orders of SEK 13 million and SEK 15 million. Deliveries will be made on an ongoing basis in 2016. There is also

an option to extend this contract for a number of years.

Order from the Swedish Army

Another important army order was received at the end of the year from the Swedish defense forces through our partner, the sixth army in a row after Denmark, the USA, Canada, Australia and the United Kingdom. The order included our headsets, control units and accessories to a total value of about SEK 12.5 million.

CONTINUED MARKET INITIATIVES

Our focus in 2016 is on continued business expansion. We concentrate on both existing and new geographical markets. At the same time as we foster and develop business with existing customers in Europe, North America and Oceania we are intensifying our presence in selected countries in Asia, the Middle East and South America, where we assess that there are long-term business opportunities.

INCREASED RESOURCES FOR RESEARCH AND DEVELOPMENT

This year we will continue the work of strengthening and broadening our product portfolio in relation to current customer groups. We see potential in both developing new products and continuing to further develop our existing offer. Some of the planned development will take place as before, in close cooperation with our customers. Through close relationships with key customers in a number of defense forces we can continually identify and evaluate needs related to communication and hearing protection.



"An increased customer base gives us a favorable starting position for our continued expansion."

COST-EFFECTIVENESS

Another area of focus is profitable growth. Cost awareness is a guiding principle for us and profitable growth will be assured even in the future through focusing on costs internally in the company and for manufacturing our products. Through contract manufacturing at a small number of partners we do not tie up capital in facilities and can optimize our workforce.

LISTING ON THE MAIN LIST

As part of INVISIO's development and increased international presence, during the year the Board applied for listing of the INVISIO share on Nasdaq Stockholm Small Cap. The

number of shareholders increased sharply during 2015 and we are pleased with the rising interest from institutional investors in both Europe and North America. After the market value passed EUR 150 million the share was moved to the Mid Cap list in January this year.

FAVORABLE STARTING POSITION

In summary we are pleased and proud of the past year. Today INVISIO is an established and profitable growth company with products that are of great benefit to users and that can help reduce hearing-related costs to society.

Continued investment in more innovative products and extended market penetration creates conditions for continued positive development for INVISIO. An increased customer base gives us a favorable starting position for our continued expansion.

Stockholm March 2016

Lars Højgård Hansen, CEO

COMMUNICATION SYSTEMS FOR DEMANDING USERS

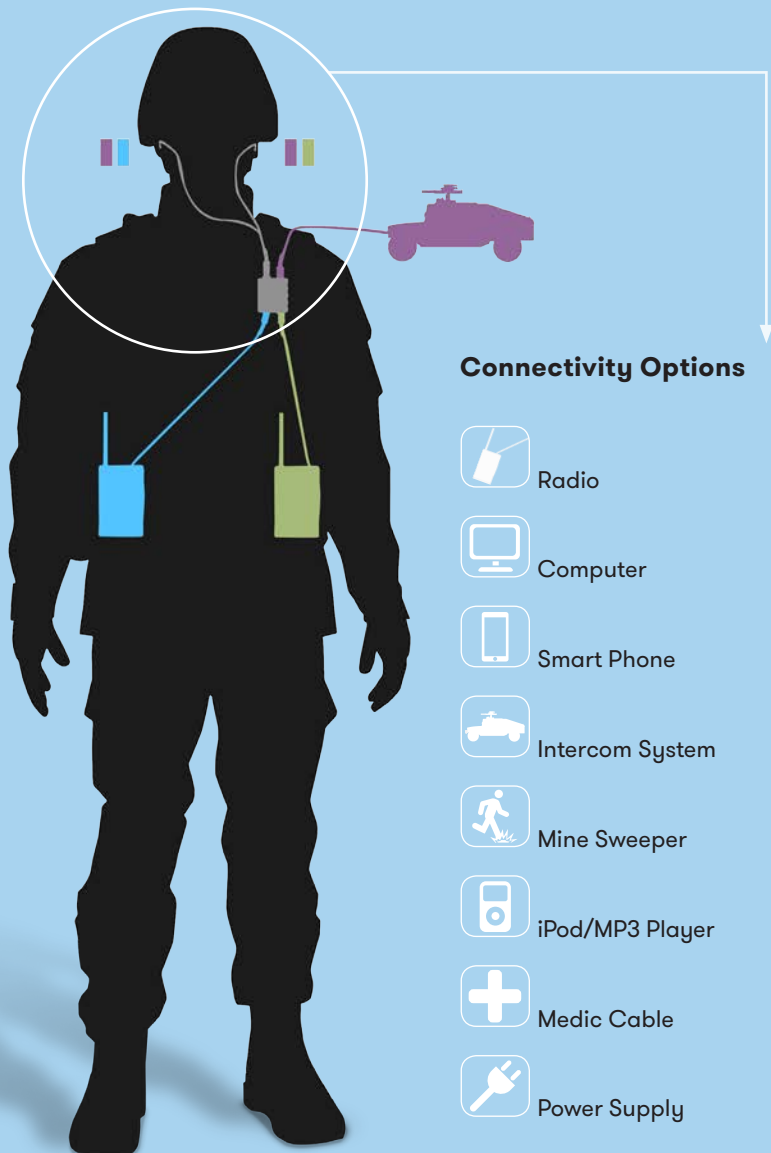
For occupational groups working in extreme environments, their communication equipment is crucial to the success of their assignment. In many cases it can be the difference between life and death. INVISIO offers communication and hearing protection systems that help military personnel, firefighters and police officers to meet this challenge.

INVISIO's systems consist of headsets, control units and connection cables. The equipment can be connected to all types of external unit, such as communication radio, cellphones and computers.¹




THE WORLD'S SMALLEST AND LIGHTEST COMMUNICATIONS SYSTEM

- listen and talk simultaneously on four com sources
- transmits crystal clear speech despite noisy surroundings
- protects the wearer against harmful noise
- amplifies weak sound up to three times
- reproduces exactly where sound is coming from
- is easy to carry and use

INVISIO is a leader in combining insights and technologies into complete systems in which communication radio, control units and headsets cooperate to give the greatest possible benefit to the user.



Connectivity Options

-  Radio
-  Computer
-  Smart Phone
-  Intercom System
-  Mine Sweeper
-  iPod/MP3 Player
-  Medic Cable
-  Power Supply

¹ The above description is schematic. It does not apply to all models and makes no claim to be comprehensive.





SUCCESS FACTORS

INVISIO has had major successes in recent years. The company achieved its leading position through a combination of focus on a growing global niche market, high innovative capacity and close cooperation with customers and selected partners in marketing, sales and manufacturing.

RESEARCH AND DEVELOPMENT

Product development is conducted internally and is based on knowledge of user needs through close cooperation with customers, such as various defense and law enforcement organizations.

In the past ten years INVISIO's experienced engineers, specialized in acoustics, mechanics, electronics and software, have developed knowledge in a number of key technologies. Many of them have a background in the Danish audio cluster, a network of successful companies with world-leading expertise in acoustics and hearing technology.

INVISIO's successes build to a great extent on the ability to combine these key technologies into solutions that are user-friendly, compatible with all types of communication equipment and technically advanced as regards sound and signal processing.

UNDERSTANDING THE CUSTOMER

Innovation strategy and product development are steered by long-term goals and an understanding of the customer's needs. No products are developed without first identifying customer needs. Further development of products takes place in close cooperation with the buyers.

The professional market is generally characterized by long selling-in processes where three to four years may pass from the first customer contact to the final order via inquiry, customer testing and bids in public procurement processes. The entry barriers are high and once a company has established itself in the market it has a great advantage. This has led to the market structure being characterized by a few actors with long-standing relations to their customers.

An important factor behind INVISIO's successes is receptiveness and continual customer adaptation. The solutions are characterized by a great measure of user-friendliness. This applies to everything from product design to customer service manuals. Long after the equipment has been delivered INVISIO's engineers are out in the field to support and guide the customer.



Employees at INVISIO represent many nationalities, which furthers new ideas, challenges norms and increases the power of innovation.

NICHE STRATEGY AND GEOGRAPHICAL EXPANSION

INVISIO's sales strategy focuses on achieving geographical breadth in a vigorously growing niche in a global market. The favorable experience of leading special forces has created great market confidence in INVISIO's products and paved the way for supplying regular army units in Sweden, Denmark, the USA, Canada, the United Kingdom and Australia. The breakthrough came at the end of 2013 when the American army chose INVISIO, which also resulted in NATO certification.

With these key customers as references INVISIO intends to participate in more of the procurements that are ongoing or expected to start within the framework of modernization programs. An important prerequisite for geographical expansion is INVISIO's network of partners and resellers.

PARTNERSHIP IN THE VALUE CHAIN

Many end customers prefer to buy complete communication systems, including radio, from one single supplier. Consequently, some of INVISIO's sales are through a small number of strategically important partnerships with systems integrators and radio manufacturers.

Marketing is also through a larger number of specialized resellers in Europe, North America and parts of Asia. Significant actors include INVISIO's main resellers in the USA and the United Kingdom.

INVISIO contracts out manufacturing of products to a few partners. Thus the company does not tie up capital in facilities and can keep its workforce numbers low. This means great flexibility, lower risk and that INVISIO can focus on the core competencies; R&D, marketing and sales.

CORPORATE CULTURE

Committed and creative employees that apply effective methods as part of quality processes have been of decisive importance to INVISIO's ability to produce innovative and high-quality product solutions. Quality awareness is an integrated part of the corporate culture, which builds on the following shared values:

- Innovation & Action*
- Structure & Flexibility*
- Passion & Dedication*
- Openness & Teamwork*



FINANCIAL TARGETS AND FOCUS

INVISIO's overall objective is to create value for shareholders by generating sound profitability and sustainable growth. In connection with the company's listing on Nasdaq Stockholm in May 2015 the following financial targets were presented, which reflect the company's growth and profit aspirations.

INVISIO's market is characterized by large procurements, often with long lead times due to extensive processes with customer tests both in laboratories and among end users. This means that the order intake and sales may vary between quarters and have an effect on the full year figures. Consequently, the financial growth target is defined as an annual average target.

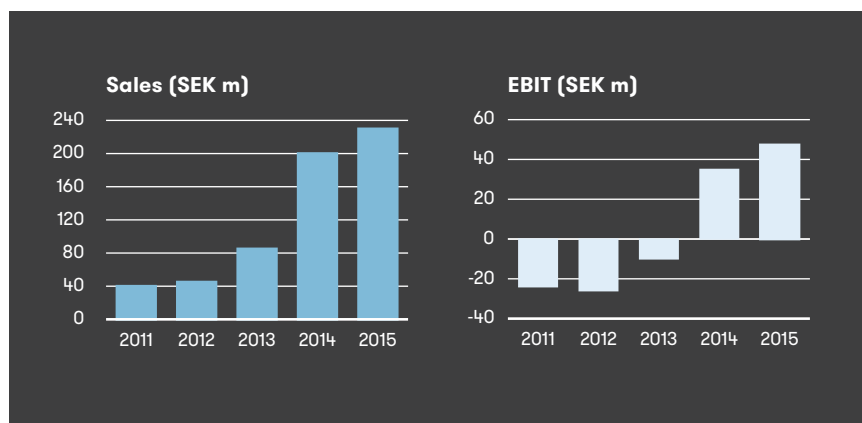
In 2015 the company's sales, order intake and profit increased. The new contracts and larger orders taken from new customers in the second half of 2015 will be delivered on an ongoing basis in 2016 onwards, and will therefore not contribute to this year's sales.

INCREASE AVERAGE SALES BY AT LEAST 20 PERCENT PER YEAR

Sales growth was 14 percent for 2015. The outcome is mainly due to good sales to existing customers.

THE OPERATING MARGIN SHOULD NOT FALL BELOW 15 PERCENT

The operating margin was 20.6 percent for 2015. The strong margin is mainly explained by growth with good cost control.





STRATEGY FOR PROFITABLE GROWTH

Achieving the targets requires continued growth with good cost control. The company focuses on the following four areas:

Increase market share

The strategy includes retaining, taking care of and developing business with existing customers in the defense segment. During the year INVISIO gained new army customers in the United Kingdom, Canada, Australia and Sweden.

In 2016 the company's focus will be on further strengthening its market position in existing markets in Europe, North America and Oceania.

Geographical expansion

Expansion to more markets with growth potential is via partners.

In 2016, through more partners and sales staff, INVISIO will strengthen its presence in selected countries in Asia, the Middle East and South America, where long-term business opportunities are deemed to exist for the company's products.

Product development

The company's product portfolio will be broadened through innovative in-house research and development close to the customer. The strategy is to identify needs related to communication and hearing protection equipment for professional users.

The forward strategy includes strengthening the company's portfolio with both further developed and new products. In 2016 INVISIO will further augment its innovative and development capacity through a number of new recruitments in research and development.

Cost efficiency

Sound profitability while continuing to grow will be ensured through continued high focus on internal costs in the company and manufacturing costs for the company's products.

In 2016 INVISIO will continue to cooperate closely with its manufacturing partners to ensure achievement of volume gains and that product costs are thus kept under control or reduced.

INNOVATIVE SYSTEMS

Continual new and further development is necessary to maintain INVISIO's market leader position. INVISIO uses its core competencies in audiology, sound transmission and hearing protection for continuous development of innovative hearing protection and communication systems.

INVISIO's systems consist of combinations of headsets, control units and peripheral equipment that interact with other communication equipment, such as two-way radio.

Headsets

The headset captures the user's speech from the surroundings and transmits signals from the communication units. The unique design, combined with advanced active limitation and passive protection, can achieve attenuation of external sound of up to 32 dB.

A specially designed microphone inside the auditory canal picks up the user's speech directly from vibrations in the jawbone. Apart from closing off surrounding noise more effectively, the microphone can capture sounds as low as a whisper.

This means that INVISIO's systems reproduce the user's speech purely and clearly even when the user is surrounded by sound such as helicopters, vehicles or gunfire.

Headsets are sold either in a standardized ergonomic design with INVISIO's "Soft Spring" that effectively and comfortably keeps it in place in the ear, or are individually adapted. There are double-sided and single-sided headsets. Some are designed to protect against water, fire, high temperatures and explosive environments.

Control units

The headset is connected to the control unit that is fastened to the uniform or other parts of the wearer's equipment. The control units contain advanced electronics providing the

wearer with active protection against acoustic shocks as well as situational awareness. They can be connected to all commonly available communication units, such as two-way radios, computers, cellphones and intercom systems.

Accessories and associated equipment

In addition to headsets and control units, INVISIO's product portfolio includes associated equipment in the form of cables and consumables of various kinds such as earplugs and Soft Springs.





A SELECTION OF INVISIO'S PRODUCTS

INVISIO V60 CONTROL UNIT

The V60 is INVISIO's most advanced control unit. The V60 Advanced Tactical Communications and Hearing Protection System is the world's smallest and lightest multicom control unit. With a format of just 70×63×25 millimeters, the V60 never gets in the way. This device weighs just 145 grams.

The V60 is around 50 percent smaller and lighter than most of the equivalent systems supplied by the company's competitors. But even so, the V60 offers the best performance on the market.

The INVISIO V60 has been developed by INVISIO experts in the fields of hearing, acoustics, and hearing protection in order to meet all tactical communication demands from the modern soldiers. The wearer can connect up to four different communications units and use them in parallel; a two-way radio, a computer, a cellphone, or an intercom system.

In an emergency, nothing must go wrong. This is why major resources have been invested in designing a simple, intuitive use. A simple user interface means that users can always find the right functions straight away. No advanced training is needed to use the INVISIO V60, because there is no doubt about how it should be used. New units can be connected quickly and without configuration.

INVISIO X5 HEADSET

INVISIO X5 headset comes with the unique Bone Conduction technology, i.e. it uses an advanced microphone inside the auditory canal which captures speech directly from the jawbone. In combination with the control unit, the built-in microphones record the ambient noise, and 360-degree situational awareness is guaranteed thanks to the special "hear-thru" technology. The wearer can register all external threats and also detect exactly where noises are coming from, just as they could under normal circumstances.

The in-ear headset acts as an effective earplug in order to block out external noise. It is capable of attenuating no less than 32 dB (SNR) in order to protect the wearer's hearing even under extreme conditions.

The fit is important so that the user can wear the headset for several hours. If the headset is uncomfortable, the user might stop wearing it, in worst case risking permanent hearing loss.

The INVISIO X5 is INVISIO's smallest, most comfortable headset to date, which fits more or less all ear shapes thanks to its ergonomic fit.

A completely newly developed cable system ensures even more robustness and reliability. The INVISIO X5 should never break when the wearer needs reliable communication most.



PRODUCT DEVELOPMENT

2015

In the past year INVISIO continued to further develop and adapt existing products to meet customers' needs for integration with other communication equipment, among others.

2014

In fall 2014 the second generation INVISIO X5-headset was launched.

2012

In 2012 INVISIO launched V60 – the smallest and most advanced control unit to date. The software is upgradable and the wearer can listen and talk simultaneously on up to four com sources.

2011

Launch of control unit INVISIO S10, enabling communication with hearing protection. Designed for use on a single radio.

2010

INVISIO X6 – a double-sided headset for hearing protection and hear-through developed for users wanting an individual fit.

2009

In 2009 INVISIO launched its first control unit, the INVISIO X50. Together with the INVISIO X5 headset, the unit provides active protection against acoustic shocks, full situational awareness and an option to connect two external communication units such as a radio and a cellphone.



The picture shows the INVISIO TCAPS solution for the US Army with the INVISIO X50 control unit and the X5 headset.





DRIVERS AND MARKET TRENDS

INVISIO operates in a global niche market offering great potential for growth. Demand is currently driven mainly by the growing needs for modern communication systems and advanced hearing protection within the defense industry, as well as increased awareness of the effects of hearing loss. There is much to indicate that future demand for INVISIO's products will be extensive from the police and fire services, as well as other emergency services.

The greatest part of INVISIO's sales refers to modernization of communication equipment and hearing protection by defense forces the world over. Both special forces and armies need more effective, durable and easily used systems. The motives are both technical, operative and economic and health-related.

More communication radios

In recent years the proportion of soldiers with access to one or more radio units has increased considerably. In addition to a personal radio unit the user often needs to be able to communicate unimpeded via various vehicle intercom systems. The soldier's increased use of communication radio has meant growing interest in INVISIO's systems.

Increased focus on hearing protection

Procurement of hearing protection has increased as employers and authorities have become more aware of the effects of hearing loss on individuals and society, as well as the cost of these injuries.

Around the world there are ongoing special modernization programs focusing on supplying armies with

modern equipment that improves both effectiveness and safety in the work situation.

At present around fifty programs in some forty countries are in progress. The programs that require advanced communication and hearing protection systems constitute important business opportunities for INVISIO. In these procurements traditional earmuffs are often replaced by neat in-ear-headsets and active hearing protection of the type offered by INVISIO.

New technologies

While the percentage of radio users and the need for good hearing protection is increasing, technical advances in society create new opportunities. New technologies enable complete communication solutions that accommodate a series of combined features and needs. For example, noise reduction alone or inter-communication capacity alone is not enough. The demand is for a system that can combine performance, function and user-friendliness and in addition can be integrated with other equipment. For INVISIO this means a smooth solution with hearing protection, clear sound and interaction with other important equipment.

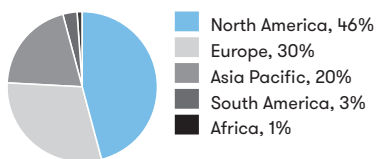
PROFESSIONS WITH SIMILAR NEEDS

The need for effective and flexible communication equipment with hearing protection not only exists in the defense sector, but also in other professional groups. Personnel in the police service, fire departments and heavy industry carry out work in environments where hearing and communication is a decisive factor for personal safety and the outcome of the work. These groups are showing interest in INVISIO's systems, and in the long term are expected to constitute a growing customer group.

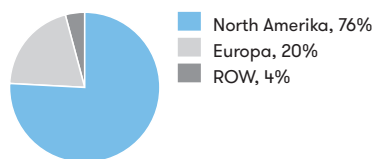
INVISIO estimates that the ongoing technology shift in the police, fire services and other emergency services can be significant for demand for the company's products. Around the world projects are in process to replace old analog radio systems with new digital technology such as TETRA, TETRAPOL and APCO25. When investments in new hand-held radios, exchanges and base stations are in place the next step is to review associated communication equipment.



