



Protection
at work,
a better life
at home



INVISIO[®]

Annual Report 2022

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INVISIO at a glance

Leading growth company on a niche market

INVISIO develops and markets advanced communication systems that help professionals in noisy and mission critical environments to work more safely and effectively while protecting their hearing. The systems and products are marketed under the two brands INVISIO and Racial Acoustics. The company has its headquarters in Copenhagen and sales organizations in the USA, France, the United Kingdom, Italy and Thailand. The INVISIO share has been listed on Nasdaq Stockholm since 2015 and is in the Mid Cap segment.

Behind the finished products lie extensive research and development. Investments in R&D for 2018-2022 amounted to an average of 15 per cent of the company's total revenue.

Unique customer benefit

INVISIO offers both personal communication systems for use in the field and in vehicles, and an Intercom system for use in various forms of transport. The personal equipment reduces high noise levels and enables disruption-free communication in noisy and mission-critical environments. The Intercom system makes it possible for users of the personal equipment to communicate within the group and with others even while on the move.

A growing market

Demand for communication systems and hearing protection continues to rise. The main drivers include extensive modernization programs, substantially increased geopolitical instability and wider use of communication equipment. In addition there is also an explicit wish to reduce individual suffering and the societal costs related to hearing loss.

Strategy focused on growth with sound profitability

INVISIO is a growth and innovation company focusing on product development and sales. In the next few years the company intends to strengthen its leading global position both through expansion to new geographical markets and broadening the offer. The target is average annual growth that exceeds 20 per cent.

Stable historic growth with sound profitability

16%

Average annual growth (CAGR) 2018-2022

14%

Average operating margin 2018-2022

The year at a glance

Back on the growth track – record high sales

Strong order intake

Development in 2022 was strong. The order intake grew by more than 80 per cent compared with the previous year and the order book at year-end was the largest in the company's history. Sales during the year grew by 31 per cent, despite delivery delays for some components.

Continued offensive investments

Despite the pandemic, in recent years INVISIO has continued to carry out its growth strategy, including in 2022. The forward-looking investments included both product development and organizational development in R&D and sales. The development of the company and offer have meant that INVISIO has an even stronger starting position now as activity in the market increases.

Strengthened profitability

Both the gross and EBIT margins improved during the year, despite earnings being reduced by relatively extensive component purchases on the spot market – a consequence of higher demand and a scalable business model.

Strong development for Racal Acoustics

The increasing activity level in the market for heavy military vehicles has meant a clear increase in demand for products adapted for extremely noisy environments, sold under the Racal Acoustics brand. In addition, the position of the brand in the market has been further strengthened, particularly in the USA, as a consequence of the decision by one of the major actors to discontinue its competing product line.

Great interest in the Intercom system

Interest in INVISIO's new Intercom system continued to be great during the year. A number of major orders were received, which means that 2022 can be regarded as a commercial breakthrough year for the solution. The system is currently being evaluated by several potential customers, both in Europe and the USA.

Successes in the law enforcement and security market

There is great interest in the law enforcement and security market for the company's solutions. The completed reinforcement of the sales organization and increased number of distribution partners have proved to be a success. Collaboration with the Swedish Police Authority was intensified during the year. In addition, framework agreements have been signed with the Danish police and various leading police units in the USA.



Breakthrough order for Racal Acoustics in the USA

After the close of the year INVISIO was awarded a first major order for the new RA4000 Magna™ headset. The customer is a major supplier to the American Department of Defense. The order value, which was SEK 42 million, signifies a breakthrough for the Racal Acoustics

brand in the North American market. The products are to be used in heavy vehicles in critical and extremely noisy conditions, which puts high demands both on communication capability and hearing protection functionality.

The year at a glance

Larger orders and contracts in 2022

2022

January 2022

Five-year framework agreement worth approximately SEK 275 million signed with a European defense force.

March 2022

Order from a defense force in a European country worth SEK 91 million.

Further orders worth SEK 118 million from the UK MoD.

April 2022

Renewed long-term contract with the UK MoD.

July 2022

Order for the Intercom system from a European NATO country. The order is valued at SEK 13 million.

August 2022

Second volume order for the Intercom system. The order is valued at SEK 14 million.

Two-year framework agreement with a strategically important North European police organization. Estimated order value approximately SEK 15 million.

February 2023

Contract with army in a European non-NATO country. First order for SEK 40 million.

Racal Acoustics received an American breakthrough order for the new headset, RA4000 Magna™, worth SEK 42 million.

January 2023

Further volume order for the Intercom system, amounting to approximately SEK 40 million.

2023

December 2022

Order for SEK 40 million from existing customer for personal systems for communication and hearing protection.

September 2022

Order worth SEK 40 million from an existing customer in the US Department of Defense.

Order worth SEK 58 million from a new customer in a European NATO country.



1,142
SEK million

Total order intake 2022

625
SEK million

Total order book
31 December 2022

The year at a glance

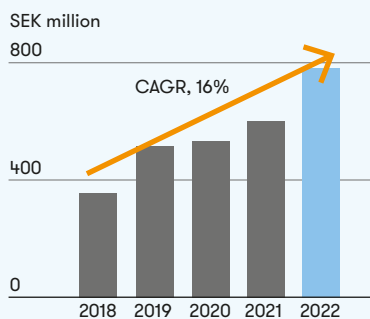
2022 in figures

	2022	2021	2020
Revenue, SEK million	775.5	593.0	532.0
Gross profit, SEK million	449.7	340.4	309.0
Operating expenses, SEK million	384.5	315.5	213.6
Operating profit/loss, SEK million	65.2	24.9	95.4
Net profit/loss for the year, SEK million	44.5	14.5	61.2
Cash flow from operating activities, SEK million	41.7	91.0	85.6
Order intake, SEK million	1,141.6	628.1	525.7
Order book, SEK million	624.7	224.7	123.2
MARGINS			
Gross margin, %	58.0	57.4	58.1
Operating margin, %	8.4	4.2	17.9
Profit margin, %	5.7	2.4	11.5
CAPITAL STRUCTURE			
Equity/assets ratio, %	64	61	73
EMPLOYEES			
Number of employees	208	187	125
DATA PER SHARE			
Earnings, SEK	0.99	0.33	1.39
Shareholders' equity after dilution, SEK	11.32	9.26	8.28
Share price at close of period, SEK	164.60	163.80	250.00

Sales

775
SEK million

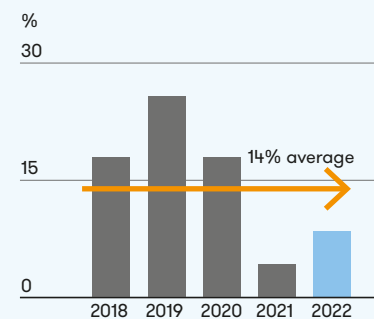
Revenue amounted to SEK 775.5 million (593.0), an increase of 31 per cent compared with the previous year. After currency adjustment growth was 23 percent. CAGR for the last 5 years is 16 per cent.