The market for audio products for two-way radio, geographical distribution. Annual value SEK 4 billion.



INVISIO's sales in 2015, geographical distribution.



INVISIO HAS THE SOLUTION TO A COSTLY PROBLEM

Hearing loss means major economic costs for employers, insurance companies and for society, while at the same time there is great cost to the individual affected.

Noise the commonest reason

An occupational injury report from the Armed Forces Centre for Defence Medicine (FörMedC) shows that hearing impairment due to high noise levels is top of the list of causes of occupational injuries among employees of the armed forces and that there has been a substantial increase since 2010.¹ In the USA more than half of military personnel exposed to explosions run the risk of permanent hearing loss, and more than a third of American troops returning from war zones have impaired hearing.² About 1.5 million American veterans suffer from hearing loss. Almost half of them suffer from tinnitus and almost as many suffer from hearing impairment.³

The cause of major costs

For people with untreated hearing loss the annual individual cost, measured as the income growth they would have had if healthy, is estimated to be USD 30,000. The cost to

society of impaired working capacity is estimated to be USD 26 billion in the form of lost tax revenue.⁴ The personal suffering is impossible to measure but considerable.

Civilians are also affected

People in civilian jobs can also be affected. In Australia calculations show that hearing loss costs the equivalent of 1.4 percent of GDP. As of July 2010, through the "Noise at Work Directive", the EU requires companies and organizations to protect their employees against noise of more than 85 dB, measured as an average over an 8-hour working period. In addition, no-one should be exposed to impulse noise louder than 137 dB.

MARKET SIZE

INVISIO's solutions are closely linked to the soldier's communication radio, a two-way radio, and are regarded as an important part of the system. The company estimates the value of the total market for audio products linked to two-way radio to be more than SEK four billion annually. The USA is the single largest market, whose share corresponds to almost half the global sales, followed by Europe and the Asia & Pacific region.

COMPETITORS

The market for communication and hearing protection is not in itself new. The need to be able to communicate in exposed environments and prevent hearing loss has existed for a long time.

The traditional way is to wear noise-reducing cups over the ears, and to communicate via an external microphone placed in front of the mouth. The market for this product is mature and dominated by a small number of major actors.

The alternative, newer way is based on small headsets with microphones, placed in the ear. Apart from INVISIO there is a handful of other suppliers in the market. Most of them are small companies that are part of larger groups.

INVISIO estimates that it has a technical advantage over its competitors, both as regards the products' potential and quality and as regards connection to customer's existing equipment. Customers are offered a user friendly, more complete system with hearing protection, communication, amplification of weak sounds as well as perception of sound direction. Taken as a whole, INVISIO's offer is unique.

¹ <http://www.hrf.se/artikel/bullerskador-okar-bland-officerare> ² Army Centre for Health Promotion and Preventive Medicine ³ Department of Defense. Hearing Center of Excellence. ⁴ <http://www.bellinghamherald.com/latest-news/article22207071.html>

MODERNIZATION PROGRAMS AND PROCUREMENT PROCESSES

Many countries' defense forces are carrying out modernization programs, called Future Soldier Programs, where existing equipment is upgraded or replaced with more modern equipment. The programs that include radio and communication systems requiring in-ear-headsets and hearing protection constitute important business opportunities for INVISIO.

PROGRAMS THE WORLD OVER

Currently about 50 modernization programs are in progress in some 40 countries around the world. The defense forces test, evaluate and replace existing for more modern equipment that improves such things as mobility, control, effectiveness, endurance and personal safety. This applies to everything from types of weapon and advanced technology to modern personal safety equipment.

The most extensive programs are in North America and Europe but major investments are also being made in Asia, South America and Africa. One of the largest programs for communication and hearing protection is the US Department of Defense TCAPS program, which approved and implemented INVISIO's product solutions in 2013 to reduce the risk of hearing loss and improve the wearer's communication potential. Since then the program has submitted orders to INVISIO for more than SEK 200 million.

In 2015 three major procurements for hearing protection were completed, all of which INVISIO won. The programs were: THPS DCCU in the United Kingdom, ISSP in Canada and LAND 125 in Australia.

EQUIPMENT THAT WORKS AND IS USED

The modernization programs primarily cover defense armies and target all equipment carried by soldiers. A number of factors are taken into account in order to find the best possible equipment. Soldiers must be able to do their jobs effectively and safely without their equipment

restricting their mobility on account of its weight or design.

When it comes to hearing protection and communication, the equipment must protect the user against hearing loss without eliminating crucial information from the surroundings. Hearing protection which prevents the user from hearing where threats are coming from is not used.

At the same time, it must be comfortable for many hours of operation and possible to use with existing radio equipment. If protective equipment is too heavy, large or uncomfortable it may be a hindrance in the field. By far one of the most important aspects in the modernization programs involves developing equipment that soldiers actually want to use.

SAVINGS IN BOTH MONEY AND HUMAN SUFFERING

Noise is a priority protection area for many defense forces. Hearing protection that is not always used correctly, or some hearing protection having become worn out or obsolete often leads to problems with tinnitus, permanent hearing loss or deafness. Investments are being made in better protective equipment and in increasing awareness of the problem. For example, in the US the Department of Defense has set up the Hearing Center of Excellence (HCE) tasked with preventing hearing loss through better information and equipment for soldiers.

In addition to the cost of healthcare and any pensions for soldiers injured in this way, there is also the investment in training which is rendered worthless when soldiers can

no longer do their work on account of their injuries.

EXTENSIVE PROCUREMENT PROCESSES

The modernization programs' procurements often concern long contracts that can give the winning bid regular revenue for several years. When hearing protection and communication equipment are procured the contracts are worth many millions. For the customer, however, this investment is often relatively small compared to the potential savings that can be made when hearing loss injuries decrease.

The procurement processes generally have long lead times and may extend over several years. The process requires good insight into the mechanics of procurement.

Procurements are sometimes brought forward, delayed or withdrawn. It may be a matter of changed priorities or resource allocation or that key people at the agencies leave.

During the process the products are tested and evaluated on the basis of technical and commercial aspects, including performance, quality, effectiveness and not least user-friendliness. One example that can be mentioned is that in the testing as part of the British THPS program INVISIO's system received 97,45 percent for quality.

Total Quality score of

97,45%

of a possible 100 in the British THPS program tests.

BREAKTHROUGH ORDERS IN THE UK, CANADA AND AUSTRALIA

During the year INVISIO won procurements of systems for armies in three long-term modernization programs. Deliveries have started in 2016.

United Kingdom

Customer: The Ministry of Defence
Program: Tactical Hearing Protection System for Dismounted Close Combat Users (THPS DCCU)
Partner: Marlborough Communications
Length of contract: Four years with an option for a further three years
System: INVISIO S10/X5
First order: SEK 130 million

Canada

Customer: The Department of National Defence
Program: Integrated Soldier Systems Program (ISSP)
Partner: Rheinmetall Canada
Length of contract: Four years with an option to extend
System: INVISIO S60/X5
Expected first order: SEK 20-25 million

Australia

Customer: The Department of Defence
Program: LAND 125 Soldier
Partner: Defcon Technologies Group
Length of contract: Five years with an option for a further four years
System: INVISIO V60/X5 and S10/X5
First order: SEK 11 million and follow-up orders of SEK 13 million and 15 million respectively.





THE TECHNOLOGY

To be able to develop a communication system that meets the requirements of professional users INVISIO combines expertise in various disciplines.

HEARING PROTECTION WITH ENHANCED HEARING

INVISIO in-ear-headsets in combination with a control unit act as intelligent hearing protection. They provide outstanding passive hearing protection, supplemented by an automatic level dependent protection so that they can also function under extreme conditions.

The passive protection, in the form of replaceable ear-plugs, reduces all sounds in the user's surroundings and is mainly intended to protect against hearing loss that may arise as an effect of high noise levels over a long period.

The active electronic protection in the control unit helps against both continuous noise over long periods and sudden acoustic shocks and reduces them immediately. The system can attenuate continuous noise from aircrafts with up to 32 dB (SNR), or acoustic shocks from grenades with up to 52 dB(C) Harmless noise reaches the ear unchanged, almost as if the wearer were not wearing a headset.

SITUATIONAL AWARENESS

The complex shape of the outer ear is a major factor in allowing people to tell where sounds are coming from. How the sound bounces on its way into the auditory canal determines how you perceive direction.

To be able to perceive sounds in your environment correctly when wearing hearing protection, INVISIO's headsets have special microphones on the outside. The same system can also amplify sound in the environment up to three times, to be able to hear things that a human ear does not normally perceive.

The headset must amplify sound up to 80 dB(A) in a natural way, but reduce harmful acoustic pressure so that the volume from the speakers never exceeds 85 dB(A).

Signal processing

To retain the feeling for the direction of the sound, the microphone in INVISIO's headset is placed inside the ear at the start of the ear canal. In that way the sound is recorded in the same place as it normally reaches the auditory canal. The system allows the wearer to report where the sound comes from and keep track of what is happening in the environment.

DISRUPTION-FREE SPEECH - BONE CONDUCTION

One of the greatest challenges in developing headsets for noisy environments is to shut out the surrounding noise while hearing speech clearly. When we speak to each other, the noise of our voices moves in the form of sound waves through the air. Since most things in our surrounding environment generate or reflect sound waves, our voices must compete with many other sounds in order to be heard.

INVISIO's Bone Conduction technology solves the problem with a microphone placed in the ear, which transfer vibrations from the jawbone. Thanks to advanced electronics, speech is clear and comprehensible.

Vibrations are created by the wearer's voice when she or he speaks. The vibration is then picked up from the jawbone through a specially developed microphone. The signals then travel through an advanced filter to be converted into clear speech. The construction of the Bone Conduction microphone and its location inside the ear blocks surrounding sounds and only transmits the wearer's voice to the communication radio.

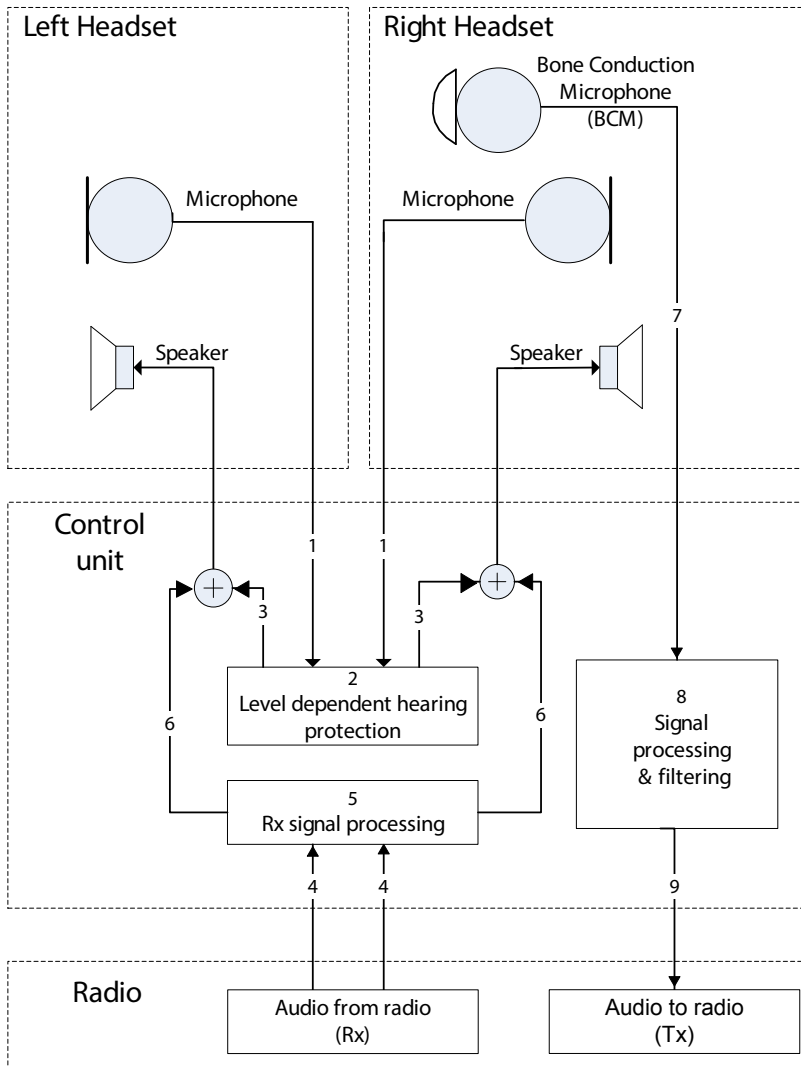
dB Decibel. Unit used to measure sound level.

dB(A) A-weighted decibels. Used for constant noise levels.

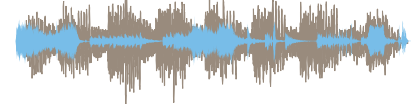
dB(C) C-weighted decibels. Used at higher sound pressure levels such as acoustic shocks.

SNR Single Number Rating. The SNR value shows the level of noise attenuation offered by

different hearing protectors. Example: SNR of 32 attenuates noise level with 32 dB.



TRADITIONAL AIRBORNE TECHNOLOGY



INVISIO BONE CONDUCTION



The illustration shows sound waves from a traditional microphone and from INVISIO's jawbone microphone. The blue curve is the pure voice pattern while the gray curve shows the background noise.

THIS IS HOW INVISIO'S SYSTEM WORKS

Three basic audio paths

Level dependent hearing protector

1. The microphone detects and converts sound to an electrical signal.
2. The signal is processed in the digital signal processing unit. (Amplifying the signal but limiting it from becoming too loud).
3. The signal is transferred to the loud-speaker and converted into sound.

Received audio signal from radio

4. An electrical signal is received from the radio.
5. The signal is processed in the digital signal processing unit. (Adjusting to optimal signal level and is routed to left/right or both ears).
6. The signal is transferred to the loud-speaker and converted into sound.

Bone conduction microphone (transmits signal to radio)

Speech is a sound that is generated by the vocal chord in our throats. On its way out of our mouth and nose the speech sound also cause vibration in hard material such as bone. The vibrations follow the jawbone up to the ear canal and are picked up by the bone conduction microphone.

7. The microphone detects and converts the vibration into an electrical signal.
8. The signal is processed electronically.
9. The signal is transferred to the radio.

THE DANISH HERITAGE

Denmark has a long tradition of world-leading technology in hearing and acoustics with products from hearing aids to headsets and loudspeakers. The Copenhagen region is now considered to be one of the world's leading clusters in the fields of acoustics, hearing and mobile communication.

Danish researchers have spent several decades building up world-class knowledge of acoustics and hearing thanks to a deliberate focus on offering advanced hearing aids for everyone. Three of the world's top manufacturers of hearing aids are Danish. Universities such as the Technical University of Denmark are known to be some of the best in their field in the world.

ACCESS TO KNOW-HOW

INVISIO originated from this tradition. INVISIO's engineers come to the company with many years' experience from the Danish audio research and industry.

- Denmark would never have become so prominent in the field of acoustics and hearing if it had not invested in hearing technology early

on. And INVISIO would never have become reality without access to all this knowledge, says Steen Iversen, project manager at INVISIO.

After training in audiology and electronics, Steen worked for the Danish air force before moving on to the hearing aid industry for many years. When he joined INVISIO in 2007, he brought a unique understanding of hearing instruments, acoustics and the conditions under which the technology has to be used.

UNIQUE BREADTH OF KNOWLEDGE

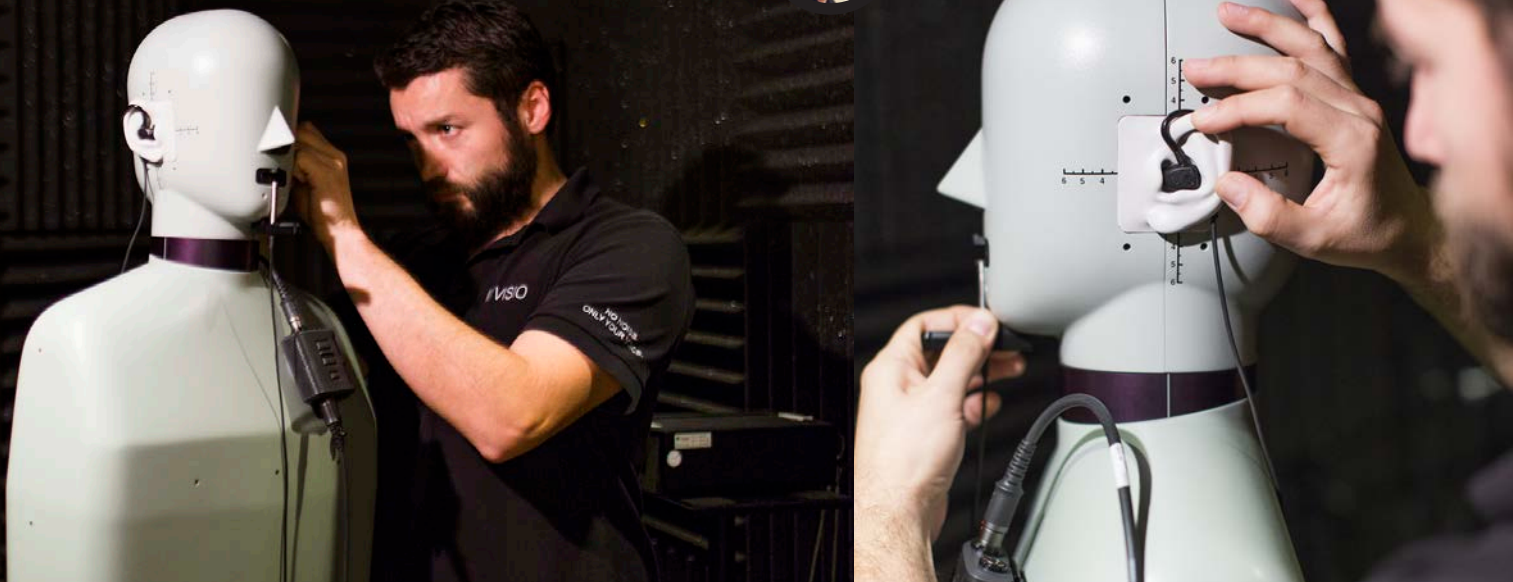
- A number of our competitors have expertise comparable with ours. But I would claim that none of them have the same scope as INVISIO, says Steen Iversen and relates that unique know-how and a holistic

approach are required to develop a product such as INVISIO V60 or X5. Headsets which are to operate in extreme environments and underwater also require knowledge of materials engineering. A control unit which is to be easily connectable to a two-way radio, a cellphone, or a computer requires top-level knowledge of mobility and communication.

- As some of them specialize in hearing protection, we can offer that and we also know how to design headsets which allow wearers to hear what they need to hear. Lots of people can design radio interfaces, but nobody has as flexible a solution as ours that functions with all types of radio, cellphones etc.

- The big picture is what makes INVISIO stand out from the crowd, says Steen Iversen.

- The ability to combine knowledge about human hearing, acoustics, electronics and mechanics makes INVISIO's products unique, says Steen Iversen.



HEARING - A FANTASTIC SENSE



Sound contains a vast amount of very complex information. Thanks to humans' advanced sense of hearing they can understand the significance of speech and appreciate music. Hearing is also vulnerable. A physical injury cannot be repaired. Hearing aids can mitigate the effects but the social capacity of the person affected will nevertheless be reduced.

Deterioration is often gradual and the person will perhaps not notice anything until he or she experiences distorted sound or deafness. But the deterioration may also come suddenly, for example after a sudden explosion, with immediate hearing impairment as a consequence. Speech may be difficult to hear and the person will probably have difficulty in participating in conversations.

Recently conducted studies indicate that this isolation can also lead to mental illness. People with impaired hearing often leave the labor market early due to poor social interaction.

THE SHAPE OF THE OUTER EAR

There is a complex science behind what everyone with normal hearing takes for granted. We remember from our school-days those drawings of the complex inner ear, with the cochlea, malleus, incus, and stapes which amplify sound. What most people have spent less time studying is how sound reaches the eardrum and exactly why the shape of the outer ear helps us to perceive direction.