Operating margin

8.4%

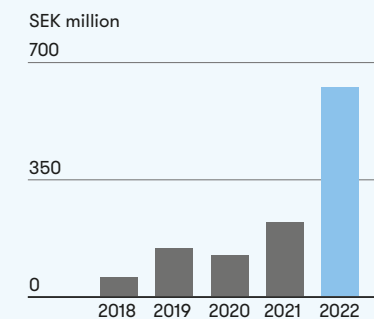
The operating margin was 8.4 per cent (4.2). Increasing sales lifted the margin to just over 20 per cent in the fourth quarter. The average margin for the last five years was 14 per cent.



Order book

625
SEK million

The order intake for 2022 was SEK 1,141.6 million (628.1). INVISIO entered 2023 with a well-filled order book worth SEK 624.7 million (224.7).



CEO's comments

Robust growth and strengthened profitability

The order intake for the full year was as much as SEK 1,142 million (628), which is the highest ever. The year's sales were SEK 775 million (593), corresponding to growth of 31 per cent. All in all, this means that we are entering 2023 with a well-filled order book worth SEK 625 million (225). After a few difficult years in the shadow of the pandemic we are now back on the growth track.



Our profitability also strengthened in the past year. Despite component shortages and continued relatively large purchases on the spot market, the gross margin improved somewhat compared with the previous year. For the full year the operating margin (EBIT) was just over 8 per cent. Here it can be noted, however, that in the fourth quarter it again exceeded 20 per cent, a direct consequence of the increased sales.

Clear results from offensive investments

Growth during the year is largely a direct consequence of the large investments we made in recent years. These include not least investments in the product portfolio, organization and technical platform. Despite major challenges resulting from the pandemic, INVISIO has consistently continued to carry out its growth strategy. We are now clearly seeing the result, which is of course highly satisfying. Old customers are placing new orders, while the number of new customers is growing.

Increased proportion of medium-sized orders

Among the major and single most important events during the year is the five-year framework agreement we signed in January with a European defense force. The contract, which

is with the system integrator of the end customer's vehicle modernization program, is for the new Racal Acoustics headset, RA4000 Magna™ with accessories. The value is estimated to be about SEK 275 million for the contract period, but no volumes are guaranteed. Among the larger orders were two from the British Ministry of Defence for communication systems for use in armored combat vehicles and for users in the field. The combined value of the two orders was SEK 118 million.

In addition, we saw a continued clear trend towards an increased number of medium-sized orders – a direct consequence of the broader product portfolio and a growing customer base. Apart from increased sales, this also helps to stabilize the order intake, which is positive.

Breakthrough order for Racal Acoustics in the USA

Two years have now passed since the acquisition of Racal Acoustics. The integration has gone entirely according to plan and we see exactly the result we predicted and hoped for. This applies not least to the position in the USA, where we are now reaping the benefit of synergies with our existing sales organization on site. In early 2023 this resulted in a first major

American order for the new RA4000 Magna headset. The order value, which was SEK 42 million, signifies a breakthrough for the Racal Acoustics brand in the North American market. The customer is a major supplier to the American Department of Defense. The products are to be used in heavy vehicles in critical and extremely noisy conditions, which puts high demands both on communication capability and hearing protection functionality.

Commercial breakthrough for the Intercom system

The past year meant something of a commercial breakthrough for our Intercom system. Interest continued to be great during the year and now at the beginning of 2023 the largest order to date for the system has been received. The order value is about SEK 40 million and the customer is the same European NATO country that placed two large announced orders in 2022. In all, the value of the three orders is almost SEK 70 million. We expect the customer to place more orders this year. The orders are clear confirmation that the solution meets the highest requirements of a NATO country for a modern communication system. The large number of systems ordered also sends a strong signal that facilitates discussions with other potential customers.

Continued great interest from the law enforcement and security market

Penetration of the law enforcement and security market continued during the year. Interest is great and the previously completed reinforcement of our own sales organization in combination with more distribution partners is now yielding results. During the year cooperation with the Swedish Police Authority was intensified and we also signed a two-year framework agreement with the Danish police. In addition, we strengthened our position in the American and European markets through several orders from a number of police units.

Increased focus on security due to geopolitical uncertainty

Apart from offensive forward-looking investments, the extensive order intake during the year is also a consequence of international developments. The war in Ukraine and a considerably more uncertain geopolitical situation, particularly in Europe, contributed during the year to a substantially increased focus on defense and security issues. In turn this has resulted in announcements of increased defense and military appropriations, not least from several NATO countries that have now declared that in the long term they intend to align with the 2 per cent target for the defense share of GDP.

Positive expectations for 2023

The extensive forward-looking investments carried out in recent years relating to broadening the product portfolio, acquiring Racal Acoustics and strengthening both the R&D and sales organizations, have resulted in INVISIO today being considerably stronger. This, combined with a substantial order book and the current market conditions, means that we predict continued strong sales and order intake in 2023. It is now time to harvest the fruits of the investments made in recent years.

Copenhagen in March 2023

Lars Højgård Hansen

President and CEO of the INVISIO Group



Achieved in 2022

“In 2022 we were given clear confirmation that recent years’ offensive investments in the product portfolio and organization have yielded results. The order intake and sales during the year were the highest ever.”

Focus 2023

“Attractive products and effective sales organizations combined with the current market situation mean that we predict continued strong sales and order intake in 2023 as well.”

A scalable business model

The core of INVISIO’s business model is to develop, based on a good understanding of the customer and innovative capacity, effective communication solutions creating value for both users and society.

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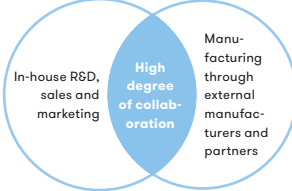
An innovation company with a strong culture

INVISIO is a highly innovative company. Development work is conducted in close collaboration with customers. High technical expertise, a strong corporate culture and comprehensive understanding of the user’s needs are among the foremost success factors.

- High innovative capacity
- Close collaboration with customers
- Strong corporate culture
- Global niche strategy in a growing market

Focus on core business

The company focuses on development, marketing and sales. Selected European contract manufacturers account for the greater part of manufacturing. Outsourcing manufacturing to external partners ensures the flexibility and capacity to be able to manage variations in order volumes.