The human ear is designed to allow us to perceive depth and direction. The complex shape of the ear allows

us to tell where sound is coming from and even analyze its depth. We can tell whether a sound is coming from the left or right, we can also determine whether it is behind or in front of us, and whether it is nearby or far away.

Humans use a number of physical principles to detect direction. We can use phase offsets for low frequencies with long soundwaves. For frequencies below 1,500 Hz, soundwaves are so long that they reach the left and right ears slightly out of phase. When the wave reaches a peak at one ear, it will already be heading back down when it reaches the other.

This principle does not work with higher frequencies, where the wavelength may be just a couple of centimeters. Instead, the ear detects the fact that the sound is louder in the ear nearest to the source of the sound.

The shape of the outer ear is important to allow humans to tell where a sound is coming from. The ear is not symmetrical, so sound is refracted differently depending on where it is coming from. The spectrum will change slightly depending on the direction, and human hearing can tell this.

The sound will be reflected to differing extents on its way to the ear, depending on whether the source is nearby or far away. This helps us to perceive distance and depth.

But it does not explain how we know whether the source of a sound is behind and not in front of us. The sound will reach both ears at the same time anyway.

It is harder to tell whether a sound is coming from behind or in front of us, than it is to know whether it is coming from the right or left. We can improve our direction perception by turning our heads slightly. We often do this without even thinking. This is why it is extremely important to keep our ears free and not cover them with huge ear cups which prevent us telling which direction a sound is coming from.

It is important to understand that the ability to perceive direction differs from person to person. We learn throughout our lives to interpret how our ears affect sound. Audio recordings and playbacks inside the auditory canal show that the shape of the outer ear is very important for interpreting directional information.

CSR AND SUSTAINABILITY

INVISIO's responsibility as a company refers to all areas of sustainability: environment, health and safety, compliance requirements, and caring for employees, customers, suppliers and partners. The company wants to be a good social citizen, taking responsibility for a sustainable society and using resources, be they raw materials, energy or people, as wisely and sustainably as possible, and without restricting the ability of future generations to make their own choices.

INVISIO's operations can largely be compared with work in a traditional office environment. As regards manufacturing, supply of components and selling products, the company collaborates extensively with partners, all of which are subject to INVISIO's code of conduct for suppliers and partners.

EXAMPLES OF ACTIVITIES IN 2015

In 2015 INVISIO further developed in its role as a listed company focused on operating in international markets. The management group has implemented the company's code of conduct for suppliers and partners in order to ensure that they act responsibly. There were also activities to support our corporate culture, focusing on brand and core values.

PRODUCTS FOR PERSONAL SECURITY

As a world leader in its market, INVISIO endeavors to give users personal protection that makes a difference in their work. The company's products help people in tough environments to communicate, be protected against permanent hearing loss and function more effectively.

In practice this means that the company improves individual safety as well as health and sustainability. Apart from reducing the suffering of individuals this also reduces society's costs for medical care and compensation due to hearing impairment from exposure to excessive noise levels.

Hearing – a matter of safety

To be heard clearly while in a loud and noisy environment is a matter of safety. Extreme noise from helicopters, heavy vehicles, explosions, and gunfire is a part of everyday life for military units and special forces. Work environments are often noisy also in the police force, SWAT teams and in heavy industries. For these individuals, hearing and reliable communications may be the difference between success and failure.

In addition, effective hearing protection is necessary to avoid permanent hearing loss. However it must be a solution that lets through the sounds the wearer needs to hear to work effectively. Wearers sometimes omit to use simpler, traditional hearing protection as they do not want to miss important information about what is happening around them.

INVISIO's solutions allow normal speech to be heard but close out harmful frequencies.

QUALITY

INVISIO develops high-tech products in an environment regulated by directives and standards. The company is certified under the quality standard ISO 9001:2008 and complies with the requirements of international legislation and product safety standards, such as CE labelling, EMC, RoHS, REACH, WEE, IECEx and MIL-STD 810G, as well as various national directives and legislation. Materials testing, assessment of long-term properties and external product con-

trol are carried out by external test houses such as SP and TÜV. All suppliers are evaluated and selected in accordance with established processes, where compliance with the company's code of conduct is one of the evaluation criteria.

All in all, INVISIO takes responsibility for delivering products that are safe, of high quality and live up to their performance claims. Customers also carry out testing and evaluation for periods that are often long and comprehensive.

ENVIRONMENT

INVISIO does not conduct activities that are subject to reporting under the Swedish Environmental Code. The day-to-day office work does not have any extensive impact on the environment, but in all areas possible the company endeavors to improve the environment. The ambition is to be economical with energy and use of resources in day-to-day activities, such as through waste separation at source or avoiding unnecessary consumption of materials.

The company's products are developed and manufactured with components from well-established and trusted suppliers. The contract manufacturer Scanfil and several other contractors, resellers and defense customers are certified under the environmental standard ISO 14001. All freight partners work actively on environmental issues.



BUSINESS ETHICS

The company's staff manual and anti-corruption policy set out how the company is to act as a business partner, employer and actor in society. These guidelines together with INVISIO's core values and policies form a foundation for work performance, the quality and treatment the company offers to customers, partners, investors and employees. INVISIO supports the UN Global Compact that contains ten principles on human rights, labor, environment and anti-corruption. Laws, provisions and standards constitute minimum levels for our actions.



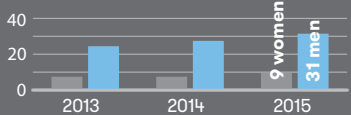
INVISIO AS AN EMPLOYER



Percentage of employees per work area



Gender distribution



DIVERSITY - GOOD FOR BUSINESS AND EMPLOYEE WELLBEING

INVISIO's headquarters are in Copenhagen, but the company operates throughout the world. INVISIO has 40 employees of ten different nationalities and languages. A diverse workforce reflects the customers and better meets their needs. In addition, it furthers new ideas, challenges norms and increases the power of innovation.

Outstanding expertise and top-level skills are the hallmark of INVISIO's people. About half the staff work on research and development. The engineers specialize in fields such as acoustics, mechanics, and software. In addition, INVISIO has employees with experience from international sales and marketing, quality assurance and all stages of production.

Questions concerning the work environment, health and safety are regulated in the company's staff

manual and are handled within the framework of applicable legislation. The work environment is characterized by respect and trust for every individual employee. Insulting behavior and all forms of discrimination are unacceptable and employees are expected to treat each other as they wish to be treated themselves. Everyone is entitled to a safe and fulfilling workplace.

People who start work at INVISIO usually feel at home. This is evidenced by the company's low staff turnover. More than half the employees have worked at INVISIO for five years or more. Apart from a challenging job in an international environment, INVISIO can also offer an attractive location. The premises are well-placed geographically with good access to public transport regardless of whether you live in Copenhagen or in the Malmö region.

During the year new employees were recruited in all the company's areas of operation. At year-end the number of employees, restated as full-time positions, was 40, of whom 31 men (27) and 9 women (7). During the year staff turnover was 0 percent and the aggregate sickness absence in relation to total number of hours worked was 1.2 percent.

SOCIAL COMMITMENT

INVISIO supports national charities in Denmark with humanitarian values and a focus on helping people in need of support. In 2015 donations were made to Knæk Cancer and Hjaelp nu. More information can be found at <https://www.cancer.dk/stoet-os/det-sker/knaek-cancer/> and <http://www.hjaelpnu.nu>.

HISTORY

INVISIO was established in 1999 in Copenhagen to develop headsets for communication based on bone conduction technology. In 2003 the company was registered in Sweden.

Until 2007 the company marketed its products to the consumer market and professional users. At that time the share was listed on the NGM stock exchange and then on Nasdaq First North. In 2008 operations were streamlined to focus on communication solutions with inbuilt hearing protection for professional users. In 2015, the INVISIO share was listed on Nasdaq Stockholm.

2015

Continued orders from American TCAPS. Several important new procurement contracts won and strengthened position in the market for advanced hearing protection and communication solutions. Major contracts and orders from armies in the United Kingdom, Canada, Australia and Sweden. Company listed on Nasdaq Stockholm.

2014

Several large follow-up orders from the American TCAPS program and several volume orders from other NATO countries' Special Forces. Sales increase by more than 130 percent and INVISIO reports a profit for the first time. Launch of the second generation headset, INVISIO X5.

2013

Breakthrough order for SEK 40 million from the US Army through the TCAPS modernization program. Special Forces in several NATO countries continue to place orders. Full year sales more than doubled to SEK 85 million. Awarded ISO certification.

2012

Improved technical advantage through the launch of the INVISIO V60, the industry's smallest and most advanced hearing protection and communication system. Receipt of a follow-up order for an army customer in NATO worth SEK 32 million, another important reference order.

2011

Launch of hearing protection and communication system INVISIO S10 for use together with a radio unit. This was followed by an order from the Danish army worth SEK 11.5 million, an important reference order from the domestic market.

2010

A number of reference orders were received from American and European defense customers. Through partners the company started to participate in procurements for defense modernization programs. Launch of the INVISIO X6 headset, which can be adapted to the wearer's ear shape. Name changed to INVISIO Communications to clarify that the operations cover more than just headsets.

2009

Launch of the first digital hearing protection and communication system for use with multiple radios, the control unit INVISIO X50 with the INVISIO X5 headset. The first volume orders for these were received from individual NATO countries' Special Forces. Changed market segment to Nasdaq First North Premier.

SHARE DATA AND OWNERSHIP STRUCTURE

Share capital

The share capital of INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company") totaled SEK 42,240,161 as per December 30, 2015, divided into 42,240,161 shares (registered number), each with a quotient value of SEK 1.0. Each share carries equal entitlement to the Company's assets and profits and entitles the same voting rights. At general meetings, each individual entitled to vote may vote for the full number of shares held by the individual without any limitation on voting rights. As per December 30, INVISIO Communications had 4,284 (1,229) shareholders.

GROWTH IN SHARE CAPITAL

Year	Transaction	Increase in the number of shares	Total number of shares	Increase in share capital, SEK	Total share capital, SEK	Quotient value, SEK
2003-11-11	Company formation	1,000	1,000	100,000	100,000	100
2004-03-24	Split (100:1)	99,000	100,000	0	100,000	1
2004-03-24	Directed new share issue	400,000	500,000	400,000	500,000	1
2004-06-30	Non-cash issue	8,663,915	9,163,915	8,663,915	9,163,915	1
2004-07-30	Directed new share issue	1,500,000	10,663,915	1,500,000	10,663,915	1
2005-12-22	Share issue with pre-emption rights	2,132,783	12,796,698	2,132,783	12,796,698	1
2006-09-24	Option redemption	79,755	12,876,453	79,755	12,876,453	1
2006-10-12	Directed new share issue	1,270,000	14,146,453	1,270,000	14,146,453	1
2006-10-30	Option redemption	464,000	14,610,453	464,000	14,610,453	1
2006-10-30	Option redemption	53,000	14,663,453	53,000	14,663,453	1
2007-05-04	Share issue with pre-emption rights	1,947,078	16,610,531	1,947,078	16,610,531	1
2007-05-21	Share issue with pre-emption rights	147,701	16,758,232	147,701	16,758,232	1
2007-07-04	Option redemption	39,550	16,797,782	39,550	16,797,782	1
2007-09-24	Option redemption	22,600	16,820,382	22,600	16,820,382	1
2007-11-13	Share issue with pre-emption rights	2,803,397	19,623,779	2,803,397	19,623,779	1
2008-01-15	Option redemption	75,900	19,699,679	75,900	19,699,679	1
2008-02-06	Option redemption	126,005	19,825,684	126,005	19,825,684	1
2008-06-30	Option redemption	240,400	20,066,084	240,400	20,066,084	1
2008-08-15	Option redemption	90,000	20,156,084	90,000	20,156,084	1
2008-09-30	Option redemption	50,000	20,206,084	50,000	20,206,084	1
2008-09-30	Option redemption	230,000	20,436,084	230,000	20,436,084	1
2008-11-17	Option redemption	25,000	20,461,084	25,000	20,461,084	1
2008-12-02	Option redemption	185,000	20,646,084	185,000	20,646,084	1
2009-01-07	Option redemption	138,000	20,784,084	138,000	20,784,084	1
2009-02-11	Option redemption	150,000	20,934,084	150,000	20,934,084	1
2009-03-31	Share issue with pre-emption rights	83,106	21,017,190	83,106	21,017,190	1
2009-09-25	Directed new share issue	547,936	21,565,126	547,936	21,565,126	1
2010-01-11	Directed new share issue	500,000	22,065,126	500,000	22,065,126	1
2010-03-18	Directed new share issue	383,562	22,448,688	383,562	22,448,688	1
2010-08-02	Directed new share issue	1,052,632	23,501,320	1,052,632	23,501,320	1
2011-01-11	Share issue with pre-emption rights	2,350,132	25,851,452	2,350,132	25,851,452	1
2011-12-20	Share issue with pre-emption rights	4,327,402	30,178,854	4,327,402	30,178,854	1
2011-12-29	Share issue with pre-emption rights	2,525,497	32,704,351	2,525,497	32,704,351	1
2012-01-09	Share issue with pre-emption rights	963,086	33,667,437	963,086	33,667,437	1
2012-05-07	Directed new share issue	2,500,000	36,167,437	2,500,000	36,167,437	1
2012-12-19	Directed new share issue	2,272,724	38,440,161	2,272,724	38,440,161	1
2013-11-04	Directed new share issue	2,500,000	40,940,161	2,500,000	40,940,161	1
2013-12-27	Directed new share issue	1,300,000	42,240,161	1,300,000	42,240,161	1

Share price data

The chart on the right shows the price trend for INVISIO Communications shares (IVSO) in 2011–2015. The closing price on December 30, 2015, was SEK 75.75, entailing a total value of approximately SEK 3,200 million. During the period January 2, 2015 - December 30, 2015, a total of 27.6 m shares were traded at a value of SEK 1,153 million.

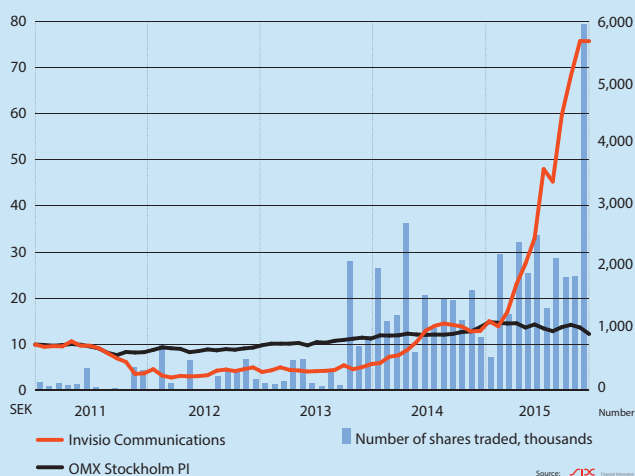
Trading

INVISIO Communications shares are traded on Nasdaq Stockholm Mid Cap under the ticker name IVSO and has the ISIN code SE0001200015. All shares carry equal entitlement to dividends and shares in the Company's profit, as well as a share in its assets in case of liquidation.

Dividend policy

According to the dividend policy adopted by the Board of INVISIO, future dividends shall be determined with consideration for INVISIO's long-term growth and earnings development, as well as its capital requirements, with due consideration for financial targets. The goal for the dividend is to stay within an interval of 25 to 50 percent of profit after tax. INVISIO will continue to focus on expansion of the business, and all internally generated capital is intended for this purpose. Therefore, the Board of Directors does not intend to propose dividends over the next few years.

Share performance 2011-2015



Owners of INVISIO Communications, as per December 30, 2015

Owner	No.shares	% votes and capital
Lage Jonason, with family and companies	11,141,520	26.4
SIX SIS AG, on behalf of clients	7,518,880	17.8
Handelsbanken Fonder	2,652,692	6.3
Swedbank Robur fonder	2,363,498	5.6
Ingo Invest AB	1,224,280	2.9
SEB Life International Ass. Company Limited	1,005,000	2.4
Försäkringsaktiebolaget Avanza Pension	909,235	2.2
Svenska Handelsbanken AB For PB	863,000	2.0
Banque Carnegie Luxembourg SA	827,706	2.0
Morgan Stanley & CO Intl PLC, W-8Ben	485,209	1.1
Other	13,249,141	31.4
Total	42,240,161	100.0

SUMMARY OF OUTSTANDING STOCK OPTIONS

Option program	Number of options	Subscription price, SEK	Maximum allocation, no	Actual allocation, no	Possible increase in share capital, SEK	Exercise date	Dilutive effect, %
2013/2017	2,000,000	5.10-5.30	2,000,000	1,898,333	1,898,333	May 2016 Nov 2016 May 2017	4.3

Employee stock options

At an extraordinary general meeting held on April 24, 2013 a decision was made, in accordance with a proposal by the Board of Directors, to establish an employee stock option program comprising a decision to issue stock options, plus approval of the transfer of stock options, Employee Stock Option Program 2013/2017.

This program is targeted at company employees in Denmark. To ensure access to shares in the company for transfer within the Employee Stock Option Program 2013/2017, stock options

were issued to the wholly owned Danish subsidiary INVISIO Communications AS. These stock options entitle holders to subscribe for a total of no more than 2,000,000 shares in the company. In the event of full subscription and full exercising of stock options, this increase in the company's share capital will amount to SEK 2,000,000. As shown in Note 8 1,898,333 stock options have been allocated why the maximum dilution would only be 1,898,333 shares, representing 4.3 percent of the share capital.

CORPORATE GOVERNANCE REPORT

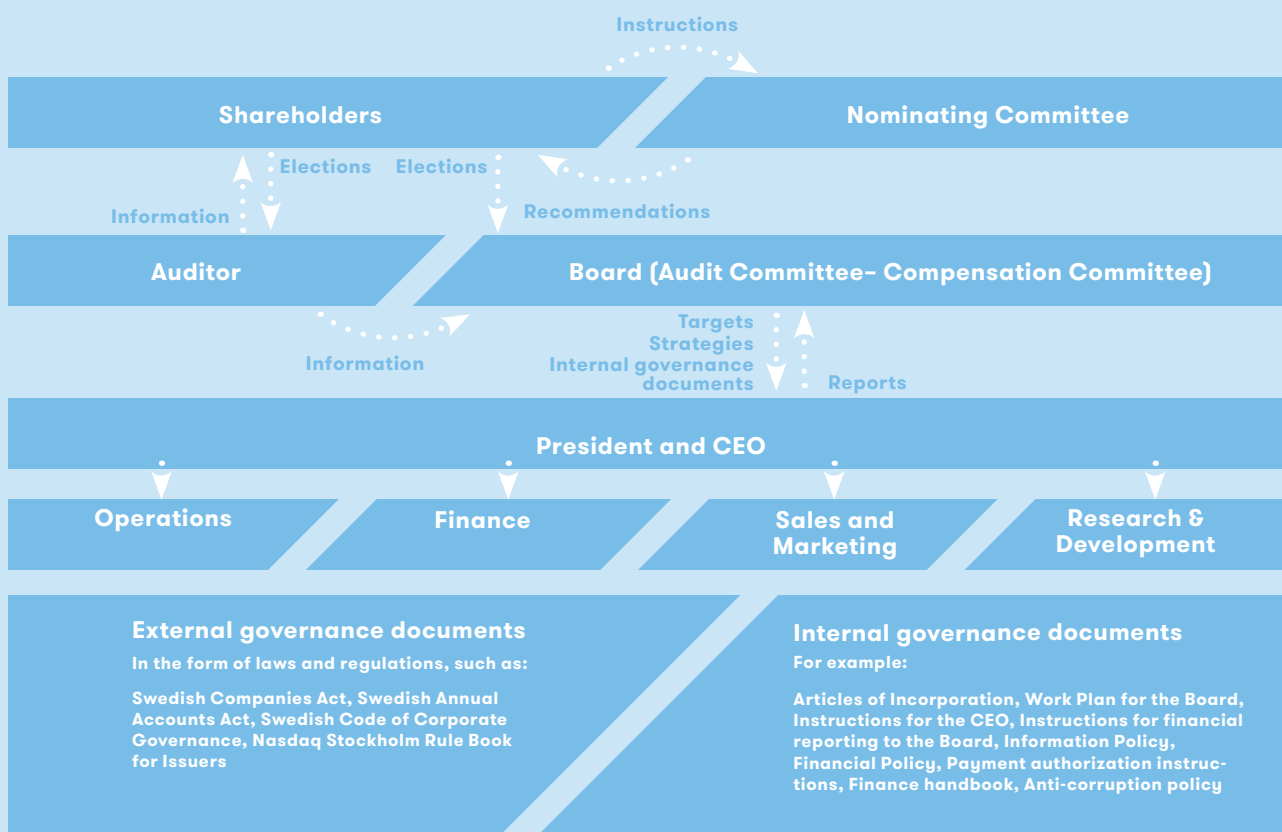
INVISIO Communications AB (publ) (“INVISIO Communications” or “the Company”) is a Swedish limited liability company with its registered office in Stockholm, Sweden. Apart from the parent company the Group consists of the wholly-owned subsidiaries INVISIO Communications A/S, Nextlink IPR AB and Nextlink Patent AB. The company is listed on Nasdaq Stockholm. Governance of the Company and Group is based among other things on the Articles of Association, the Swedish Companies Act and the Nasdaq Stockholm Rule Book for Issuers, which includes the Swedish Code of Corporate Governance, valid from November 1, 2015 and internal regulations and policies. This corporate governance report, which has been compiled in accordance with the Swedish Annual

Accounts Act and the Swedish Code of Corporate Governance, has been audited by the Company’s auditor.

Overview of corporate governance at INVISIO Communications

Governance and control of INVISIO Communications are divided between shareholders attending general meetings, the Board of Directors, and the CEO. An overview of the organization, governance, and control (including external and internal governance documents) of INVISIO Communications and the Group is provided below.

Overall governance structure of INVISIO Communications



Articles of Association

The Articles of Association for INVISIO Communications stipulate that the company, alone and/or through wholly or partly owned companies is to develop, produce and sell headsets and equivalent products for phones and two-way radios. The registered office of the company is in Stockholm and the company’s financial year is calendar year. In other respects, the Articles of Association contain provisions concerning the number of shares, the number of board members and auditors and the Annual General Meeting.

The Articles of Association do not include any particular provisions on appointment or dismissal of board members or on amendment of the Articles of Association. The full Articles of Association can be downloaded from www.invisio.com.

Shareholders

SHAREHOLDERS' VOTING RIGHTS

INVISIO Communications has been listed on Nasdaq Stockholm since May 2015. The Company's share capital at December 31, 2015 amounted to SEK 42.2 million (42.2), divided into 42,240,161 shares (42,240,161), each with a quotient value of SEK 1.00. All shares have equal voting rights and there is no limit to the number of votes each shareholder may use at a general meeting. The Company's market capitalization, based on the closing price on December 30, 2015, was approximately SEK 3,200 million (541).

NUMBER OF SHAREHOLDERS

As at December 30, 2015, INVISIO Communications had 4,284 (1,229) shareholders. Major shareholders are Lage Jonason (with family and companies) holding 26.4 percent of the capital and votes, SIX SIS AG, on behalf of clients, holding 17.8 percent of the capital and votes, Handelsbanken fonder with 6.3 percent of the capital and votes, and Swedbank Robur Fonder holding 5.6 percent of the capital and votes.

GENERAL MEETING OF SHAREHOLDERS

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

The Annual General Meeting (AGM) of INVISIO Communications must be held within six months of the close of the financial year and is usually held in April, in Stockholm. At the AGM, resolutions are adopted concerning – among other things – adoption of the Company's income statement and balance sheet, the consolidated income statement and consolidated balance sheet, disposition of the Company's profit or loss, discharge of the board members and CEO from liability to the Company, election of members of the Board, the Chairman of the Board, and auditors, the setting of board and auditors' fees, and other items of business that are incumbent upon the AGM pursuant to the Swedish Companies Act, the Articles of Association 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.

2015 ANNUAL GENERAL MEETING

The 2015 Annual General Meeting was held in Stockholm on April 23. A total of 14 shareholders or their proxies were present, representing 39 percent of the number of shares and votes. The minutes from the AGM can be found on the INVISIO Communications website at www.invisio.com. A number of the resolutions that were passed are set out below.

Chairman of the Board Lars Röckert was elected to chair the AGM. The AGM resolved to adopt the Company's income statement and balance sheet for 2014, to adopt the consolidated income statement and consolidated balance sheet for 2014, to distribute the Company's earnings in accordance with the recommendation of the Board and the CEO in the 2014 Administration Report by carrying them forward, and to discharge the board members and the CEO from liability for the 2014 financial year.

Lars Röckert, Anders Persson, Mats Warstedt, Lage Jonason, Annika Andersson and Charlotta Falvin were re-elected as members of the Board. Lars Röckert was elected to serve as Chairman of the Board. The Annual General Meeting resolved that a board fee of SEK 300,000 shall be paid to the Chairman of the Board and SEK 135,000 to each of the other board members. The AGM also resolved that fees shall be payable to the auditor in accordance

with an approved invoice and decided on guidelines for remuneration to the CEO and other senior executives. Further, the AGM adopted a set of instructions for the Nominating Committee.

2016 ANNUAL GENERAL MEETING

The 2016 Annual General Meeting will be held on Thursday, April 28, 2016, at 13.00. Notice of the AGM can be found on the INVISIO Communications website at www.invisio.com.

Nominating Committee

A nominating committee shall be appointed and shall work during the time until a new nominating committee has been appointed on the drafting and presentation of recommendations to the shareholders at the AGM regarding Chairman of the AGM, the number of directors, election of directors and the Chairman of the Board, the fees to be paid to the Chairman of the Board and the directors, election of the auditor, the fees to be paid to the 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 to serve on the Nominating Committee. If any of the three largest shareholders refrain from appointing a Nominating Committee member, the Chairman of the Board shall urge the next following largest owner to appoint a member. The analysis of the ownership is to be based on Euroclear's list of shareholders on the last banking day in August, and on other reliable information provided to the Chairman of the Board at this time.

In the event of one member resigning from the Nominating Committee before its work is completed, the shareholders who have appointed the resigning member have the right to replace their designated member with another representative, as long as there is no substantial change of the ownership of the company.

The Chairman of the Board shall, if any substantial changes of the ownership of the company after the Nominating Committee have been constituted, enter into dialogue with the largest shareholders relating to possible changes of membership of the Nominating Committee.

Board members shall not comprise a majority of Nominating Committee members. One of the members of the Nominating Committee shall be appointed to serve as committee chair. The member representing the company's largest shareholders in terms of voting rights is appointed, if the members do not agree differently. However, the Chairman of the Board or other director shall not be appointed as committee chair.

As part of the Nominating Committee's work, the Chairman of the Board shall report to the committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be important to the work of appointing a board. Individual shareholders of the Company shall be able to submit nominations for board members to the committee for further evaluation within the framework of the committee's work.

Information on the Nominating Committee's composition shall be published on the company's website no later than six months before the AGM. Information how the shareholders can contact the Nominating Committee and how to submit proposals to the Nominating Committee shall be included.

No remuneration is paid to members of the Nominating Committee. The Nominating Committee shall however have the right to charge the Company the costs for engaging recruitment consultants, if such consultants are deemed necessary to obtain a suitable selection of candidates for the Board.

The Nominating Committee prior to the 2016 AGM comprised representatives of the three largest shareholders, Elisabet Jamal Bergström, representing Handelsbanken Fonder, who also chaired the Nominating Committee, Lennart Francke, representing Swedbank Robur fonder, Lage Jonason, representing himself and family and companies, and Chairman of the Board Lars Röckert.

Board of Directors THE BOARD'S RESPONSIBILITY, DUTIES, AND DELEGATION OF DUTIES

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

Each year, in connection with the inaugural board meeting, and in conjunction with other board meetings if necessary, the Board of INVISIO Communications adopts a work plan (the Work Plan for the Board of Directors of INVISIO Communications). According to this work plan, the Board's duties include setting targets and strategies, adopting internal governance documents, approving important agreements, approving investments according to certain criteria, approving capital expenditures (including acquisitions of operations, shares in companies, real property and intellectual property rights), approving sales of operations, shares in companies, real property, and intellectual property rights, approving loans raised according to pre-determined criteria, approving important surety and guarantee obligations, evaluating the CEO and other members of management and ensuring succession planning, overseeing the CEO's work through continuous monitoring of operations, and evaluating the work of the Board.

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

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

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

AUDIT COMMITTEE

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

The Audit Committee's duties and responsibilities include:

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

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

The Audit Committee consists of all of the board members and is chaired by the Chairman of the Board. Minutes from Audit Committee meetings are included in the minutes from Board meetings. The company's auditor and CFO participate regularly at the meetings of the Audit Committee.

At Board meetings, the Audit Committee discussed the 2014 year-end report, the 2014 Annual Report and the interim reports for the first, second and third quarters 2015. At board meetings, the Audit Committee met with the Company's auditor to receive information on the audit plan and the result of the auditor's audit and to examine the auditor's written plans and reports.

COMPENSATION COMMITTEE

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

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

COMPOSITION OF THE BOARD AND ITS COMMITTEES AND INDEPENDENCE OF THE BOARD

According to the Articles of Association, the Board of INVISIO Communications shall consist of a minimum of three and maximum of eight members and currently consists of six members elected for the period up to the 2016 AGM. These board mem-

Composition of the board of directors

2015	Born	Position	Elected	Independent	Audit Committee	Compensation Committee	Attendance at board meetings
Lars Röckert	1950	Chairman	2010	Yes	Chairman	Chairman	9 of 10
Anders Persson	1957	Member	2009	Yes	Member	Member	10 of 10
Mats Warstedt	1962	Member	2008	Yes	Member	Member	10 of 10
Annika Andersson	1958	Member	2014	Yes	Member	Member	10 of 10
Charlotta Falvin	1966	Member	2014	Yes	Member	Member	10 of 10
Lage Jonason	1951	Member	2012	No ¹	Member	Member	10 of 10

¹Lage Jonason is not independent of major shareholders and independent of the Company and Company management.

bers are Lars Röckert, Anders Persson, Mats Warstedt, Annika Andersson, Charlotta Falvin and Lage Jonason. The composition of the Board's Audit Committee and Compensation Committee is shown in the table "Composition of the Board in 2015" above. The same table also shows the Board's assessments of the members' independence in relation to the Company and company management and the Company's largest shareholders. The table also shows that INVISIO Communications complies with the requirement of the Swedish Code of Corporate Governance that a majority of board members shall be independent in relation to the Company and company management and that at least two of these shall also be independent in relation to the Company's major shareholders.

THE WORK OF THE BOARD

According to the Board's Work Plan, INVISIO Communications' Board shall meet at least six times each year, excluding the inaugural Board meeting. In 2015, the Board held ten meetings. The attendance of board members at board meetings is shown in the above table. The main issues covered at board meetings in 2015 were:

- Year-end report 2014,
- Annual report 2014,
- Internal governance documents,
- Evaluating the CEO and other members of management and succession planning
- Compensation of the CEO and other senior executives,
- Evaluating the work of the Board,
- Sales processes and sales activities,
- R&D,
- Production matters,
- Follow up on targets and strategies,
- Financial accounting and reporting,
- Internal forecasts regarding sales, profits and liquidity,
- Liquidity and financing matters,
- Interim Report January - March 2015,
- targets and strategies
- The auditor's audit plan,
- Half-year report January - June 2015,
- Interim Report January-September 2015,
- The CEO's report and business follow-up, and
- The audit findings.

The Company's CFO normally acts as secretary at the Board meetings.

EVALUATING THE WORK OF THE BOARD

According to the Board's Work Plan, the Chairman of the Board is responsible for ensuring that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work forms and effectiveness. For 2015 evaluation

took place partly through a questionnaire that was then compiled and commented on by an independent party, and partly through separate interviews with each member of the Board conducted by the Nominating Committee. These interviews were held with Elisabet Jamal Bergström, representing Handelsbanken Fonder and Lennart Francke, representing Swedbank Robur fonder.

Auditor

INVISIO Communications' auditor audits the annual accounts, the consolidated accounts, and the bookkeeping, as well as the administration of the Board and the CEO. In addition, for a company whose shares are available for trading in a regulated market, the auditor also audits the corporate governance report. The auditor works according to an audit plan and reports any findings to the Audit Committee at board meetings. The auditor participates at the AGM in order to present the auditor's report, which describes the audit work and the auditor's conclusions.

At the Board's request, the auditor also conducted a review of the interim report for January - September 2015.

The Company's auditors, PricewaterhouseCoopers AB, were re-elected at the 2015 AGM for the period until 2016. The auditor-in-charge is Michael Bengtsson, Authorized Public Accountant.

CEO, management and organization

According to the Swedish Companies Act, the CEO shall be responsible for the day-to-day administration in accordance with the Board's guidelines and instructions. Each year, in connection with the inaugural board meeting, the Board of INVISIO Communications adopts a set of instructions for the CEO. According to these, the CEO shall, in consultation with the Chairman of the Board, ensure that matters are properly prepared for ahead of Board meetings and that satisfactory written documentation for decision-making, characterized by objectivity, thoroughness, and relevance, is provided to the Board. The CEO's report on the business situation, future outlook, and financial reporting is a standing agenda item at ordinary board meetings.

INVISIO Communications operations are organized in four departments: Operations, Finance & Administration, Sales & Marketing and Research & Development. The headquarters of INVISIO Communications are in Copenhagen, Denmark. This is where management and administration, business operations, some manufacturing, sales and marketing and research and development are conducted. Most manufacturing is outsourced to subcontractors. The CEO heads operations and makes decisions in consultation with the other members of management, consisting of the managers of the four departments. On December 31, 2015 the number of employees was 40 (34), 21 (16) of whom working in Research & Development.

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

COMPENSATION OF THE BOARD OF DIRECTORS

Board fees are determined by the shareholders at general meetings. The 2015 AGM resolved that board fees totaling SEK 300,000 shall be paid to the Chairman of the Board and SEK 135,000 to each of the other board members. No additional fees are payable to members of the Audit Committee or Compensation Committee. Compensation of the Board is described in more detail in Note 9.

COMPENSATION OF THE AUDITOR

The auditor's fees are decided on by the general meeting of shareholders. The 2015 AGM resolved that fees shall be payable to the auditor in accordance with an approved invoice. Auditor's fees are shown in the table below. Other services pertain primarily to consulting on accounting matters and other services. Auditors' fees are described in more detail in Note 6.

SEK thousand	2015
PwC	
Audit assignments	342
Audit business in addition to audit engagement	53
Other services	286
Total	681

COMPENSATION OF THE CEO AND OTHER SENIOR EXECUTIVES

The Company shall offer market terms for the countries in which they work to the CEO and other senior executives and thereby enable the Company to recruit, develop, and retain senior executives. The Company gathers and evaluates information on current compensation levels for executives in relevant industries and countries. Individual remuneration shall be based on the executive's experience, expertise, responsibilities, and performance. A combined gross level of compensation shall be set for each executive, and within this framework the employee concerned can influence its distribution between fixed salary, pension, and other benefits. Any pension benefits shall be through a defined contribution plan. Any other benefits shall have a limited value in relation to the total fixed gross salary. In addition, a variable salary based on clear and quantifiable targets set by the Board can be offered. Variable salary shall not exceed 50 percent of the fixed salary.

Neither the Parent Company nor the subsidiaries have any defined benefit pension plans for their employees. Compensation of the CEO and other senior executives is shown in the following table.

2015 SEK thousand	Salary	Pension	Other remuneration	Total
Management				
Lars H. Hansen, CEO	3,552	274	98	3,924
Other senior executives	6,174	157	212	6,543
Total	9,726	431	310	10,467

Compensation of the CEO and other senior executives is described in more detail in Notes 8 and 9.

LONG-TERM INCENTIVE PROGRAM

At an Extraordinary General Meeting held on April 24, 2013, a decision was made in accordance with a proposal by the Board of Directors, to establish an employee stock option program; Employee Stock Option Program 2013/2017. This program is described in more detail in Note 8.

PERIOD OF NOTICE

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

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

The Board's report on internal control and risk management referring to financial reporting

The Board is responsible for ensuring that internal controls referring to financial reporting comply with the Swedish Companies Act and the Swedish Code of Corporate Governance.

Internal control and risk management with respect to financial reporting are part of INVISIO Communications' overall internal control and risk management and comprise a central component of the Company's corporate governance. INVISIO Communications defines internal control and risk management as a process that is influenced by the Board, the Audit Committee, the CEO, other Company management, and other employees and that is designed so as to provide reasonable assurance that INVISIO Communications' targets are achieved with respect to appropriate and effective operations, reliable reporting, and compliance with applicable laws and ordinances. 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 Board's report on internal control and risk management referring to financial reporting can be found below with information about the most important features of the Company's systems for internal control and risk management with respect to financial reporting. This report has been audited by the Company's auditor.

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

CONTROL ENVIRONMENT

The control environment encompasses the values and the ethics that the Board, the Audit Committee, the CEO and other members of management communicate and adhere to, as well as the organizational structure, leadership, decision-making channels, authority, responsibilities and expertise held by the employees. An overview of the Company's organization, governance, and control – including external and internal governance documents that are important aspects of INVISIO Communication's control environment are described on page 28 of the Corporate Governance Report. INVISIO Communications is characterized by a comparatively lean and decentralized organization with clear responsibility for the respective business area managers who, together with the CEO, comprise company management.

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

The Board has appointed an Audit Committee, comprising all board members, tasked with and responsible for monitoring the Company's financial reporting and, in this context, also monitoring the effectiveness of the Company's internal control and risk management. The Audit Committee shall also keep itself informed

about the audits of the annual accounts and the consolidated accounts, examine and monitor the external auditor's impartiality and independence and in that context pay particular attention to whether the external auditor provides the Company with services other than auditing, and assist with the preparation of proposals to the AGM on decisions regarding the choice of auditor.

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

As regards financial reporting, responsibility for maintaining an effective control environment and for the day-to-day work on internal control and risk management is delegated to the CEO. The Company's CFO works under the direction of the CEO on continuously developing and improving the internal control and risk management with respect to financial reporting – on the one hand proactively with a focus on the internal control environment, on the other hand by quality assuring the external financial reporting. In 2015, INVISIO Communications continued the review of internal governance documents in order to ensure that they meet the Company's current needs and are in compliance with laws, applicable accounting standards, and other requirements of listed companies. This resulted in updates to a number of internal governance documents. In addition to this, the focus in 2015 was on effective financial control in the form of internal follow-up of targets and plans and clear divisions of responsibility for income and expenses in the organization.

Risk assessment

As regards financial reporting, INVISIO Communications' risk assessment is designed to identify and evaluate the most significant risks affecting internal control with respect to financial reporting. Risk assessment provides a foundation for decisions on how risks are to be managed using various control structures, with the aim of ensuring that the basic requirements of financial reporting are fulfilled. The risk assessment carried out shows that the most significant risks of misstatements in the financial reports primarily concern fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade receivables. As at December 31, 2015, the assessment is that the carrying amount of these items corresponds to their fair value. The Company's risk management is described further in the Administration Report and in Note 2.

CONTROL STRUCTURES

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

INFORMATION AND COMMUNICATION

INVISIO Communications' procedures and systems for providing information are aimed at supplying the market with relevant, reliable, correct and up to date information about the company's development and financial position. The company's governance documents in the form of policies, guidelines and manuals for internal and external communication are regularly updated and communicated internally via relevant channels, such as internal meetings, email and the Company's document management system. The CEO and CFO of the Company report the results of their work at the Audit Committee meetings.

For communication with external parties there is an information policy adopted by the Board that specifies all guidelines for how information is to be communicated. The aim of the policy is

to ensure correct and full compliance with all INVISIO's disclosure requirements under current regulations for issuers.