Two complementary offers

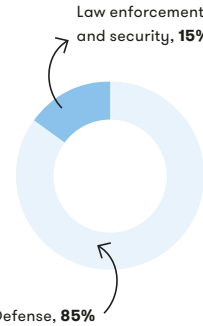
INVISIO offers two types of system:

Personal communication systems: Personal communication equipment with hearing protection for professional users, mobile as well as stationary. Marketed under the INVISIO and Racial Acoustics brands.

Intercom system: Enables users of the personal equipment to connect to internal and external communication systems in various forms of transport.


Two customer groups

Customers are primarily in defense, law enforcement and the security industry. Special forces and SWAT teams are often the gateway to the larger volumes in the regular army and general law enforcement.



Portfolio with long-term agreements

INVISIO’s procurements won refer to framework agreements or long-term programs. The agreements do not guarantee sales volumes, but entail major barriers to entry for competing actors, since they give exclusive access to the customer.



Value creation for users and society

By enabling safe communication in critical situations INVISIO creates value for both individuals and society as a whole.

Users

- Safer work environment
- Increased operational capacity
- Prevents hearing loss and related problems

Society

- Higher efficiency
- Lower costs for rehabilitation and compensation for hearing loss

In all respects a stronger INVISIO

The extensive forward-looking investments carried out in recent years relating to broadening the product portfolio, acquiring Racal Acoustics and strengthening both the R&D and sales organizations have resulted in INVISIO today being a considerably stronger and more stable company.

	Increased resources in R&D and sales	Higher standard of technology	Broadened offer	New customer groups	Broader customer base
2019	<ul style="list-style-type: none"> • R&D – 33 people. • Marketing and sales – 36 people. 	<ul style="list-style-type: none"> • Stand-alone products. • Focus on hardware and physical products. • One-size-fits-all. 	<ul style="list-style-type: none"> • Personal system for users in the field. 	<ul style="list-style-type: none"> • Defense and military 	<ul style="list-style-type: none"> • Dependent on individual customers and large orders. • High volatility in order intake.
2022	<ul style="list-style-type: none"> • R&D – 53 people. • Marketing and sales – 63 people 	<ul style="list-style-type: none"> • Software-based ecosystem, where all products can be integrated. • Software with AI gives better functionality, customer-adaptation potential and regular updates as well as higher speech quality and less noise. 	<ul style="list-style-type: none"> • Complementary product categories in the form of the INVISIO Intercom system and Racal Acoustics solutions for a vehicle environment characterized by constant high noise. 	<ul style="list-style-type: none"> • New user categories in the form of law enforcement and security, whose share of sales is growing continuously. 	<ul style="list-style-type: none"> • Increased sales and share of medium-sized orders, which gives a more stable order intake and reduced volatility in sales.



Global market leader in a growing market

Recent years' extensive investments in both organization and offer have strengthened INVISIO's position and now mean good prospects of meeting an increased demand, driven not least by increasing military appropriations and defense budgets.

Why invest in INVISIO?

INVISIO holds a leading position in a growing niche market. The main strengths include high growth with sound profitability, a strong corporate culture and a clear strategy – where continued broadening of the offer, penetration of new geographical markets and expansion to new user groups are important components.



Stable financial development and continuous investments in R&D

Good long-term growth

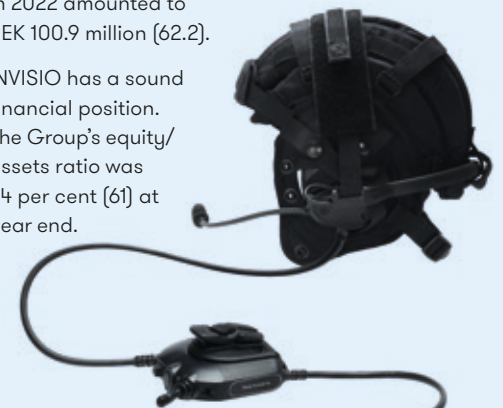
- INVISIO's average annual growth during the period 2018–2022 was 16 per cent. Growth in 2020 and 2021 was negatively impacted by the pandemic, which brings down growth for the period.
- Record order book of more than SEK 600 million at the start of 2023.
- The acquisition of Racal Acoustics in 2021 meant a strengthened market position, broader offer and increased revenue base.
- The market for INVISIO's offer is not cyclically dependent and is growing structurally.

Sound profitability enables offensive R&D

- The gross margin for the period 2018–2022 was on average 58.2 per cent. For 2022 the margin was 58.0 per cent.
- The average operating margin for 2018–2022 was 14 per cent. During the second half of 2022 the margin strengthened to just over 20 per cent in the fourth quarter. For the full year 2022 it was 8.4 per cent.
- Investments in R&D for the period 2018–2022 amounted to an average of 15 per cent per year of the company's total revenue.

High scalability and strong financial position

- All volume production takes place with the help of contract manufacturers, which enables scalability, flexibility and full focus on product development and sales.
- Cash flow from operating activities before changes in working capital in 2022 amounted to SEK 100.9 million (62.2).
- INVISIO has a sound financial position. The Group's equity/assets ratio was 64 per cent (61) at year end.





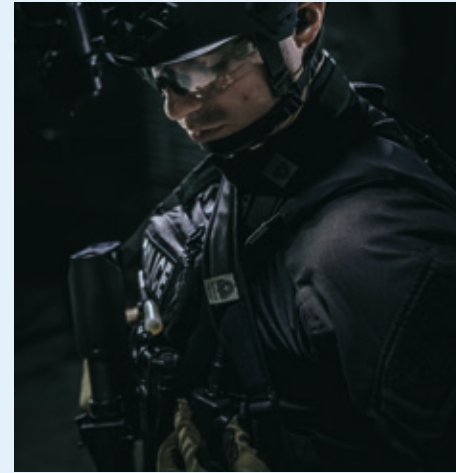
Strong market position in a growing niche market

Growing niche market with high entry barriers

- Increased geopolitical uncertainty has meant substantially increased military appropriations and defense budgets.
- The market is growing structurally as increasing numbers of users in defense and law enforcement are issued with personal communication equipment.
- Hearing loss is the most common injury for military personnel. About 30 per cent of all police officers have hearing loss after completed service.
- Entering the market and winning a public procurement normally takes several years. High entry barriers have meant that there are relatively few active players.