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

FOLLOW-UP

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

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

ACTIVITIES IN 2015

INVISIO Communications works continually to minimize risks by removing redundant manual steps from the company's processes. A particular area of focus in 2015 has been the process for selection and evaluation of suppliers.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders of INVISIO Communications AB (publ), corporate identity number 556651-0987.

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2015 on pages 28-33 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 29, 2016

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

BOARD OF DIRECTORS



LARS RÖCKERT

Chairman since 2011.
Member since 2010.
Born 1950

Lars Röckert conducts business development and management consulting operations through his own company. He was formerly an active officer and has long experience of executive marketing and sales positions in the Swedish defense and security industry, including the SAAB Group, Ericsson and Bofors/BAE Systems.

Other engagements

Member of the Board of L.M.R. Business Development AB.

Education

Officer program at Karlberg, and Military College Higher Course (which corresponds to today's National Defense College's higher academic exams).

Holding

30,336 (with companies).

ANNIKA ANDERSSON

Member since 2014.
Born 1958.

Annika Andersson is the Vice-Chairman of Karolinska Institutet, Executive Chairman of Pantor Engineering AB, and an advisor in the field of corporate governance. She has long experience of the financial industry from organizations such as the Fourth Swedish National Pension Fund as head of research, portfolio manager and, most recently, as responsible for governance, information, and sustainability.

Other engagements

CEO and member of the Board of AR Advisory AB. Chairman of the Board of Pantor Engineering AB. Vice-Chairman of the Board of Karolinska Institutet. Member of the Board of Karolinska Institutet Holding, G5 Entertainment and Moira AB.

Education

M.Sc. Econ, Stockholm School of Economics.

Holding

10,000.

CHARLOTTA FALVIN

Member since 2014.
Born 1966.

After an operational career in IT and the telecoms industry, Charlotta Falvin now devotes herself to board positions. She has many years' experience of international business development and management including as deputy CEO at Axis and CEO of Decuma and The Astonishing Tribe (TAT).

Other engagements

Chairman of the Board of IDEON AB, Lund Technical University and Regional Board of Handelsbanken. Member of the Board of DORO AB, Bure Equity AB, CLX Communications AB, Chamber of Commerce of Southern Sweden, Research and Innovation Council in Skåne and member of the Advisory Board for SKJ Center for entrepreneurship at Lund University.

Education

MBA, Lund University.

Holding

0.



LAGE JONASON

Member since 2012.
Born 1951.

Lage Jonason has more than 30 years' experience of the financial sector. He runs his own business as an active investor and as Senior Advisor to Erik Penser Bankaktieföretag. His previous experience also covers own advisory services in corporate finance, CEO of JP Nordiska AB (now Ålandsbanken Sweden) and before that various management positions in Förvaltnings AB Ratos and Investment AB Skrinet, among others.

Other engagements

Member of the board and CEO of Lage Jonason AB. Chairman of the Board of Urb-it & Associates AB. Member of the board of INSPI AB, AB Paternum, AB G C Lapidem, AB I.V. Numen Adest, QQM Fund Management and Culot AB. Chairman of the Board of Stockholm International School Foundation and member of the Board of the Sweden-America Foundation.

Education

Master of Laws and M.Sc. Econ, Lund University.

Holding

11,141,520 (with family and companies).



ANDERS PERSSON

Member since 2009.
Born 1957.

Anders Persson runs his own consulting operations in business development and management. He has previously held leading roles in Net Insight AB, including as acting CEO and head of development, as well as having many years' experience from the Ericsson Group, most recently as General Manager for Network Design and Performance Improvement Services.

Other engagements

Chairman of the Board of Paynova AB. Member of the Boards of Hexatronic Group AB, TargetEveryOne AB and Persson Executive Consulting AB.

Education

M.Sc. Engineering physics from Chalmers University of Technology in Gothenburg.

Holding

53,336.



MATS WARSTEDT

Member since 2008.
Born 1962.

Mats Warstedt is the CEO of RUAG Space AB. He has broad experience of the international aerospace market from several leading positions in the Saab Group, including as CEO of Saab Barracuda and marketing director of Saab AB. Previous positions also include CEO of Innovativ Vision.

Other engagements

Member of the Board and CEO of RUAG Space AB. Member of the Board of Arianespace AS, RUAG Sweden AB and Mats Warstedt AB.

Education

M.Sc. in aerospace engineering, Royal Institute of Technology in Stockholm and M.Sc. in Business Administration and Economics, Stockholm School of Economics.

Holding

29,362.

MANAGEMENT GROUP



LARS HØJGÅRD HANSEN

CEO since 2007.
Employed: 2006.
Born: 1963.

Lars Højgård Hansen has long experience of international marketing, mainly in the telecom industry and has held several executive marketing positions in the Sony Ericsson group, including Sales & Marketing Director in the business unit Accessories EMEA, and GN Netcom A/S.

Other engagements

Member of the Boards of INVISIO's subsidiaries Nextlink Patent AB and Nextlink IPR AB.

Education

Graduate Diploma (HD), Copenhagen Business School and Executive MBA, Lund University, School of Economics.

Holding

409,722 shares and 350,000 employee stock options.



THOMAS LARSSON

CFO.
Employed: 2012.
Born: 1964.

Thomas Larsson has long experience of various financial and accounting roles both in listed companies and private companies at different phases of development, including Pharmacia and Doro Nordic AB. Thomas' most recent role was as CFO of Systemtextgruppen AB.

Education

M.Sc. Economics and Business Administration, Växjö University.

Holding

140,560 shares and 150,000 employee stock options.



CARSTEN AAGESEN

Sr. Vice President, Global Sales and Marketing.
Employed: 2007.
Born: 1968.

Carsten Aagesen has long experience of international sales and marketing from leading positions at GN Netcom A/S and Apple, among others. Previous experience includes Global Marketing Director at GN Netcom's mobile division and Marketing Manager at Apple Nordic & Benelux.

Education

M.Sc. (Econ.), Marketing and Strategic Management, Copenhagen Business School.

Holding

90,500 shares and 150,000 employee stock options.



JAN LARSEN

Sr. Vice President Research and Development and Supply Chain.
Employed: 2007.
Born: 1962.

Jan Larsen has many years' experience of product development of various types of hearing and acoustics applications and has held a number of executive positions in R&D at GN Netcom A/S, UnoMedical A/S, and Oticon A/S.

Education

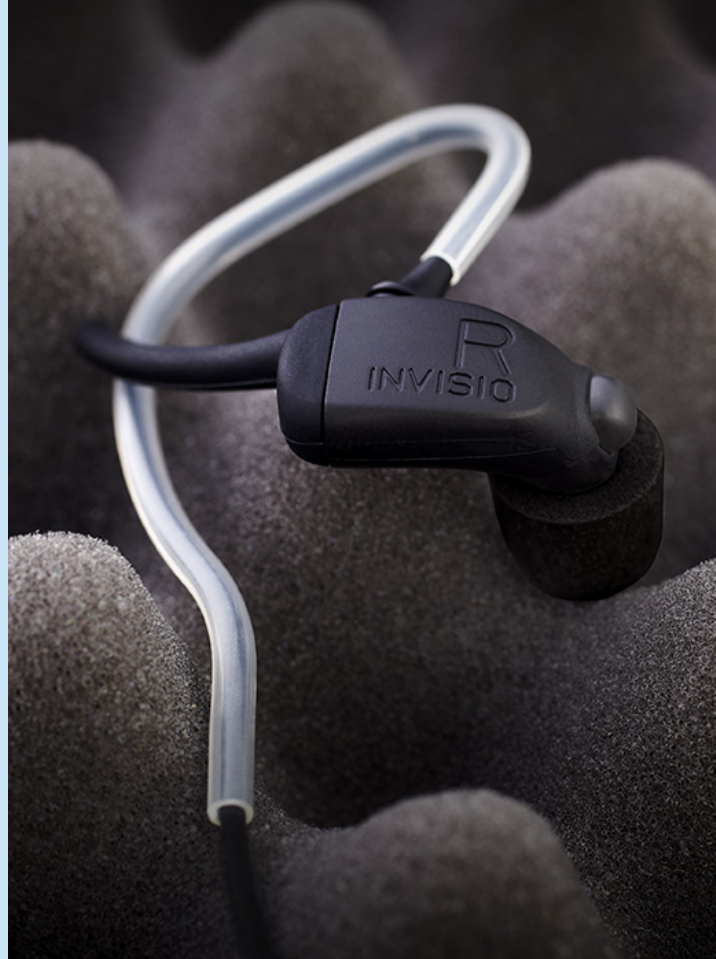
B. Sc. EE, Technical University of Denmark, Copenhagen, and Graduate Diploma (HD-O), Copenhagen Business School.

Holding

85,666 shares and 150,000 employee stock options.

Auditor MICHAEL BENGTTSSON

Authorized public accountant, PricewaterhouseCoopers AB.
Auditor of INVISIO since 2008.



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ADMINISTRATION REPORT

The Board of Directors and President of INVISIO Communications AB (publ.) (“INVISIO” or “the Company”), corporate identity number 556651-0987, submit their annual report and consolidated accounts for the 2015 financial year, the Company’s seventeenth year of trading.¹ The Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. Unless indicated otherwise, all amounts in the Administration Report are stated in millions of Swedish kronor (SEK). Figures in parentheses pertain to the preceding year.

Operations

INVISIO develops and sells cutting-edge personal communication and hearing protection systems that enable users to operate and communicate safely and clearly in all environments, even in tough conditions such as loud noise, heat or under water.

The company’s customers are mainly found in the government sector but also in the commercial sector. For example, military special forces and armies need more effective, durable and easily used solutions that contribute to increased flexibility and personal safety. The motives are both technical/operative and economic and health-related. Sales are primarily via a global network of partners and resellers but in some markets the company sells directly to end customers.

The systems consist of advanced headsets and control units that interface to a wide range of other communication devices, for example two-way radio and intercom systems in vehicles. The ability to combine expertise in human hearing, acoustics, electronics and mechanics makes the company’s products unique.

Net sales and profit

Sales for the Group for 2015 increased by 14 percent and amounted to SEK 229.8 million (201.6). In comparable currencies, sales decreased by 5 percent. Gross profit amounted to SEK 118.3 million (91.3). Gross margin was 51.5 percent (45.3). Operating expenses increased to SEK 71.0 million (56.6). Expenses include depreciation of SEK 5.6 million (5.0). Operating profit improved to SEK 47.3 million (34.7). Net financial items amounted to SEK -0.5 million (-2.9). Profit after tax was SEK 57.1 million, compared with SEK 44.3 million last year. Earnings per share improved to SEK 1.35 (1.05).

At year-end, the order book totaled SEK 163.4 million (72.4).

PARENT COMPANY

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

Net sales in 2015 amounted to SEK 0.06 million (0.06). Operating profit was SEK -8.9 million (-5.5). The profit for the year was SEK 15.7 million (2.2), of which dividends from subsidiaries amounted to SEK 25.0 million (9).

Cash and cash equivalents held by the parent company amounted to SEK 0.5 million (1.1). The company has unutilized overdraft facilities of SEK 10 million. Equity at year-end amounted to SEK 82.7 million (66.5), which gave an equity/assets ratio of 98.0 percent (78.9). The parent company had 1 employee (1).

Significant events during the year STRENGTHENED MARKET POSITION

In 2015 INVISIO continued to strengthen its position in the professional market for advanced communication and hearing protection solutions. Over the year the company had a sound order intake from existing defense customers, including one of US Army’s modernization programs, TCAPS, and several NATO countries.

In addition, the company won three new long-term contracts with army customers in the United Kingdom, Canada and Australia, as well as an important order from the Swedish army.

REINFORCEMENTS IN THE ORGANIZATION

In the second half of 2015 INVISIO’s research and development department expanded with the addition of several employees to create new business opportunities with both existing and new customers. The organization was complemented by employees with experience and knowledge in product development, testing and support.

In addition, the company has appointed an investor relations manager.

LISTING ON NASDAQ STOCKHOLM

As part of INVISIO’s development and increased international presence the Board of INVISIO applied for approval for its shares to be admitted to trading on Nasdaq Stockholm’s main list. During the second quarter INVISIO was approved for admission and the first day of trading was May 29.

Research and development

Product development and technical innovation are important parts of INVISIO’s growth strategy. The company’s development work covers communication solutions with inbuilt hearing protection for use with two-way radio. The solutions consist of advanced headsets, control units and associated cables. INVISIO continuously runs parallel development projects to strengthen its offer to professional users. The work is based on knowledge of user needs through close cooperation with customers such as various military and law enforcement organizations. Knowledge and experience in a number of key technologies have been developed since the company’s establishment.

In 2015 INVISIO continued to develop and adapt existing products, for example to be able to meet customers’ needs for integration with other communication equipment. During the year costs of research and development amounted to SEK 24.7 million (21.2). Capitalized expenditure for development projects amounted to SEK 4.1 million (5.2).

Production

INVISIO’s products are mainly manufactured by the contract manufacturer Scanfil (former PartnerTech). Prototypes and product adaptations in smaller volumes are manufactured to some extent by INVISIO in Copenhagen.

Quality

The company is certified under the quality standard ISO 9001:2008 and complies with the requirements of international legislation and product safety standards, such as CE labelling, EMC, RoHS, REACH, WEEE, IECEx and MIL-STD 810G, as well as various international directives and legislation.

Organization and employees

INVISIO Communications AB is a holding company. The main operations are in the subsidiary INVISIO Communications A/S in Copenhagen, Denmark, where the headquarters are also located. At year-end the number of employees was 40 (34), of whom 1 (1) person was employed by the parent company in Sweden and the others in the subsidiary in Denmark, 39 (33). The company’s management group consists of 4 (4) people. See page 24 for further information.

¹The business was established in 1999 as the Danish company Nextlink.to A/S. On November 11, 2003, Nextlink AB was founded, to which all shareholders in Nextlink.to A/S transferred all their shares in 2004, making Nextlink.to A/S a wholly owned subsidiary to Nextlink AB. In 2008 this company changed its name to Invisio Headsets AB (publ) and in 2010 to Invisio Communications AB (publ).

The share and shareholders

Information about the INVISIO share and shareholders can be found on page 26-27.

Environment

The company does not conduct any operations that require permits or notification under the Swedish Environmental Code.

Investments, cash flow and liquidity, financing and equity

INVESTMENTS
The Group's capital expenditure for 2015 totaled SEK 4.7 million (5.4), of which SEK 4.1 million (5.3) was capitalized development costs and SEK 0.6 million (0.2) comprised net investments in property, plant, and equipment. Capitalized development costs pertained to development of future products for the professional market.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities in 2015 was SEK 29.9 million (34.3). Cash flow from investing activities totaled SEK -4.7 million (-5.4) and cash flow from financing activities totaled SEK -23.1 million (-10.9), of which amortization of loans comprised SEK -12.3 million (-14.4) and reduced factoring SEK -10.7 million (3.5). Cash flow for the period was thus SEK 2.1 million (18.0). Cash and cash equivalents held by the Group amounted to SEK 29.4 million (28.4) at year-end.

FINANCING

INVISIO had no loans at year-end. The company has an unutilized overdraft facility of SEK 10 million.

EQUITY

Group equity at year-end amounted to SEK 105.6 million (52.4), which gave an equity/assets ratio of 74.9 percent (49.6). Total registered share capital amounts to SEK 42,240,161.

Accounting policies

The Group applies International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act, and the Swedish Financial Accounting Standards Council's Recommendation RFR 1 (Supplementary Accounting Rules for Groups) and RFR 2 (Accounting for Legal Entities). The application of IFRS is a result of an EU Regulation that applies to all listed companies within the EU.

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 damage or loss. INVISIO operates in a global market, developing, manufacturing, marketing, and selling communications equipment for professional users, which means the company is exposed to a range of external and internal risks. Risk management is, therefore, an important part of the governance and control of the company. INVISIO's risk management covers strategic risks, operational risks, legal and regulatory compliance risks, and risks of errors in the company's reporting, including its financial reporting. Risks can generally be divided into market-related, operational, and financial risks. The company works continually at different levels to identify all existing material risks to which it is exposed and to determine how each risk should be managed.

- Market-related risks are managed mostly at board and management level.
- In the first instance, operational risks are managed at management group and business area management level, but can also be managed at Board level if they are of strategic importance. Risks specific to business areas in Operations and Finance & Administration are managed within those business areas. Legal risks are mainly managed at management group level in consultation with external legal counsel and advisors, but also at board level if required. Risks affecting financial reporting are mostly managed at management

group level by the company's CEO and CFO, but also by the Board's Audit Committee.

- Financial risks are managed primarily at board and management group level.

Information about INVISIO's financial risks can be found in Note 2. Other risks are described below.

MARKET-RELATED RISKS

Legislation and political decisions

INVISIO's products are sold in a large number of markets. Changes to legislation and regulations, such as export regulations, and other laws and rules in countries in which the company operates and where the company's products are sold may adversely affect operations. A large number of INVISIO's professional customers, such as military and law enforcement organizations, are also often subject to political decisions.

Global economic conditions

INVISIO's sales are dependent on global economic cycles. An extended downturn with reduced consumption and reduced investments could lead to a considerable reduction in demand for the company's products. A weakened economy and downturns thus have a negative effect on INVISIO's activities. Buyers of the company's products, such as the military, police and fire services, are often tax-financed, which means that reduced tax revenues caused by an economic downturn may have a negative effect on sales.

Demand for INVISIO products is subject to fluctuations and volatility

INVISIO's operations are subject to fluctuations and volatility between quarters which can have an effect on the full year figures as the influx of orders is affected by long decision processes. INVISIO's most important customers are in the military, and sales generally take place within the scope of various modernization programs. However, when procurement takes place may vary widely from quarter to quarter. As a result of these and other factors, INVISIO's quarterly performance may vary considerably both in a particular year and when comparing INVISIO's historical performance. Although INVISIO considers itself to have a good insight into its customers' anticipated investment plans, and therefore anticipated income for the company, INVISIO is subject to the risk that it may not be possible to realize the income expected to be recorded for a specific quarter until a later reporting period, if at all. One result of this is that INVISIO's performance in a specific quarter may not be indicative of the performance that can be expected from a different quarter in the same year, for the year as a whole, or for the corresponding quarter in any other year.

Competition

The market for communications equipment is characterized by competition and innovation. If INVISIO cannot adapt its activities and its products to technical developments in the market, there is a risk of the company losing competitiveness, which would have a negative effect on its development opportunities. The market for communications equipment is expected to show long-term growth. The market for traditional headsets is mature and is mostly served by large companies. The market for in-ear headsets is relatively new and is served by both small and large companies.

Technical risks

Communication equipment is also expected to undergo technology shifts in the future and is exposed to changeable market trends. Technical development may lead to technical problems that mean it takes longer than planned for new products to reach the market and that costs to the company may be considerably higher than estimated, as a result of both increased costs during the development phase and delayed market introduction. If the company is unsuccessful in developing and launching products based on its research and development work, there is also a risk that the value of the company's assets may be impaired.

OPERATIONAL RISKS

Ability to manage growth

INVISIO's business may grow through rising demand for the company's products, which can put high demands on management and the operational and financial infrastructure. The company is currently a small organization. To be able to safeguard production, component supplies and deliveries to customers when there is increased demand, it is important for the company to always have effective planning and management processes. To be able to cope with growth, the company also depends on being able to upgrade production capacity. If the company is not successful in adapting its organization, processes and capacity to increased demand, this may have negative effects on sales, profits and financial position.

Market acceptance of newly developed products

INVISIO intends to constantly develop and launch new products onto the market. There is always a risk that new products will not be received positively by the market, or that products launched by competitors may have a better impact.

Product liability

Although INVISIO is of the opinion that the company has a well-developed product development process, with special documentation systems and stringent requirements for systematic procedures, it cannot be ruled out that any faults in the company's products could lead to liabilities and claims for damages against the company. INVISIO may thus be liable for loss or damage caused by these products. This is normally covered by insurance, but it cannot be ruled out that such liability may have a negative effect on the company's position.

Dependence on key persons and employees

INVISIO's future development is dependent on the knowledge, experience and creativity of existing employees and the company's future ability to recruit and retain key employees. People with high levels of expertise are in great demand and it can be very costly for INVISIO to recruit and retain such individuals. If the company is not successful in recruiting and retaining qualified personnel it may be difficult to fulfill INVISIO's business strategy.