Market leading position and a portfolio of multi-year framework agreements and programs

- The company's strategy is to grow annually on average by 20 per cent and thus increase penetration in its niche market.
- The INVISIO Group, with its two strong brands INVISIO and Racal Acoustics, is the clear global market leader in its niche. This was further augmented through Racal Acoustics' breakthrough in the USA in early 2023.
- INVISIO has a portfolio of framework agreements and programs won that enable recurrent sales. They run from three to seven years, where Racal Acoustics' agreements can run considerably longer. Examples of customers: US defense, several NATO armies, Swedish and Danish police.



Clear growth strategy

Broadened customer offer, new user categories and geographical markets

- The new Intercom system is an entirely new source of revenue. The market value is estimated to be SEK 7 billion per year. In 2022 several volume orders were received.
- Law enforcement is a growing user group, with a market estimated to be SEK 1.5 billion per year.
- INVISIO is addressing new geographical markets, mainly in Asia but also South America and the Middle East.
- The acquisition of Racal Acoustics meant an entirely new, complementary product category, whose distribution is considerably strengthened through INVISIO's sales organization.



Strong corporate culture

A strong corporate culture characterized by innovative capacity and high technical expertise

- INVISIO's corporate culture is strong. Incentive and option programs include all employees, which helps to motivate employees and strengthen the culture.
- In 2022 INVISIO was awarded "Excellent score" in the Employee Net Promoter Score survey.
- The last five years' staff turnover and short-term sickness absence are low and were 6 per cent and 1 per cent respectively.
- Experienced management with many years of working together. The President/CEO and chief executives in sales and R&D have each worked for INVISIO for more than 15 years.

Objectives & Strategy

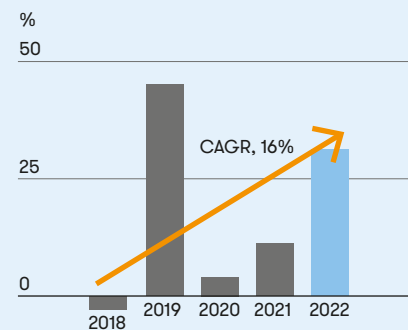
INVISIO's overall objective is to generate sustainable growth with sound profitability. The financial targets are to increase sales by an average of at least 20 per cent per year and that the operating margin over time should exceed 15 per cent. Achieving the targets requires continued innovative product development, market penetration and expansion, as well as cost focus.

Financial targets

INVISIO’s stated objective is to combine a high rate of growth with sound profitability. In recent years INVISIO has consolidated its global leading position by broadening its offer and strengthening the organization in R&D and sales. The forward-looking investments have increased total costs, but have also equipped the company for the next phase of expansion.

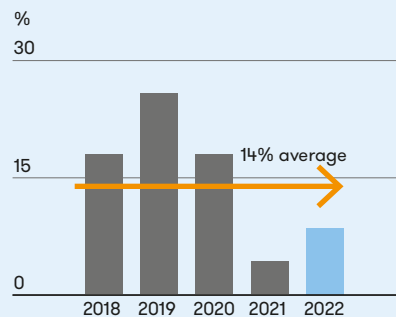
Increase average sales by at least 20 per cent per year

The average sales growth in the last five-year period (compound annual growth rate - CAGR) was just over 16 per cent. In 2022 sales growth was 31 per cent. Growth in 2020 and 2021 was negatively impacted by the pandemic, which brings down the average growth for the period.



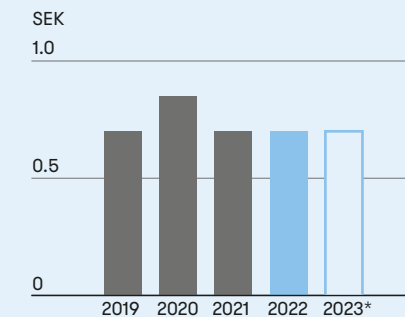
The operating margin over time is to exceed 15 per cent

In the last five-year period the average annual operating margin was 14 per cent. The operating margin in 2022 was 8.4 per cent, but was considerably stronger in the second part of the year. In the last quarter of 2022 it was just over 20 per cent. The margin was negatively affected in the pandemic by dampened growth and temporary cost increases for components and the continued forward-looking investments.



Dividend over time is to be 25–50 per cent

According to the dividend policy adopted by the Board, the dividend size must take into account INVISIO’s long-term growth and earnings trend, as well as capital requirements, taking financial targets into consideration. The dividend target is that over time it should constitute 25 to 50 per cent of profit after tax. The average dividend in the past five years, including proposed dividend for 2023 amounts to 57 per cent.



*Proposed dividend

Strategy for continued profitable growth

1 /

Increase penetration in existing markets

Apart from winning new procurement contracts, INVISIO endeavors to increase its sales in the context of agreements already signed in the main markets in North America and Europe.

STRATEGY FOLLOW-UP

During the pandemic, sales to existing customers were predominant, since the conditions for new sales were difficult. The degree of penetration for the personal system among defense customers in Europe and the USA is estimated to be just over 10 per cent. INVISIO has more than 250,000 current users.

2 /

Broaden the product portfolio through innovative development

INVISIO intends to continually broaden its product portfolio with user-friendly, flexible and cost-effective products. This broadening will be mainly through innovative and customer-oriented product development.

STRATEGY FOLLOW-UP

In recent years INVISIO has developed several new products, which together with the acquisition of Racal Acoustics has both strengthened and broadened the product portfolio. New solutions include the Intercom system and the T7, RA4000 and RA5100 headsets, as well as Gen II Control Units.

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Address new user groups

INVISIO aims to reach new volume markets by addressing new user groups with a similar need to be able to communicate in noisy and challenging environments while at the same time protecting their hearing.

STRATEGY FOLLOW-UP

In 2022 INVISIO continued to address the law enforcement and security market. An increasing number of law enforcement organizations and fire-fighting services are showing interest in the company's solutions. At present INVISIO has framework agreements with the Swedish and Danish police, as well as sales to several leading American law enforcement units.

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Expand to new geographies

INVISIO is to expand to new geographical markets. Not least, selected markets in Asia, the Middle East and South America will play a growing role.

STRATEGY FOLLOW-UP

The expansion to new geographical markets, mainly in Asia, was made more difficult by the pandemic, but the company saw a clear improvement towards the end of 2022.

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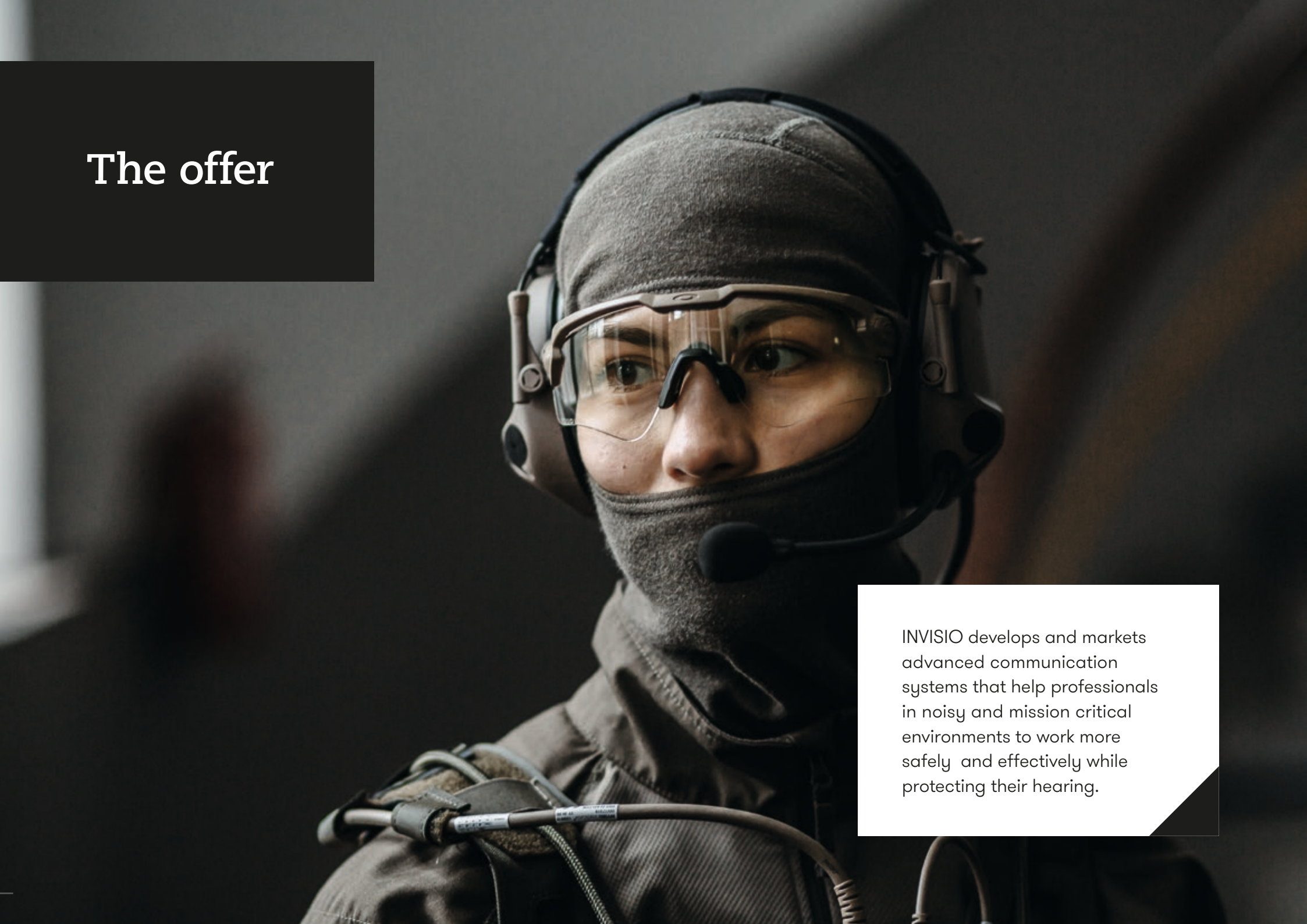
Sustainable and cost-effective operations

Continued sustainable and profitable growth will be maintained among other things by focusing on costs internally in the company and for manufacture of the company's products. INVISIO and its manufacturing partners collaborate closely to safeguard volume gains and competitive production costs.

STRATEGY FOLLOW-UP

A high level of cost awareness and a long-term sustainable perspective are a natural part of the business operations. During the year work on sustainability developed, for example through reporting Scope 3 emissions, introducing a whistleblower function and measuring and reporting the Employee Net Promoter Score.

The offer



INVISIO develops and markets advanced communication systems that help professionals in noisy and mission critical environments to work more safely and effectively while protecting their hearing.

Complementary systems for different needs and target groups

Personal systems for users in the field and on the move

The systems under the INVISIO and Racal Acoustics brands have been developed for users that are mobile and serving in the field or operating in vehicle environments with constant high noise. The systems include headsets, cables and control units. They are compatible with all radio models and other sound sources.

Strengths

- Crystal clear communication and industry leading hearing protection – with retained situational awareness.
- Plug & play creates high user-friendliness and simplicity of handling.
- Fully integrable with other sound sources.
- High comfort and robust design.

Defense & military



The estimated annual value of the market for the personal systems from INVISIO and Racal Acoustics is approximately SEK 5.5 billion.

Law enforcement and security



The market for the personal system for law enforcement and security is estimated to be worth about SEK 1.5 billion annually.

The Intercom system for communication in vehicles, ships and helicopters

INVISIO's Intercom system developed in-house enables simple and effective internal communication in vehicles, boats and helicopters, at a cost that is far below that of traditional solutions.

Strengths

- Enables users in vehicles, boats and helicopters to use the personal system to communicate within the group despite challenging radio conditions.
- Gives access to the vehicle's radio solutions and simplifies communication with the vehicle's crew.
- Plug & play.
- A considerably more flexible solution and more cost-effective than traditional systems.



The estimated annual value of the market for the Intercom system is approximately SEK 7.0 billion.



Several law enforcement units currently use the Intercom system in their vehicles.



“INVISIO’s communication solutions are unbeatable, both in quality and capacity.”

During an operation in 2019 I was about 70 meters from a residence where a perpetrator was shooting at my colleagues. I used a V20 control unit and the X5 headset at the highest setting for situational awareness. From my position I could hear and understand the person shouting from inside the residence. Other units positioned less than 15 meters from where the person was, who were using other older systems, could not hear the person at all. INVISIO’s communication solutions are quite simply unbeatable, both in quality and capacity.

Timothy Braginton

Deputy sheriff and SWAT operator in Northern Nevada



“INVISIO’s system contributed to increased safety in a pressed situation.”

Riots are enormously challenging and place high requirements on effective equipment, both in terms of communication capability and hearing protection. Several times during a major riot our commander gave detailed instructions and operational information over the radio. Using the INVISIO system all the officers could clearly hear the commander’s information and follow the orders given. In addition, the system provides good hearing protection against loud explosions during riots. Without the INVISIO system officer safety would have been highly compromised.

Tyler Verhaar

Police officer at the Metropolitan Police Agency in the State of Washington



“Without the INVISIO headset I would probably have been deaf.”