Partners

INVISIO depends on collaboration agreements with external parties, mainly for manufacture and sales. Most manufacturing is through Scanfil (former Partnertech). For the most part sales take place through partners and resellers, which are individually and collectively important for the company's future development. Moreover, the company collaborates with a number of suppliers of components.

There is no guarantee that the companies with whom INVISIO has signed or will sign agreements will be able to fulfil their commitments under these agreements. There is no guarantee that existing collaboration agreements will not be terminated or made invalid or that no changes will be made to current agreements.

For INVISIO to be able to deliver its products, the company is dependent on third parties fulfilling agreed requirements as regards, for example, quantity, quality, and delivery. Faulty deliveries or non-delivery from suppliers or manufacturers may mean delays to INVISIO's deliveries, which in the short term can lead to reduced or lost sales.

A limited number of customers account for a large part of INVISIO's sales. The Company's three largest customers accounted for 73 percent of the company's net sales in 2015. The loss of one or more of these customers could in the short term have material adverse effect on INVISIO's business, financial condition and results.

Intellectual property

INVISIO's intellectual property rights are mainly protected through patents, agreements and legislation for protection of trade secrets. Knowledge and experience in a number of key technologies have been developed since INVISIO's establishment. The company primarily competes on functionality, performance, and rapid technical development in its markets. New products and modern solutions are crucial to continued success.

The company's patent strategy involves actively developing and applying for patents in the fields of communication and audiology. INVISIO is constantly evaluating new inventions and developments which may be suitable for patenting, and it takes the potential commercial value into account in each and every case. This is done as an integrated part of the product development process. At the same time, the company has to balance its costs, efforts and options. This is why INVISIO should not invest in the creation of a huge patent portfolio with lots of detailed qualities, but instead focus its resources on fewer patents of high quality that can create significant competitive advantages for the company.

Infringement of the company's intellectual property rights could reduce competitiveness or otherwise damage the company's business. It may be necessary for the company to take legal action to protect its intellectual property rights. Such legal proceedings could be extensive and costly and there is no guarantee that the company would win.

Guidelines for compensation of senior executives

The last adopted guidelines for compensation of senior executives are described in Note 8 and will remain in force until the Annual General Meeting to be held on April 28, 2016. A new proposal will be presented at the 2016 Annual General Meeting:

The Board's proposed resolution concerning guidelines for compensation of the CEO and other senior executives

The Board proposes that the Annual General Meeting should adopt a resolution concerning compensation of the CEO and other senior executives as follows.

General

The company shall offer market terms for the countries in which they work to senior executives and thereby enable the company to recruit, develop, and retain such executives. Individual compensation shall be based on the executive's experience, expertise, responsibilities, and performance.

Fixed salary

A combined gross level of compensation shall be set for each executive, and within this framework the employee concerned can influence its distribution between fixed salary, pension, and other benefits.

Variable salary

Besides the fixed salary, an annual variable cash salary based on outcome may be established in relation to the measurable pre-determined targets, agreed in writing and established by the Board. Such targets include certain order intake and profitability, for example.

The variable compensation shall not exceed 50 percent of the fixed salary and shall not be used as a basis for calculation of pension or vacation pay, to the extent permitted by applicable law.

Non-monetary benefits

Any other benefits shall have a limited value in relation to the total fixed gross salary.

Compensation to directors

Directors elected by the general meeting shall, in specific cases, be able to receive fees and other remuneration for work performed on behalf of the company alongside their Board work. It shall be possible to pay a market-based fee to be approved by the Board for such services.

Pension

Any pension benefits shall be through a defined contribution plan.

Period of notice

The CEO has a twelve-month notice period in the event of termination by the company, and eight months in the event of termination by the CEO. Other senior executives have a six-month notice period in the event of termination by the company, and three months in the event of termination by the senior executive.

Employee Stock Option Program 2013/2017

The Annual General Meeting shall decide all share and share price-related incentive programs for senior executives, i.e. the company's management group.

An extraordinary general meeting held on April 24, 2013 resolved to establish an employee stock option program comprising a decision to issue stock options, plus approval of the transfer of stock options. This program is targeted at all employees of the company and its subsidiaries in Denmark, divided into three different categories. Participants were, under certain conditions, offered employee stock options without charge which may entitle them to acquire shares in the company. Employee stock options may not be transferred. Allocation was on three occasions – a maximum of 666,666 were allocated by April 30, 2013 ("Tranche 1"), a further maximum of 666,666 by April 30, 2014 ("Tranche 2"), and a further maximum of 666,668 by April 30, 2015 ("Tranche 3"). The subscription price is SEK 5.10 for Tranche 1, SEK 5.20 for Tranche 2, and SEK 5.30 for Tranche 3. For more information on the employee stock option program and conditions for allocation of employee stock options and the results of allocation in the various tranches, see Note 8 in the company's annual report for 2015 and information on the company's website at www.invisio.com.

The Board shall be entitled to deviate from these guidelines if there are special grounds for doing so in any individual case.

Significant events after the financial year-end

On January 4 the INVISIO share moved from Nasdaq Stockholm's Small Cap list to Mid Cap, as a consequence of its growth and the company's market value exceeding EUR 150 million.

INVISIO received two follow-up orders from the Australian Department of Defense worth about SEK 13 million and SEK 15 million. Delivery is planned to take place successively in 2016, starting in the second quarter.

In March INVISIO received a SEK 20 million order to supply communication systems to the French Forces during UEFA EURO 2016 and other assignments.

Outlook for 2016

With a reinforced organization INVISIO intends to continue to increase market share in existing markets and expand to more geographic markets through collaboration with partners. In parallel the company is planning to continue its initiatives in research and development, focusing on solutions for professional users. Through profitable growth INVISIO is endeavoring to achieve the company's financial targets of average growth of more than 20 percent and an annual operating margin of more than 15 percent.

Dividend

INVISIO Communications AB (publ) is at present a well-capitalized company with a positive cash flow. A strong cash position is important, partly to enable the company to demonstrate long-term financial staying-power to customers and partly to be able to invest in growth areas. The Board proposes that the Annual General Meeting resolves not to pay a dividend for the 2015 financial year.

Proposed appropriation of earnings

Parent Company (SEK)

At the disposal of the Annual General Meeting:

Retained earnings	3,162,534
Profit for the year	15,728,165
	18,890,699

To be appropriated as follows:

The Board of Directors and CEO propose that SEK 18,890,699 be carried forward.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January - December (SEK 000s)	Note	2015	2014
	1,2		
Revenue	3	229,802	201,635
Cost of goods sold	24	-111,474	-110,362
Gross profit		118,328	91,273
OPERATING EXPENSES			
Sales and marketing expenses	8,9,24	-30,388	-24,003
Administration expenses	6,7,8,9,24	-15,910	-11,402
Research and development costs	8,9,24	-24,707	-21,217
Operating profit/loss	24	47,323	34,651
FINANCIAL ITEMS			
Financial income		20	3
Financial expenses		-479	-2,933
Net financial items		-459	-2,930
Profit/Loss before tax		46,864	31,721
Income tax	10	10,224	12,556
Profit/Loss for the year		57,088	44,277
Profit/Loss attributable to the Parent Company shareholders		57,088	44,277
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to profit or loss			
Translation differences during the period from translation of foreign businesses		-4,367	3,751
Comprehensive income		52,721	48,028
Profit/Loss attributable to equity holders of the parent company		52,721	48,028
Earnings per share (SEK)	22	1.35	1.05
Earnings per share after dilution (SEK)	22	1.30	1.02
Number of shares outstanding (thousands)	22	42,240	42,240
Average number of shares outstanding (thousands)	22	42,240	42,240
Number of shares outstanding after dilution (thousands)	22	43,920	43,573

CONSOLIDATED BALANCE SHEET

December 31 (SEK 000s)	Note	2015	2014
ASSETS	1,2		
Non-current assets			
Intangible assets			
Capitalized expenses for development costs	11	16,853	18,979
Tangible assets			
Equipment	12	600	154
Financial assets			
Deferred tax asset	10	29,388	15,759
Deposits made, long-term	13	755	782
Total non-current assets		47,596	35,674
Current assets			
Inventories	14	19,937	16,391
Accounts receivable – trade	23	35,855	18,845
Other receivables	15	6,248	4,412
Prepaid expenses and accrued income	15	2,038	1,927
Cash and cash equivalents		29,367	28,444
Total current assets		93,445	70,019
TOTAL ASSETS		141,041	105,693
SHAREHOLDERS' EQUITY AND LIABILITIES	1,2		
Shareholders' equity			
Share capital	20	42,240	42,240
Other capital contributions		264,495	264,495
Translation difference		-1,461	2,906
Profit/loss brought forward including profit/loss for the year		-199,639	-257,266
Total shareholders' equity		105,635	52,375
Long-term liabilities			
Liabilities to credit institutions	16,21,25		1,967
Total long-term liabilities		0	1,967
Current liabilities			
Liabilities to credit institutions	16,17,21,25		21,313
Accounts payable – trade ¹		15,846	14,949
Other liabilities		3,467	2,180
Accrued expenses and prepaid income	19	16,093	12,909
Total current liabilities		35,406	51,351
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		141,041	105,693
Pledged assets	21	none	20,684
Contingent liabilities	21	none	none

¹All accounts payable fall due within 3 months.

CONSOLIDATED CASH FLOW STATEMENT

January - December (SEK 000s)	Note	2015	2014
Operating activities	1,2		
Profit/Loss before tax		46,865	31,721
Adjustments for non-cash items	4	4,587	6,515
Income tax paid		-2,661	
Cash flow from operating activities before changes in working capital		48,791	38,236
Changes in inventories		-4,341	-5,369
Changes in operating receivables		-20,499	-2,777
Changes in operating liabilities		5,971	4,220
Cash flow from changes in working capital		-18,869	-3,926
Cash flow from operating activities		29,922	34,310
Investing activities			
Capitalization of internal development costs		-4,109	-5,259
Purchases of property, plant, and equipment		-592	-153
Cash flow from investing activities		-4,701	-5,412
Financing activities			
Amortization of loans		-12,333	-14,363
Change in invoice factoring		-10,744	3,476
Cash flow from financing activities		-23,077	-10,887
CASH FLOW FOR THE YEAR		2,144	18,011
Cash and cash equivalents at start of year		28,444	9,126
Translation differences in cash and cash equivalents		-1,221	1,307
Cash and cash equivalents at year-end		29,367	28,444
Supplementary disclosures to the cash flow statement			
Interest received in the course of operations during the year		20	3
Interest paid in the course of operations during the year		-479	-2,933

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000s)	Note	Attributable to the Parent Company shareholders				
		Share capital	Other contributed capital	Translation Differences	Profit/Loss brought forward inc. Profit/Loss for the year	Total shareholders' equity
Opening balance as per January 1, 2014	1, 2, 20	42,240	264,495	-844	-301,996	3,895
PROFIT FOR THE YEAR					44,277	44,277
OTHER COMPREHENSIVE INCOME						
Translation differences				3,750		3,750
Total other comprehensive income		0	0	3,750	44,277	48,027
Transactions with shareholders						
Employee Stock Option Program					453	453
Total transactions with shareholders		0	0	0	453	453
Closing balance as per December 31, 2014		42,240	264,495	2,906	-257,266	52,375
Opening balance as per January 1, 2015		42,240	264,495	2,906	-257,266	52,375
PROFIT FOR THE YEAR					57,088	57,088
OTHER COMPREHENSIVE INCOME						
Exchange rate differences				-4,367		-4,367
Total other comprehensive income		0	0	-4,367	57,088	52,721
Transactions with shareholders						
Employee Stock Option Program					539	539
Total transactions with shareholders		0	0	0	539	539
Closing balance as per December 31, 2015		42,240	264,495	-1,461	-199,639	105,635

PARENT COMPANY INCOME STATEMENT

January - December (SEK 000s)	Note	2015	2014
	1,2		
Revenue	5	60	60
Administration expenses	5,6,7,8,9	-8,946	-5,569
Operating profit/loss	24	-8,886	-5,509
Profit/Loss from financial items			
Profit/Loss from participations in Group companies	18	25,000	9,000
Interest income and similar profit/loss items			67
Interest expense and similar profit/loss items		-386	-1,388
Net financial items		24,614	7,679
Profit/Loss before tax		15,728	2,170
Income tax	10		
Profit/Loss for the year¹		15,728	2,170

¹Comprehensive income corresponds to profit/loss for the year

PARENT COMPANY BALANCE SHEET

December 31 (SEK 000s)	Note	2015	2014
ASSETS	1,2		
Non-current assets			
Participations in Group companies	18	82,950	82,411
Total non-current assets		82,950	82,411
Current assets			
Receivables from Group companies		771	310
Other receivables	15	133	243
Prepaid expenses and accrued income	15	112	152
Total current receivables		1,016	705
Cash and cash equivalents		453	1 069
Total current assets		1,469	1,774
TOTAL ASSETS		84,419	84,185
SHAREHOLDERS' EQUITY AND LIABILITIES	1,2		
Shareholders' equity			
Restricted shareholders' equity			
Share capital	20	42,240	42,240
Statutory reserve		21,599	21,599
Total restricted shareholders' equity		63,839	63,839
Unrestricted shareholders' equity			
Profit/Loss brought forward		3,162	453
Profit/Loss for the year		15,728	2,170
Total unrestricted shareholders' equity		18,890	2,623
Total shareholders' equity		82,729	66,462
Long-term liabilities			
Liabilities to credit institutions	16,17,21,25		1,967
Total long-term liabilities		0	1,967
Current liabilities			
Liabilities to credit institutions	16,21,25	0	10,366
Accounts payable – trade ¹		89	793
Liabilities to Group companies		111	3,014
Other liabilities		58	55
Accrued expenses and prepaid income	19	1,432	1,528
Total current liabilities		1,690	15,756
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		84,419	84,185
Pledged assets	21	none	9,517
Contingent liabilities	21	none	none

¹All accounts payable fall due within 3 months.

PARENT COMPANY CASH FLOW STATEMENT

January - December (SEK 000s)	Note	2015	2014
Operating activities	1,2		
Operating loss		-8,886	-5,509
Dividends received		25,000	9,000
Interest received		0	67
Interest paid		-386	-1,388
Cash flow from operating activities before changes in working capital		15,728	2,170
Changes in operating receivables		-311	5 331
Changes in operating liabilities		-3,700	2,567
Cash flow from changes in working capital		-4,011	7,898
Cash flow from operating activities		11,717	10,068
Financing activities			
Amortization of loans		-12,333	-14,363
Cash flow from financing activities		-12,333	-14,363
CASH FLOW FOR THE YEAR		-616	-4,295
Cash and cash equivalents at start of year		1,069	5,364
Cash and cash equivalents at year-end		453	1,069

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000s)	Note	Restricted shareholders' equity		Unrestricted shareholders' equity		Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Profit/Loss brought forward inc. Profit/Loss for the year	
	1, 2, 20					
Opening balance as per January 01, 2013		38,440	35,452	22,991	-34,193	62,690
Previous year's disposition of earnings			-11,199	-22,994	34,193	0
New share issue		3,800		12,295		16,095
Cost of new share issue				-854		-854
Employee Stock Option Program					445	445
Profit/Loss for the year ¹					-14,537	-14,537
Closing balance as per December 31, 2013		42,240	24,253	11,438	-14,092	63,839
Opening balance as per January 01, 2014		42,240	24,253	11,438	-14,092	63,839
Previous year's disposition of earnings			-2,654	-11,438	14,092	0
Employee Stock Option Program					453	453
Profit/Loss for the year ¹					2,170	2,170
Closing balance as per December 31, 2014		42,240	21,599	0	2,623	66,462
Opening balance as per January 01, 2015		42,240	21,599	0	2,623	66,462
Employee Stock Option Program					539	539
Profit/Loss for the year ¹					15,728	15,728
Closing balance as per December 31, 2015		42,240	21,599	0	18,890	82,729

¹Comprehensive income corresponds to profit/loss for the year

NOTES

All amounts are in thousands of SEK, if not stated otherwise.

NOTE 1

General Information, accounting and valuation principles

General information

The INVISIO Communications group consists of the parent company INVISIO Communications AB (publ.) ("INVISIO" or "the Company") and the wholly-owned subsidiaries INVISIO Communications A/S, Nextlink IPR AB and Nextlink Patent AB.

The Parent Company is a Swedish limited liability company listed on the Nasdaq Stockholm Exchange (IVSO). Its registered office is in Stockholm, Sweden.

INVISIO offers cutting-edge personal communication and hearing protection systems. The systems enable users to operate and communicate safely and clearly in all environments, even under extreme conditions, such as loud noise, heat, and underwater. INVISIO systems consist of headsets and advanced control units that interface to a wide range of communication devices. The systems provide hearing protection while maintaining the natural level of situational awareness. INVISIO is marketed through a global network of partners to both government and commercial users. Additional information is available on the company's web site www.invisio.com.

These consolidated accounts were approved by the Board of Directors on March 28, 2016. The Group's and the Parent Company's income statements and balance sheets will be subject to adoption by the Annual General Meeting on April 28, 2016.

Conformity with standards and regulations

The consolidated financial accounts have been prepared in accordance with the Swedish Annual Accounts Act and the International Financial Reporting Standards (IFRS) and the interpretations by International Financial Reporting Standards Interpretations Committee (IFRIC) as adopted by the EU.

In addition, the consolidated financial statements have been prepared in accordance with Swedish law through application of RFR 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 – Accounting for Legal Entities.

New and amended standards adopted by the group

None of the standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are material to the Group's financial statements.

New standards, amendments and interpretations of existing standards not applied in advance by the Group

A number of new standards and interpretations will come into force for the financial year commencing January 1, 2015 and have not been applied on compilation of this financial report. None of these is expected to have any significant impact on the consolidated financial reports, with the exception of those listed below:

IFRS 9 Financial instruments

Deals with classification, valuation, and reporting of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 which relate to the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation approach but simplifies this approach in certain respects. There will be three valuation categories for financial assets, accrued acquisition value, fair value through other comprehensive income and fair value through the income statement. How instrument is to be classified will depend on the company's business model and the characteristics of the instru-

ment. Investments in the company's capital instruments shall be reported at fair value through the income statement, but there is also an option to report the instrument at fair value through other comprehensive income on the first reporting date. No reclassification to the income statement will then take place when the instrument is sold. IFRS 9 also introduces a new model for calculating the credit loss reserve based on expected credit losses. For financial liabilities, there will be no change to classification and valuation except when a liability is recognized at fair value through the income statement based on the fair value alternative. Value changes that are attributable to changes to the company's own credit risk must be recognized in other comprehensive income. IFRS 9 reduces the requirements for application of hedge accounting in that the 80-125 criterion is replaced with requirements for economic relations between hedging instruments and hedged items and the fact that the hedging ratio must be the same as the one used in risk management. The hedging documentation is also altered slightly compared with the documentation produced under IAS 39. The standard shall be applied for the financial year commencing January 1, 2018. Earlier application is permitted. The Group has not yet evaluated the effects of the introduction of the standard. The standard has not yet been adopted by the EU.

IFRS 15, Revenue from contracts with customers

Regulates how income shall be reported. The principles on which IFRS 15 are based shall provide users of financial reports more useful information about the company's income. The extended disclosure requirement means that information about type of income, the date of settlement, uncertainties related to revenue recognition and cash flow attributable to the company's customer contracts shall be provided. According to IFRS 15, revenue shall be recognized when the customer gains control over the sold product or service and has the opportunity to use and receive benefit from the product or service. IFRS 15 replaces IAS 18 Revenues and IAS 11 Construction Contracts, plus associated SIC and IFRIC. IFRS 15 will come into force on January 1, 2018. Early application is permitted. The Group has not yet evaluated the effects of the introduction of the standard. The standard has not yet been adopted by the EU.

IFRS 16 Leases

In January 2016 the IASB published a new leasing standard that will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities referring to all leasing agreements, with some exceptions, be recognized in the balance sheet. This accounting is based on the view that the lessee has the right to use an asset for a specific period of time and at the same time an obligation to pay for this right. The accounting for the lessor will be unchanged in all material respects. The standard is applicable to financial years starting on or after January 1, 2019. Early application is permitted. The Group has not yet evaluated the effects of IFRS 16. The standard has not yet been adopted by the EU.