A few years ago my team conducted an operation where we had three armed robbers in a vehicle. The plan was to use flashbangs as a distraction in connection with the arrest. By accident one of them detonated inside my vehicle. Without the hearing protection provided by the INVISIO X5 headset I would in all probability have wound up in hospital with burst eardrums and permanent hearing loss. Instead I escaped with no serious injuries at all.

Jeff Chang

Sniper and member of the Phoenix Police Department’s Special Assignments Unit

Examples of products in INVISIO's ecosystem

INVISIO X5

Second generation launched 2014

The market's most effective in-ear-headset with hearing protection. Designed by INVISIO and an important component in the company's hearing protection system.

Strengths

- In-ear-headset with best possible protection, up to 32 dB SNR/29 dB NRR.
- Jawbone microphone and external microphones that enable the best possible situational awareness.
- Amplifies hearing by a factor of 3.
- Submersible to a depth of 2 meters.
- Can be combined with an over-the-ear headset for double hearing protection with full hear-through.



INVISIO T7

Launched 2020

An over-the-ear headset that is powered and controlled by INVISIO's control unit, making it simple to use. Lightweight without needing its own battery or buttons.

Strengths

- Effective hearing protection, up to 28 dB SNR.
- Submersible to a depth of 10 meters and can manage the pressure drop from a jump from an altitude of 10,000 meters.
- External microphones that enable the best possible situational awareness.
- Lightweight – only 350 grams.
- Modern headset with high comfort. Robust design.



INVISIO V-Series Gen II Control Unit

Launched 2021

The new generation control unit that is AI powered and is the brain in the ecosystem. Enables unsurpassed sound performance and protection in extremely noisy environments.

Strengths

- Market leading performance with AI and advanced digital sound processing technology.
- Enables double hearing protection for both in-ear and over-the-ear headsets, which provides protection up to 42dB SNR.
- Has plug & play functions for the entire system and innumerable configurations.
- Support for regular software upgrades and customized solutions.



RA5100

Launched 2022

A headset designed to enable effective hearing protection in vehicles and in the field, with special focus on environments characterized by constant high noise.

Strengths

- A flexible product for different conditions and environments.
- Market-leading hearing protection.
- Digital solution that enables simple updates.
- Versatile and robust design.



RA4000 Magna™

Launched 2017

Best-in-class as regards hearing protection, communication capability and situational awareness for all vehicle platforms.

Strengths

- The most modern and latest developed headset on the market for a demanding vehicle and sound environment.
- Hearing protection for long work shifts.
- Active noise reduction (ANR) SNR 36dB.
- Adjustable talk-through.
- Software-based solution that enables simple updating and repair.
- Versatile and robust design.



INVISIO Intercom system

Launched 2019

Enables simple and effective internal communication in vehicles, boats and helicopters, at a cost that is far below traditional solutions.

Strengths

- Unique user-friendliness based on plug & play.
- Gives everyone access to the vehicle's various radio solutions.
- Simple communication with the vehicle's crew and within the entire team being transported.
- Safer transfer from one environment to another.
- Fully compatible with all INVISIO's products.



Plug-and-play and regular updates makes INVISIO unique.

INVISIO moves from hardware to software. This means a stronger and more sustainable solution where updates and maintenance become simpler. It also enables customized solutions for individuals in a far more cost effective and simple way.



INVISIO IntelliCable® – the world's smartest cables

The key to the versatility and user-friendliness of INVISIO's offer lies in a seamless plug-and-play integration between the different parts of the system and external units such as radios, mobile phones, computers and other sound sources. What makes this possible is INVISIO's smart and unique IntelliCable®.

The patented cables can be programmed with a number of different presets, adapted on the basis of both specific conditions and individual user preferences.

The plug-and-play functionality is unique to INVISIO's solutions and constitutes a strong competitive advantage. When new equipment is connected to the control unit identification is automatic via information in the cable, which is helpful as no reprogramming of equipment is required. INVISIO IntelliCable technology also identifies externally connected units such as radios, intercom systems, mobile phones, computers and wireless control units. The connection is fast and smooth as necessary sound and system parameters are set automatically.

World-leading AI expertise for small product platforms based on artificial intelligence

As part of the forward-looking investments, in recent years INVISIO has expanded the company's expertise in artificial intelligence and digital signal processing. The company has thereby achieved world-leading expertise in extreme electricity saving AI use in small products. This development has led to the launch of the next generation product platform, the INVISIO V-Series Gen II, whose major advantage, apart from better performance, lies in substantially

increased flexibility for customers. The platform makes it possible to more simply and regularly update and configure customers' solutions.

30 per cent better speech quality

The new platform enables a higher level of sound quality and hearing protection. The AI algorithm can handle different languages, voices and sound environments – and also intense and rapid changes in the sound image.



A photograph showing two soldiers inside the cockpit of a military vehicle. They are wearing full tactical gear, including helmets with night vision goggles and communication equipment. The interior of the vehicle is visible, showing various controls and equipment. The lighting is dramatic, with strong highlights and deep shadows.

Market

INVISIO addresses a global niche market. Customers are mainly public agencies and other public sector actors associated with defense, law enforcement, security and rescue services.

Leading position in a growth market

INVISIO's customers primarily consist of actors and organizations linked to defense, law enforcement and security. Geographically they are mainly found in the USA, Europe and selected countries in Asia. In addition, potential customers are also addressed in specific countries in South America and the Middle East.

More user groups

Customers in the defense industry have historically accounted for a predominant part of INVISIO's revenue. In 2022 they accounted for about 85 per cent of total sales. Since 2019, however, even more extensive marketing has taken place to actors in law enforcement and security. The needs of law enforcement regarding effective communication and hearing protection are similar to those of defense forces and INVISIO's offer is in several respects the same for both customer categories.

Through the acquisition of Racial Acoustics at the beginning of 2021, operations were broadened with a complementary product category, consisting of solutions for users in environments characterized by constant high noise.

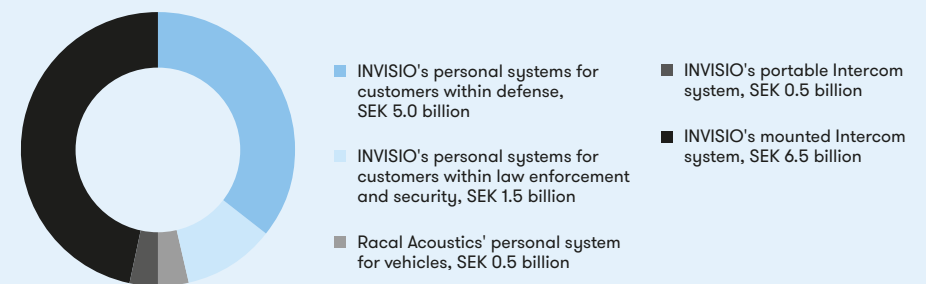
14.0
SEK billion

INVISIO estimates that the annual value of the addressable market in the USA, Europe and selected countries in Asia amounts to about SEK 14 billion, broken down into the sub-markets defense and law enforcement and security.