None of the other IFRS or IFRIC interpretations which have not yet come into force are expected to have any significant impact on the Group.

Basis for consolidation

The consolidated financial statements include the Parent Company INVISIO Communications AB (publ.) and its subsidiaries. The financial statements for INVISIO and subsidiaries included in the consolidated financial statements refer to the same period and are prepared according to the accounting principles applicable in the Group. All inter-company balances, income, expenses, earnings or losses that occur in transactions between companies covered in the consolidated financial statements are entirely eliminated. A subsidiary is included in the consolidated financial statements through the purchase method from the acquisition date, which is the date upon which the Parent Company gains a controlling influence, and is included in the consolidated financial statements until the date upon which the controlling influence

ceases. The purchase method is used to report on the Group's operating acquisitions. Transferred compensation for the acquisition of a subsidiary is at fair value of the assets transferred, liabilities and the shares issued by the group. The purchase settlement also includes the fair value of all assets or liabilities that result from an agreement on conditional purchase sum. Acquisition related costs are expensed as they arise. Identifiable acquired assets and transferred liabilities in a business combination are initially valued at fair value on the acquisition date. For every acquisition, the Group decides whether all holdings without a controlling influence in the acquired company are reported at fair value or at the proportional percentage of the net assets of the acquired company. The difference by which the transferred compensation, any holdings without controlling influence and the fair value of on the date of acquisition of previously acquired shareholding exceeds the fair value of the Group's share of identifiable acquired net assets is reported as goodwill. If there is a shortfall in the value of the acquired company's assets, this is reported directly in the income statement.

Foreign subsidiaries

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

Exchange rate differences between Group companies have not affected earnings, but have been reported as equity. The following exchange rates have been used in translating the accounts of the Danish subsidiary: for the income statement, an exchange rate of DKK/SEK 1.254419 [1.220332], and for the balance sheet, an exchange rate of DKK/SEK 1.2242 [1.2781].

Classifications

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

Income

The Group's sales are made up of sales of goods. Sales of products are reported upon delivery to the customer, in accordance with the terms and conditions of sale. This means that income is reported when the significant risks and rewards associated with the product have been transferred to the buyer and the seller ceases to have control over the product. Sales are reported net after VAT and discounts. Inter-company sales are eliminated in the consolidated financial statements.

The return of goods is initially observed in revised income and actual returns are returned to stock.

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

Current and deferred tax

Tax expenses for the period comprise current and deferred tax. Tax is reported in the income statement. Current tax is calculated on the basis of the tax rules applicable or adopted at the balance

sheet date in the countries in which the Company's subsidiaries operate and create taxable income.

Deferred tax is calculated in accordance with the balance-sheet method for all temporary differences arising between the tax value of assets and liabilities and their recognized values in the consolidated financial statements. Deferred tax is calculated on the basis of the tax rates and rules applicable or adopted at the balance sheet date and is expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized only in so far as it is likely that future taxable profit will be available, against which the temporary differences can be offset.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and when deferred tax assets and tax liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Estimations and assumptions

Estimations and assessments are evaluated continually and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances.

The Group makes estimations and assumptions about the future. The estimations for accounting purposes resulting from these rarely correspond to the actual result. The estimates and assumptions that involve a significant risk of considerable alteration in reported values for assets and liabilities in future financial years are discussed below.

• Impairment testing of capitalized development costs

Costs arising in development projects are reported as intangible assets when it is likely that the project will be successful in terms of its commercial and technical opportunities and when the expenses can be measured reliably. As soon as an indication exists, capitalized development expenditure is subjected to impairment testing in accordance with the described accounting principle. Intangible assets under development are annually tested for impairment. 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 11.

• Deferred tax in respect of loss carry-forwards

Deferred tax assets are recognized for tax loss carryforwards insofar as it is likely that they can be utilized via future taxable profits. Note 10 includes a description of tax loss carry-forwards.

• Valuation of inventories

Estimates in respect of future sales volumes are made when purchasing inventories. Estimates of net sales value for surplus volumes are made in the event of stock surpluses. Individual assessments are made in the event of any obsolescence.

• Provisions

A provision is made when the Group has a legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources is required to settle the obligation and the amount can be reliably measured.

Future obligations for warranties are based on expenditure for similar costs during the financial year or estimated costs for the respective obligation.

Financial Instruments

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

A financial asset or liability is shown in the balance sheet when the Company becomes party to the instrument's contractual terms and conditions. Accounts receivable are shown in the balance sheet when an invoice has been sent. The liability is entered when the counterparty has delivered and has a contractual liability to pay, even if an invoice has not yet been received. Accounts payable are shown when an invoice has been received. A financial asset is removed from the balance sheet when the rights pursuant to the agreement are realized, cease, or when the Company loses control over them. This also applies to part of a financial asset. A financial liability is removed from the balance sheet when the liability under the agreement has been fulfilled or otherwise extinguished. This also applies to part of a financial liability. Acquisition and divestment of financial assets are reported on the trade date, which is the day on which the Company commits itself to buying or selling the asset.

On each balance sheet date, the Group assesses whether objective evidence exists that impairment of a financial asset or group of financial assets has occurred, such as whether it is unlikely that a debtor can fulfill its obligations. Impairment testing of accounts receivable is described below. INVISIO's financial assets and liabilities are classified in the following categories: Accounts receivable and Loans receivable valued at the accrued acquisition value. Loans receivable and accounts receivable are financial assets that are not derivatives. They have fixed or fixable payments and are not listed on any active market. They are included in current assets with the exception of items with due dates in excess of 12 months after the balance sheet date, which are classified as fixed assets. Accounts receivable are reported in the amount at which they are expected to be received after deduction for bad debts, assessed individually. The anticipated duration of the accounts receivable is short, which is why the value is reported at a nominal amount without discounting. A provision for a drop in the value of accounts receivable is made when there is objective evidence that the Group will not be able to receive all the amounts due in accordance with the original terms and conditions of the receivables.

Significant financial problems for the debtor, the probability that the debtor will go bankrupt or undergo financial reconstruction, and failure or delays in payment are regarded as indicators that an impairment loss has occurred. The size of the provision consists of the difference between the asset's reported value and the present value of estimated future cash flows. Impairment of accounts receivable is reported in the income statement under operating profit/loss, and impairment of a loan receivable is reported under the heading financial expenses. Financial liabilities are valued at the accrued acquisition value. Loans and other financial liabilities, such as accounts payable, are included in this category. Financial liabilities are initially stated at fair value, net after transaction costs.

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

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

Intangible assets

The Group conducts product-specific development activities. Costs arising in development projects are recognized as intangible assets when it is probable that the project will be successful in terms of its commercial and technical potential and when the costs can be reliably measured. Costs directly associated with development of products intended for sale are accounted for as intangible assets. They are capitalized when criteria under the development phase are met.

The development costs include the costs for employees arising through the development of products, as well as directly attributable costs such as molds, testing and type approval. Other development costs are recognized when they arise. Development costs that have previously been reported as an expense are not reported as an asset in a subsequent period. Capitalized development expenditure with a limited useful life is amortized on a straight line basis from the time commercial production of the product is started. Amortization is over the expected useful life; three to seven years.

Property, plant, and equipment

Property, plant and equipment are reported at acquisition value less planned depreciation based on an estimation of the useful life of the assets. Any earnings or losses arising upon the divestment of the asset are reported in the income statement. The residual value and useful life of the asset is determined at every year-end closing and is adjusted as necessary.

Impairment losses

The carrying amounts of the Group's assets - with the exception of financial assets reported at fair value with changes in value in the income statement in accordance with IAS 39 - are tested whenever there is the need to assess whether there is indication of impairment loss. If there is no such indication, the recoverable amount of the asset is calculated. Impairment loss is recognized when the carrying amount of an asset exceeds the recoverable amount. Impairment loss is recognized in the income statement.

Reversal of impairment losses

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

An impairment loss is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount the asset would have had if no impairment loss had been recognized, taking into account the depreciation that would then have been made.

Depreciation/amortization

Depreciation/amortization according to plan has been carried out as per the following useful life timeframes: Intangible assets 3-7 years, Equipment, tools, fixtures and fittings 3-5 years.

Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash and cash equivalents

Cash and cash equivalents include cash and immediately available bank balances.

Segment reporting

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

Receivables and liabilities in foreign currency

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

Remuneration to employees

• Variable compensation

The Company recognizes a liability and an expense for variable compensation based on the achievement of targets with regard to achieved sales and profit development.

• Pension obligation

The Company only has defined-contribution pension plans, which are expensed as they are incurred. The Company has no obligations once the pension premium has been paid.

• Share-related benefits

The Group has share-related remuneration plans in which settlement is made with shares. Fair value for the service that entitles employees to allocation of options is expensed. The total amount to be expensed to during the vesting period is based on fair value of the allocated options, excluding any effect from non-market-related vesting conditions (e.g. profitability and sales growth targets). Non-market-related vesting conditions are observed in the assumption concerning the number of options expected to become exercisable. The Company revises, at each balance sheet date, its assessments of the number of shares that are expected to become exercisable. The potential effect of the revision on the original assessments is reported in the income statement over the remainder of the vesting period, and corresponding adjustments are made to equity.

Leasing

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

Cash flow statement

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

Calculation of recoverable amount

The recoverable amount of assets in the categories of loans and receivables carried at amortized cost is calculated as the present value of future cash flows discounted using the effective interest rate applicable on first recognition of the asset. Assets with a short duration are not discounted.

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

Related party transactions

As regards salaries and other remuneration to the Board and CEO, costs, obligations and benefits, agreements on severance payment, see Note 9. Other related party transactions are reported in Note 25.

NOTE 2

Financial risk management and capital risk

Financial risk factors

Financial risk management and capital risk risks, such as interest rate risk, currency risk, price risk, credit risk, plus financing and liquidity risk. INVISIO Communications' financial policy, which is annually established by the Board, sets out the guidelines for managing financial risks within the Group. The financial policy includes investments as well as borrowing. The aim is to minimize unfavorable effects on the Group's earnings, equity and cash flow caused by changes in interest and currency rates. INVISIO must also be able to meet its payment obligations, which is why credit, interest and liquidity risks must be minimized. INVISIO must not create added value through financial risk-taking. Taking into account the financial policy's limitations, the aim is to achieve the highest return on the invested funds.

Interest rate risk

Interest rate risk is the risk of the value of financial instruments varying due to changes in market interest rates. The Group's interest-bearing financial assets consist of bank balances. The parent company's interest-bearing financial assets consist of bank balances. Based on the level of financial interest-bearing assets as per December 31, 2015, change in market rates of interest would affect the Group's earnings and equity by SEK 229 thousand (222). The Group has no interest-bearing financial liabilities.

Currency risk

Currency risk is defined as the risk of a reduction in earnings and/or a reduction in cash flow due to changes in currency exchange rates. Changes in foreign exchange rates impact the Group's earnings and equity in different ways:

- Earnings are impacted when sales and purchases are in different currencies (transaction exposure)
- Earnings are impacted when assets and liabilities are in different currencies (translation exposure)
- Equity is impacted when foreign subsidiaries' net assets are converted into Swedish kronor (translation exposure in the balance sheet).

• Transaction exposure

INVISIO has a strong international profile, with most of its sales being made in EUR and USD and is thereby exposed to transaction risks when buying/selling and making financial transactions in foreign currency. Components are primarily purchased in Swedish kronor, but these purchases are linked to currency clauses which are adjusted continuously. Continual price adjustments are made in parity with changed purchase prices caused by such factors as changes in foreign exchange rates. Currency risks are managed in accordance with the financial policy established by the Board.

If the average exchange rate for the Swedish krona had strengthened/weakened by 5 percent against the euro, all other variables remaining constant, revenues for 2015 and earnings after tax for 2015 would have been SEK 2 million (2.7) and SEK 0.9 (1.2) million lower/higher. If the average exchange rate for the Swedish krona had strengthened/weakened by 5 percent against the USD, all other variables remaining constant, revenues for 2015 and earnings after tax for 2015 would have been SEK 8.7 million (7.2) and SEK 3.6 million (2.4) lower/higher. Sales in USD increased as part of net sales, thus increasing currency exposure against USD in 2015 compared with 2014.

• Translation exposure

The Group has cash and cash equivalents, trade receivables and trade payables in foreign currencies, above all in EUR and USD. As at December 31, 2015 net exposure was SEK 28.8 million and SEK 19.8 million referring to these items. If the exchange rate for EUR had been 5 percent higher/lower compared with that on

NOTE 2 cont. Financial risk management and capital risk

December 31, 2015, the Group's earnings after tax would have been positively/negatively affected by about SEK 1.1 million. If the exchange rate for USD had been 5 percent higher/lower compared with that on December 31, 2015, the Group's earnings after tax would have been positively/negatively affected by about SEK 0.8 million.

• Translation exposure in the balance sheet

The Group's net assets are largely in Danish kronor. If the exchange rate for USD had been 5 percent higher/lower compared with that on December 31, 2015, the Group's earnings after tax would have been positively/negatively affected by about SEK 5.0 million.

The total exchange rate difference for the Group amounts to SEK 2,227 thousand (1,130) and for the Parent Company, to SEK 0 thousand (0), and is reported in the income statement.

Credit risk

Credit risk is the risk of a party to a transaction with a financial instrument failing to fulfill its obligations. The Company's customers are mostly large, well-established companies with a good ability to pay, distributed over a number of geographical markets. There is no material concentration of credit risks, either geographically or in a particular customer group. In order to limit the risks of any credit losses, the Company's credit policy includes guidelines and provisions for credit checking new customers, payment terms and procedures and processes for managing unpaid debts.

The Group works with reputable Swedish or Danish banks that are subject to supervision by Finansinspektionen (Swedish Financial Supervisory Authority) or the equivalent foreign authority and that have high creditworthiness.

Financing risk and liquidity risk

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in making payments. Liquidity risk is the risk of not being able to make payments when they fall due. Treatment of liquidity risk is based on prudence, which entails retaining sufficient liquidity, access to financing and sufficient agreed lines of credit. As at December 31, 2015, liquid funds amounted to SEK 29,367 (28,444). An overdraft facility with a limit of SEK 10,000 thousand was not utilized as at December 31, 2015. The company had no borrowings as at December 31, 2015.

Management of capital

The Group's goal regarding its capital structure (equity and liabilities) 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.

Financial assets and liabilities measured at fair value The Group's financial instruments by category

DECEMBER 31 (SEK 000s)	2015			2014		
	Value level	Loans and receivables	Assets at fair value through profit or loss	Value level	Loans and receivables	Assets at fair value through profit or loss
Assets on the balance sheet						
Derivative financial instruments	2		1,073	2		
Trade and other receivables excluding accrued assets		35,855			18,845	
Cash and cash equivalents		29,367			28,444	
Total financial assets		65,222	1,073		47,289	0

DECEMBER 31 (SEK 000s)	2015			2014		
	Value level	Other financial liabilities	Liabilities at fair value through profit or loss	Value level	Other financial liabilities	Liabilities at fair value through profit or loss
Liabilities on the balance sheet						
Liabilities to credit institutions					23,280	
Trade and other payables excluding non-financial liabilities		15,846	14,949		14,949	
Total financial liabilities		15,846	14,949		38,229	0

Level 2 financial instruments. The fair value of derivative instruments is determined using quoted forward exchange rates at the balance sheet date, where the resulting value is discounted to present value.

NOTE 3

Total income divided per geographical area

Group	2015	2014
Sweden	6,823	9,648
Europe	39,691	40,766
North America	174,264	143,708
Rest of the world	9,025	7,513
Total	229,802	201,635

NOTE 4

Items not included in the cash flow

Group	2015	2014
Depreciation/amortization	5,595	5,034
Employee Stock Option Program	539	453
Translation differences	-1,547	1,028
Total	4,587	6,515

NOTE 5

Inter-company transactions

Of the Parent Company's invoicing, SEK 60 thousand (60) refers to subsidiaries. Invoicing from subsidiaries to Parent Company, SEK 396 thousand (415).

NOTE 6

Auditor's compensation

	Group		Parent Company	
	2015	2014	2015	2014
PwC				
Auditing assignments ¹	342	337	180	180
Auditing activities in addition to auditing assignments	53	50	52	19
Other services ²	286	126	197	50
Total	681	513	429	249

¹Auditing assignments refers to fees for the legally required audit, i.e. such work as is necessary to carry out the audit, as well as so-called auditing consultancy, which is given in connection with auditing assignments.

²Other services pertain primarily to consulting on accounting matters.

NOTE 7

Rental and leasing agreements

The Group's total rental and leasing fees for the year amounted to SEK 2,539 thousand (2,221). Agreed future rental and leasing fees amount to SEK 1,616 thousand (1,296) and will occur during the next three years, divided as follows, 2016; SEK 1,324 thousand (185), 2017; SEK 146 thousand (146), 2018; SEK 146 thousand (-). The Parent Company's leasing agreement for the year amounted to SEK 112 thousand (129). The agreement is valid up to and including April 30, 2016, at an annual cost of SEK 112 thousand. All the Group's and Parent Company's rental and leasing agreements are operating leases. The agreements include a rental agreement for the company's office premises in Denmark, two leased cars and office machinery.

NOTE 8

Personnel

Average number of employees	2015		2014	
	Number of employees	Of which men	Number of employees	Of which men
Parent Company	1	100%	1	100%
Subsidiaries	35	80%	33	76%
Total	36	78%	34	76%

Gender breakdown, senior executives	2015		2014	
	Number of employees	Of which men	Number of employees	Of which men
Board	6	67%	6	67%
CEO and other senior executives	4	100%	4	100%

Salaries and other remuneration	2015	2014
Parent Company	1,693	1,438
Subsidiaries	36,084	31,430
Capitalized salaries for research and development	-3,732	-2,678
Group total	34,045	30,190
Social costs excl. pension costs		
Parent Company	260	343
Subsidiaries	4,984	1,134
Group total	5,244	1,477
Pension costs		
Parent Company	211	212
Subsidiaries	693	509
Group total	904	721
Total personnel costs	40,193	32,388

NOTE 8 cont. Personnel

Pensions

Neither the Parent Company nor the subsidiaries have any defined benefit pension plans for their employees.

Option program

At an extraordinary general meeting held on April 24, 2013 a decision was made, in accordance with a proposal by the Board of Directors, to establish an employee stock option program comprising a decision to issue stock options, plus approval of the transfer of stock options, Employee Stock Option Program 2013/2017.

This program is targeted at all employees of the Company and its subsidiaries in Denmark, divided into three different categories. Participants will, under certain conditions, be offered employee stock options without charge which may entitle them to acquire shares in the Company. Employee stock options may not be transferred.

Allocation has taken place on three occasions, Tranche 1-3, in accordance with the table below.

Tranche	Allocation date	Accrual date	Maximum allocation	Actual allocation	Exercise date	Subscription price per share, SEK
1	April 30, 2013	April 30, 2016	666,666	616,672	May 2016	5.10
2	April 30, 2014	October 30, 2016	666,666	618,399	November 2016	5.20
3	April 30, 2015	April 30, 2017	666,668	663,322	May 2017	5.30
Total			2 000 000	1 898 333		

The allocation in Tranche 1 assumed that the level established in advance by the Board for the Group's EBIT during the first quarter of 2013 had been met, in Tranche 2 assumed that the level established in advance by the Board for the Group's increase in sales and EBIT in 2013 compared with 2012 had been met, and in Tranche 3 assumed that the level established in advance by the Board for the Group's increase in sales and EBIT in 2014 compared with 2013 had been met.

The target was met in the third quarter of 2013 and 616,672 employee stock options were allocated, of which 116,667 were allocated to the CEO and 150,000 to other senior executives. The target for Tranche 2 was met in 2013 and 618,399 employee stock options were allocated, of which 116,667 were allocated to the CEO and 150,000 to other senior executives. The target for Tranche 3 was met in 2014 and 663,322 employee stock options were allocated, of which 116,667 were allocated to the CEO and 150,000 to other senior executives.