Growing geographical presence



INVISIO Group's market per category



Geopolitical uncertainty boosts demand

Demand for INVISIO's products is driven by several interacting factors. In 2022 the new and more uncertain geopolitical situation, mainly in Europe, meant increased demand. In addition, structurally driven growth due to ongoing long-term modernization programs contribute to a widening use of communication equipment, as well as greater awareness regarding hearing loss and its effects on individuals and society.

Increased defense and military appropriations

Russia's invasion of Ukraine at the beginning of 2022 has led to several countries communicating their intention to increase defense and military appropriations. This applies not least to several NATO countries that have now declared that in the long term they intend to align with the 2 per cent target. In the longer term this will probably affect demand for modern communication equipment and hearing protection.

Structural growth in demand

In many countries there is ongoing long-term modernization of the communications systems used in defense and law enforcement. The increasing significance of communication for defense and law enforcement operations entails demands for better access to new or modified radio equipment for a growing number of users. The number of potential users is growing as more soldiers and police officers are provided with radio solutions. In turn, this

means structurally contingent growth in demand for the company's systems.

The effects of hearing loss

Among the drivers of the increased demand is also a growing awareness of the effects of hearing loss on both individuals and society. According to data from the US Department of Veterans Affairs, hearing impairment and tinnitus are the most common injuries among veterans of the American defense forces. Hearing loss and tinnitus account for about 17 per cent of all claims that qualify for compensation¹⁾. The US defense forces' direct costs for care and support amount to billions of dollars annually.

Ever more powerful weapon systems

New weapon systems tend to be ever more powerful, and new vehicles ever more noisy, which further increases the risk of serious hearing loss. This also contributes to increased demand for effective hearing protection.

INVISIO drives the market

By developing communication solutions that gradually raise industry requirements regarding performance, functionality and user experience, INVISIO contributes extensively to developing the market and driving its growth.



1) The 2019 Annual Benefits Report. US Department of Veterans Affairs, updated in July 2020.

High entry barriers

INVISIO's markets are characterized by high entry barriers, which makes it more difficult for new actors to establish themselves.

Framework agreements and programs

The main entry barriers are the multi-year procurement programs and long framework agreements between supplier and customer. A program or framework agreement is usually preceded by a long selling in process. It usually takes many years from the first customer contact to the final order via inquiry, customer tests and public procurement tenders. These conditions have led to a market structure characterized by few actors and long-term relations between suppliers and customers.

In-depth customer relations

INVISIO now has long and in-depth business relations with a considerable number of customers, primarily in defense organizations. Many of the customers are involved in INVISIO's product development, which apart from contributing to close relations, also provides the company with invaluable knowledge about specific needs and wishes. Deep customer relations and good understanding of their needs are two of the company's strongest competitive advantages.

Hard-to-beat standard of technology

For several years INVISIO has been investing major resources in product development.

Investments in R&D for 2018–2022 amounted to an average of 15 per cent per year in relation to the company's total revenue.

Today there is only a handful of competitors as regards communication and hearing protection solutions for personnel on foot or alternating between different modes of transport.

For many years INVISIO's personal equipment has been used in the field, where it has proved its high functionality and reliability. The many positive references are of great importance in procurements.

Global market leader

In the past eight to ten years INVISIO has also won most of the major procurements most relevant to the company in the USA and Western Europe. This means that competitors that wish to enter the market must be prepared to make considerable investments of time and resources to gain a footing and achieve success.

INVISIO considers that the company has an advantage in relation to its competitors as regards innovative capacity, well-established relations with customers and an understanding of their needs. The high entry barriers mean that INVISIO has a strong market position in the short and medium-term perspective.



Market for personal systems

INVISIO addresses a global niche market. The customers, mainly found in the defense, law enforcement and security markets, want to achieve operative advantages through improved communication, while at the same time protecting the users' hearing.



The defense market

Industry statistics show that there are about 50 million soldiers in the world, of which 20 million are deemed to be active.¹⁾ The largest numbers of soldiers are in countries in Asia. Investments in advanced communication and hearing protection systems in these countries have historically been more limited, but are now growing at a relatively rapid rate.

INVISIO's primary target group consists of technologically mature countries in Europe and North America. About two million potential users are serving in these countries' defense forces. The market value of INVISIO's personal system is estimated here to be about SEK 20 billion. As a rule, procurements take place at four-year intervals, which means that the average annual target market is about SEK 5 billion.

There are currently almost 250,000 users of INVISIO's system, which means a market penetration of just over ten per cent. Consequently,

there is great potential for continued growth in the target market.

Law enforcement and security market

There is a total of 2.7 million police in INVISIO's markets. Of these, 30 per cent are deemed to be relevant to the company's offer, which means that the target group has approximately 700,000 to 900,000 potential users.

The law enforcement and security market is a relatively new market for INVISIO and initial focus is on addressing customers in the USA, Europe and selected countries in Asia. The value of the law enforcement and security market for INVISIO's personal system in these geographies is estimated to be about SEK 9 billion. The company estimates that its customers carry out procurements at intervals of five to seven years, which means that the annual addressable market for INVISIO's systems is worth about SEK 1.5 billion.

The law enforcement and security market is more fragmented and decentralized than the defense market, which means that INVISIO must address a larger number of customers in its sales work. An average order is therefore generally smaller than in the more centralized defense market.

Competition

Personal communication systems with hearing protection, both in the field and in vehicles, have traditionally consisted of an external microphone placed in front of the mouth and noise-reducing cups over the ears. The market for this type of product is large, mature and dominated by a small number of major actors.

Small, advanced communication headsets with in-ear microphones are becoming increasingly common in more extreme and mission-critical environments. There is a handful of other suppliers on the market, such as manu-

facturers of helmets offering an integrated communication solution and hearing protection in the form of muffs.

With its innovative solutions, INVISIO has a clear competitive advantage in that the company offers a comprehensive concept that includes both advanced and market-leading headsets, and patented cable technology offers system integration that is unique. The offer is further enhanced by the Intercom solution for internal communication in vehicles, boats and helicopters.

250k

users of INVISIO's systems

¹⁾ Market data are based on INVISIO's internal assessments of industry statistics.