Employee stock option program 2013/2017 - follow-up of targets and allocation

Tranche	Target 1	Target 2	Outcome
1	Positive EBIT quarter 1 2013	-	EBIT quarter 1 2013 was SEK 1.6 m
2	Sales increase SEK 37 m in 2013 compared with 2012	EBIT increase SEK 10 m in 2013 compared with 2012	Sales increase amounted to SEK 42 m and EBIT increase to SEK 15.3 m
3	Sales increase SEK 35 m 2014 compared with 2013	EBIT increase SEK 18 m 2014 compared with 2013	Sales increase amounted to SEK 116 million and EBIT increase to SEK 45.1 m

The market value of the options has been calculated on the basis of the Black & Scholes valuation model. Given the analysis of the historical volatility of the company's share price, volatility has been assessed to amount to 35 percent, a risk-free interest rate of 0.07, 0.04 or 0.04 percent respectively for the three different maturities, and a share price of SEK 75.75. Any future dividends have not been taken into account. The value per employee stock option has been calculated to be SEK 70.65 for Tranche 1, SEK 70.55 for Tranche 2, and SEK 70.45 for Tranche 3. The cost for the 2015 financial year amounted to SEK 4602 thousand, of which SEK 4063 thousand was social costs.

Full information on the employee stock option program can be found at www.invisio.com

NOTE 9 Remuneration to senior executives

Board ¹	2015	2014
	Fee	
Lars Röckert, Chairman ²	300	275
Anders Persson ³	135	125
Mats Warstedt	135	125
Annika Andersson ⁴	135	83
Charlotta Falvin ⁵	135	83
Jan Samuelson ⁶		42
Lage Jonason	135	125
Total	975	858

¹The Annual General Meeting 2015 resolved that directors' fees totaling SEK 300,000 shall be paid to the Chairman of the Board and SEK 135,000 to each of the other Board members. In addition to this, the Board has received compensation for outlays.

² Chairman Lars Röckert invoices his directors' fees from the company L.M.R. Business Development AB

³ Board member Anders Persson invoices his directors' fees from the company Persson Executive Consulting AB

⁴ Board member Annika Andersson invoices her directors' fees via AR Advisory AB. Elected at the 2014 AGM.

⁵ Board member Charlotta Falvin invoices her directors' fees via Fasiro AB. Elected at the 2014 AGM.

⁶ Board member Jan Samuelson invoiced his directors' fees via Business Partner Sweden AB. Resigned at the 2014 Annual General Meeting.

⁷ Variable salary can amount to a maximum of 50 percent of the basic salary. Variable salary 2015 and 2014 amounted to SEK 1,249 thousand (1,206).

⁸ Variable salary 2015 and 2014 amounted to SEK 1,601 thousand (1,830). Other management consists of three persons.

Executive Management	2015				2014			
	Salary	Pension	Other remuneration	Total	Salary	Pension	Other remuneration	Total
Lars H. Hansen, CEO ⁷	3,552	274	98	3,924	3,311	272	103	3,686
Other executive management ⁸	6,174	157	212	6,543	5,923	148	195	6,266
Total	9,726	431	310	10,467	9,234	420	298	9,952

NOTE 9 cont. Remuneration to senior executives

Notice period

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

Option program

The target according to the Employee Stock Option Program 2013/2017 was met in 2015. The CEO was allocated 116,667 options, the rest of the management being allocated 150,000 options. See note 8.

NOTE 10

Taxes

Income tax	Group		Parent Company	
	2015	2014	2015	2014
Current tax on the year's earnings	-4,423	-2,491		
Deferred tax	14,647	15,047		
Total current tax	10,224	12,556	0	0

Differences between reported tax expense and tax expense based on current tax rate	Group		Parent Company	
	2015	2014	2015	2014
Profit/Loss before tax	46,864	31,721	15,728	2,170
Tax 22%	-10,310	-6,979	-3,460	-477
Tax effect of:				
- Foreign tax rates	-855	-254		
- Non-deductible expenses/Non-taxable income	-61	4,363	5,500	1,980
- Utilization of loss carryforwards not recognized previously	8,971	379		
- Tax losses for which no deferred tax asset is recognized	-2,168		-2,040	-1,503
- Reassessment of loss carryforwards	14,647	15,047		
Tax on profit for the year according to income statement	10,224	12,556	0	0

Deferred tax asset	Group		Parent Company	
	2015	2014	2015	2014
Deferred tax assets on tax losses				
Opening balance	15,759			
Exchange rate difference	-1,018	712		
Reported in the income statement	14,647	15,047		
Closing balance	29,388	15,759	0	0

A deferred tax asset of 14,647 was recognized as revenue during the year. Deferred tax assets are recognized for tax loss carryforwards insofar as it is likely that they can be utilized via future taxable profits. Individual assessments are carried out of each company with regard to historical profit development and opportunities to use the loss carryforwards. The loss carryforwards are mostly held by the Danish subsidiary. Danish legislation limits the annual utilization of loss carryforwards in terms of amount, which means that the Danish subsidiary will pay 4,423 in tax for 2015.

All loss carryforwards, totaling 259,377, of which 133,582 are capitalized as at December 2015, have an unlimited life.

At present unutilized loss carry forwards in the parent company cannot be utilized.

Unutilized loss carry forwards	Group		Parent Company	
	2015	2014	2015	2014
Unutilized loss carry forwards for which no deferred tax asset has been recognized	125,795	193,487	86,591	77,319
Potential tax asset	28,225	44,272	19,050	17,010

NOTE 11 Intangible assets

Group, December 31	2015	2014
Opening acquisition value	48,865	40,661
Internally-developed assets	4,109	5,259
Exchange rate differences for the year	-2,160	2,945
Closing accumulated acquisition value	50,814	48,865
Opening depreciation	-29,886	-23,171
Depreciation for the year	-5,467	-4,944
Exchange rate differences for the year	1,392	-1,771
Closing accumulated depreciation	-33,961	-29,886
Closing reported value	16,853	18,979

Impairment testing

Intangible assets refer to internal development of products specifically for sale. A recoverable amount is estimated when there is an indication that the asset has decreased in value. During the year no events have taken place that indicate an impairment in value. Intangible assets under development are tested annually for impairment. The recoverable amount for the Group's cash generating units (CGU) is determined on the basis of value in use calculations. These calculations are based on expected future cash flows based on financial forecasts and strategies approved by the management, and which cover a five-year period. The assumptions reflect the financial targets set up by the Board, market reports concerning future growth and technological trends. From time to time the company uses a five-year period to reflect the long-term nature of customers' purchasing decisions. Cash flows beyond the five-year period are extrapolated using an estimated rate of growth. The final growth rate used is 2 percent (2). The discount rate before tax used is 10 percent (12.5). This is to reflect the specific risks applicable to the segment the company operates within. A change in discount rate of 3 percentage points (3) does not trigger any impairment loss. A change in estimated EBITDA of 2 percentage points (2) does not trigger any impairment loss. A change in estimated gross margin of 3 percentage points (3) does not trigger an impairment loss. Based on the above, it is not deemed necessary to recognize any impairment losses.

NOTE 12 Tangible assets

Group, December 31	2015	2014
Opening acquisition value	9,488	8,748
Purchases	592	152
Exchange rate differences for the year	-414	588
Closing accumulated acquisition value	9,666	9,488
Opening depreciation	-9,334	-8,665
Depreciation for the year	-128	-90
Exchange rate differences for the year	396	-579
Closing accumulated depreciation	-9,066	-9,334
Closing reported value	600	154

NOTE 13 Deposits made

Group, December 31	2015	2014
Opening acquisition value	782	692
Change for the year	7	43
Exchange rate differences for the year	-33	47
Closing reported value	756	782

The amount relates to deposits for the rental of premises.

NOTE 14 Inventories

Group, December 31	2015	2014
Finished products	15,407	12,142
Goods in progress	4,530	4,249
Total	19,937	16,391

The year's write-down of inventories amounts to SEK 95 thousand (52) and is recognized in cost of goods sold.

NOTE 15 Prepaid expenses and accrued income and other receivables

Group	2015	2014
Prepaid rents	533	541
Prepaid insurances	646	545
Prepaid exhibition costs	403	210
Other prepaid costs	456	631
Total	2,038	1,927
Other receivables		
Foreign currency hedging	1,073	
Advance payments to supplier	5,000	4,412
Other	175	
Total	6,248	4,412
Parent Company	2015	2014
Other prepaid costs	112	152
Total	112	152
Other receivables		
Other	133	243
Total	133	243

NOTE 16 Liabilities to credit institutions

Group, December 31	2015	2014
Liabilities in respect of invoice factoring		10,947
Bank loan, due in one year		10,366
Bank loan, due in two years		1,967
Total	0	23,280

Parent Company, December 31	2015	2014
Bank loan, due in one year		10,366
Bank loan, due in two years		1,967
Total	0	12,333

In 2015 final amortization payment has been made on the loans and all pledged assets have been returned.

The factoring agreement was terminated during the year.

The Group has unutilized overdraft facilities of SEK 10 million.

The previous year's pledged assets are reported in Note 21, Assets pledged for liabilities to credit institutions.

NOTE 17 Overdraft facility

Group, December 31	2015	2014
Approved credit limit	10,000	10,000
Unutilized portion	-10,000	-10,000
Overdraft utilized	0	0

Parent Company, December 31	2015	2014
Approved credit limit	10,000	10,000
Unutilized portion	-10,000	-10,000
Overdraft utilized	0	0

Securities are described in Note 21, Assets pledged for liabilities to credit institutions.

NOTE 18 Participations in group companies

Parent Company, December 31	2015	2014
Opening reported value	82,411	81,957
Employee Stock Option Program	539	453
Closing reported value	82,950	82,410

Shares held by the Parent company, 2015

Company	Corporate Identity	Registered office	Number of participations	Capital share, %	Book value
INVISIO Communications A/S	20 75 82 36	Hvidovre, Denmark	672,590	100	80,333
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2,517
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	100

Shares held by the Parent company, 2014

Company	Corporate Identity	Registered office	Number of participations	Capital share, %	Book value
INVISIO Communications A/S	20 75 82 36	Hvidovre, Denmark	672,590	100	79,793
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2,517
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	100

NOTE 19

Accrued expenses and prepaid income

Group, December 31	2015	2014
Accrued compensation	3,435	4,754
Holiday pay liability	4,366	3,461
Social security contributions	4,113	294
Other	4,179	4,400
Total	16,093	12,909
Parent Company, December 31	2015	2014
Accrued compensation	395	380
Social security contributions	39	18
Other	998	1,130
Total	1,432	1,528

NOTE 20

Share capital

Parent Company

As at December 31, 2015 share capital amounted to SEK 42,240 thousand (42,240), allocated over 42,240,161 (42,240,161) shares with a quotient value of SEK 1. The number of outstanding stock options amounts to 2,000,000 (2,000,000), which entitle the holder to subscribe for 2,000,000 (2,000,000) shares, distributed over one (one) program.

Stock options

As of 2013 there is an employee stock option program; Employee Stock Option Program 2013/2017. To ensure access to shares in the company for transfer, stock options were issued to the wholly owned Danish subsidiary INVISIO Communications AS. These stock options entitle holders to subscribe for a total of no more than 2,000,000 shares in the company. The allocated stock options amounts to 1,898,333, why the increase of the company's share capital will amount to a maximum of SEK 1,898,333.

NOTE 21

Pledged assets and contingent liabilities

	Group		Parent Company	
	2015	2014	2015	2014
Pledged assets for liabilities to credit institutions, December 31				
Shares in subsidiaries				2,517
Chattel mortgage		7,000		7,000
Pledged accounts receivable		13,684		
Total	0	20,684	0	9,517
Contingent liabilities	None	None	None	None

NOTE 22

Earnings per share in the Group

Earnings per share before dilution	2015	2014
Profit/Loss after tax	57,088	44,277
Average number of shares outstanding (thousands)	42,240	42,240
Earnings per share before dilution	1,35	1,05

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

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

Only the option programs whose issue price is less than the average share price for the period can lead to a dilutive effect. The average price for 2015 was SEK 41.73 (10.12). The outstanding option program meets the conditions, which is why this is giving rise to a dilutive effect.

As shown in Note 8, INVISIO has an outstanding employee stock option program, providing the right to subscribe for a maximum of 2,000,000 shares between May 2016 and May 2017. The number of allocated employee stock options is 1,898,333, meaning that this is the maximum number of shares that can be subscribed. Subscriptions can be made at the times shown in Note 8.

Earnings per share after dilution	2015	2014
Profit/Loss after tax	57,088	44,277
Average number of shares outstanding (thousands)	43,920	43,573
Earnings per share after dilution	1,30	1,02

NOTE 23

Accounts receivable - trade

Age analysis of accounts receivable	Group	
	2015	2014
Not past due	35,359	11,306
Past due < 60 days	401	7,547
Past due > 60 days	95	234
Total past due	496	7,781
Total receivables	35,855	19,087
Expected losses		-242
Accounts receivable in the accounts	35,855	18,845
Bad accounts receivable		
Opening balance	-242	-226
Expected losses		-235
Confirmed losses		-5
Reversed amounts	242	224
Closing balance	0	-242

By December 31, 2015, accounts receivable amounting to SEK 496 thousand (7,781) were overdue, but no write-down requirement was considered to exist.

NOTE 24**Costs divided by type**

Group	2015	2014
Costs divided by type		
Cost of goods sold	-111,474	-110,362
Costs for employee remuneration (Note 8)	-40,193	-32,388
Depreciation and write-downs (Notes 11 & 12)	-5,595	-5,034
Other costs	-25,217	-19,200
Total cost of goods sold, sales and marketing, administration, research and development	-182,479	-166,984
Parent Company	2015	2014
Costs divided by type		
Costs for employee remuneration (Notes 8)	-2,164	-1,993
Other costs	-6,752	-3,576
Total administrative expenses	-8,946	-5,569

NOTE 25**Related party disclosures**

Lage Jonason (with related parties) is one of the Company's largest single shareholders. Lage Jonason has personally acted as guarantor for part of the obligations until February 2015. Lage Jonason was entitled to 1.5 percent annual remuneration in respect of his obligations incurred in acting as guarantor. Until May 2015 Yggdrasil AB provided security for loans of SEK 6.5 m and overdrafts (maximum SEK 10 m) against an annual security commission of 3.5 percent on amounts utilized up to SEK 15 million.

NOTE 26**Events after the end of the financial year**

- On January 4 the INVISIO share moved from Nasdaq Stockholm's Small Cap list to Mid Cap, as a consequence of its growth and the company's market value exceeding EUR 150 million.
- INVISIO received two follow-up orders from the Australian Department of Defense worth about SEK 13 million and SEK 15 million. Delivery is planned to take place successively in 2016, starting in the second quarter.
- In March INVISIO received a SEK 20 million order to supply communication systems to the French Forces during UEFA EURO 2016 and other assignments.

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on April 28, 2016 for adoption.

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

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

Stockholm, March 28, 2016

Lars Röckert
Chairman of the Board

Anders Persson
Board member

Lage Jonason
Board member

Mats Warstedt
Board member

Annika Andersson
Board member

Charlotta Falvin
Board member

Lars Højgård Hansen
President and CEO

Our audit report was submitted on March 29, 2016

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

AUDITOR'S REPORT

To the annual meeting of the shareholders of
INVISIO Communications AB (publ.),
corporate identity number 556654-0987

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of INVISIO Communications AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 37 - 61.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is

consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of INVISIO Communications AB (publ) the year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm March 29, 2016

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

FIVE-YEAR OVERVIEW

INCOME STATEMENTS January - December (SEK 000s)	2015	2014	2013	2012	2011
Total income	229,802	201,635	85,254	43,031	41,463
Cost of goods sold	-111,474	-110,362	-48,205	-24,914	-21,162
Gross profit	118,328	91,273	37,049	18,117	20,301
Operating expenses	-65,410	-51,588	-42,311	-38,704	-36,390
Depreciation and write-downs	-5,595	-5,034	-5,218	-5,226	-8,085
Operating profit/loss	47,323	34,651	-10,480	-25,813	-24,174
Net financial items	-459	-2,930	-2,880	-3,678	-4,451
Profit/Loss before tax	46,864	31,721	-13,360	-29,491	-28,625
Tax	10,224	12,556	2,900		
Profit/Loss for the year	57,088	44,277	-10,460	-29,491	-28,625
BALANCE SHEETS December 31 (SEK 000s)	2015	2014	2013	2012	2011
ASSETS					
Non-current assets					
Intangible assets	16,853	18,979	17,489	16,832	15,336
Tangible assets	600	154	83	139	576
Financial assets	30,143	16,541	692	670	678
Total non-current assets	47,596	35,674	18,264	17,641	16,590
Current assets					
Inventories	19,937	16,391	10,098	3,240	5,215
Accounts receivable - trade	35,855	18,845	16,137	17,362	5,668
Other receivables/prepaid expenses and accrued income	8,286	6,339	4,741	1,488	6,039
Cash and cash equivalents	29,367	28,444	9,126	4,240	17,305
Total current assets	93,445	70,019	40,102	26,330	34,227
TOTAL ASSETS	141,041	105,693	58,366	43,971	50,817
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
	105,635	52,375	3,895	-1,814	11,287
Long-term liabilities					
Liabilities to credit institutions		1,967	12,333		
Total long-term liabilities	0	1,967	12,333	0	0
Current liabilities					
Liabilities to credit institutions		21,313	21,215	31,245	27,736
Accounts payable - trade	15,846	14,949	12,439	8,840	6,284
Other liabilities/accrued expenses and prepaid income	19,560	15,089	8,484	5,700	5,510
Total current liabilities	35,406	51,351	42,138	45,785	39,530
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	141,041	105,693	58,366	43,971	50,817

CASH FLOW STATEMENT January –December (SEK 000s)	2015	2014	2013	2012	2011
Profit/Loss before tax	46,865	31,721	-13,360	-29,491	-28,625
Adjustments for non-cash items	4,587	6,515	5,202	5,312	8,123
Taxes	-2,661		2,900		
Cash flow from operating activities before changes in working capital	48,791	38,236	-5,258	-24,179	-20,502
Cash flow from changes in working capital	-18,869	-3,926	-2,079	-2,644	-9,138
Cash flow from operating activities	29,922	34,310	-7,337	-26,823	-29,640
Cash flow from investing activities	-4,701	-5,412	-5,180	-6,942	-6,263
Cash flow from financing activities	-23,077	-10,887	17,266	20,826	40,473
CASH FLOW FOR THE YEAR	2,144	18,011	4,749	-12,939	4,570
KEY FIGURES	2015	2014	2013	2012	2011
MARGINS					
Gross margin	51.5%	45.3%	43.5%	42.1%	49.0%
Operating margin	20.6%	17.2%	-12.3%	-60.0%	-58.3%
Profit margin	20.4%	15.7%	-15.7%	-68.5%	-69.0%
CAPITAL STRUCTURE					
Equity ratio	74.9%	49.6%	6.7%	-4.1%	22.2%
OTHER					
Number of employees at year end	40	34	31	29	30
DATA PER SHARE					
Number of shares at end of period, thousands	42,240	42,240	42,240	38,440	32,704
Earnings per share, SEK	1.35	1.05	-0.27	-0.83	1.10
Shareholders' equity per share, SEK	2.50	1.24	0.09	-0.05	0.35
Share price at year end, SEK	75.75	12.80	5.05	5.00	3.70

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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 divided by total assets.

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 equivalents (FTEs).

Number of employees at year-end

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

FINANCIAL CALENDAR

Publication dates for financial information

- | | |
|-------------------------------------|-------------------|
| • Interim report, January-March | April 28, 2016 |
| • 2016 Annual General Meeting | April 28, 2016 |
| • Interim report, January-June | August 18, 2016 |
| • Interim report, January-September | November 3, 2016 |
| • Year-end report 2016 | February 24, 2017 |

The 2016 Annual General Meeting will take place at the premises of IVA's offices at Grev Turegatan 16 in Stockholm, Sweden.

This is a translation of the Swedish version of the Annual Report. In case of discrepancies, the Swedish wording prevails.



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