Market for personal systems, **cont.**

Headsets and hearing protection for environments with constant and extreme sound levels

The acquisition of the British company Racal Acoustics in 2021 means that INVISIO is broadening its offer with a new, complementary product category consisting of advanced and robust hearing protection and communications headset for users in environments with constant high noise.

Characteristic for users of equipment under the Racal Acoustics' brand is that they are often stationed or in transit in a large military vehicle.

A large and growing market

In 2022 the activity level in the market for heavy military vehicles increased, because several countries sent a large share of their vehicles to Ukraine, and they will ultimately have to be replaced. This has clearly stepped up demand for products adapted for extremely noisy environments, sold under the Racal Acoustics brand.

Moreover, the position of the brand in the market has been further strengthened, particularly in the USA, where one of the major actors has decided to discontinue its competing product line.

Industry statistics

Market surveys show that the total number of vehicle crew and passenger positions needing a headset for communication and hearing protection, is about 1.7 million. The company estimates that 1.2 million of these are relevant to address. The value of the global addressable market for the Racal Acoustics brand is estimated to be about SEK 7.0 billion. As a rule, customers carry out procurements at 15-year intervals, which means that the average annual target market is about SEK 0.5 billion.

Market leader in a mature market

The market for these products is relatively mature and dominated by a small number of actors. For many years Racal Acoustics has been the leading brand in this market niche. It is well-known and strong among customers and the market as a whole.

Vehicle programs and framework agreements often span long periods, in some cases up to 20–25 years, which makes sales more stable, compared with products under the INVISIO brand. Deliveries of products sold under the Racal Acoustics brand often lie further in the future than is the case for the INVISIO brand.



0.5

SEK billion

The annual addressable market for headsets and hearing protection adapted for environments with a high noise level is estimated to be about SEK 0.5 billion.

Market for the Intercom system

The market for solutions that enable internal communication in military and law enforcement transport equipment has up to now been dominated by large, stationary systems. High purchasing costs have meant, however, that they are normally only mounted in large vehicles. INVISIO's cost-effective solution expands the market by making the Intercom system available for smaller vehicles as well.

The Intercom system addresses communication problems that arise while in transit, where the members of the group want to be able to communicate both within the group and with the driver and units outside the vehicle. Here the Intercom system links communication simply and cost-effectively.

The Intercom system can be carried by an individual user as a portable solution or be mounted in a vehicle or other transport equipment.

The Intercom system is already used in live operative environments and a number of customers have also certified the solution for use in Black Hawk helicopters.

The portable system

Initially INVISIO has decided to focus on the portable offer and direct it towards current users of the personal system. The company estimates that the addressable market is 25,000–40,000 systems.

The company assesses that its customers will carry out procurements at intervals of five to seven years, which means that the annual

addressable market for INVISIO is worth about SEK 0.5 billion.

The mounted system

Going forward, INVISIO intends to also address the customers' existing fleets of vehicles, as well as vehicle manufacturers and equippers. The company estimates that there are about 650,000 vehicles relevant to INVISIO's offer. The estimated life of the system is about ten years, which gives an annual addressable market of about SEK 6.5 billion.

Competition

There are currently no actors offering similar systems for small and ordinary military vehicles. Direct competitors of the Intercom system are therefore assessed to be relatively limited. Instead, the challenge is to establish a new solution in the market.

The system has been developed in close collaboration with a number of key customers and at present is offered primarily to existing customers. This means that sales are expected

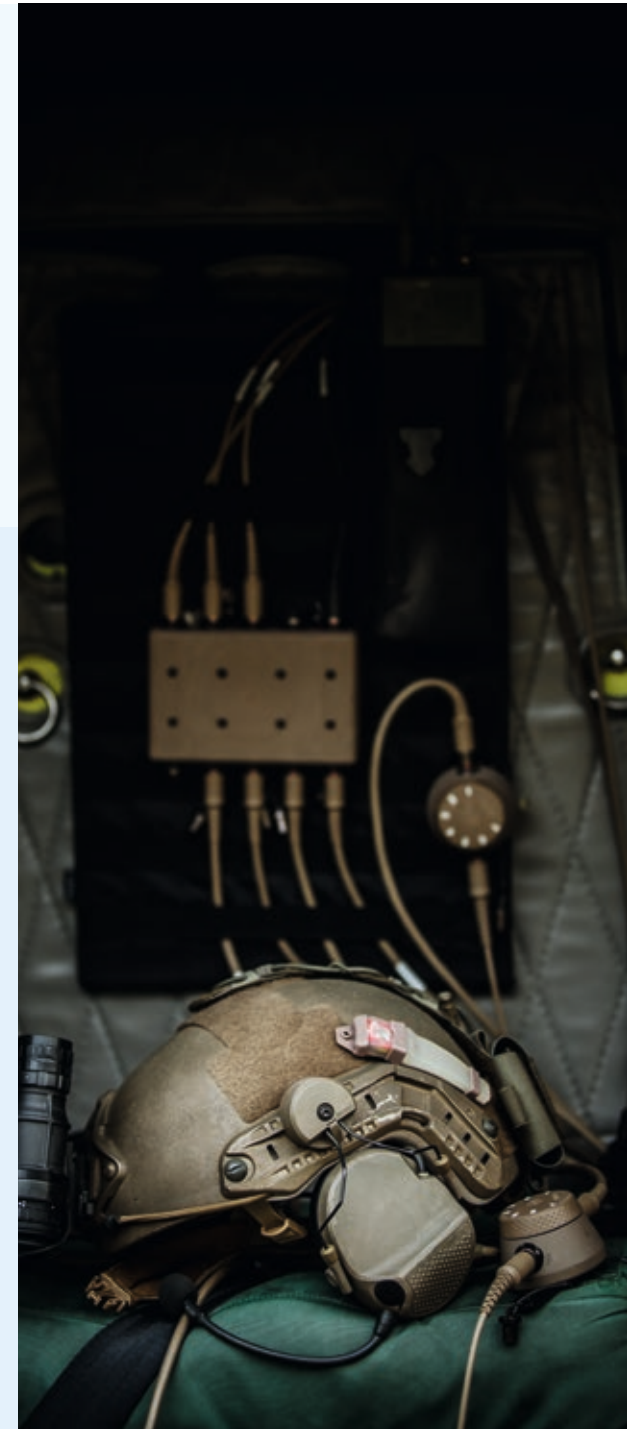
to get under way faster than when the personal system was introduced. All volume sales, however, take place in the context of time-consuming public procurements.

At a later stage, when INVISIO addresses vehicle manufacturers and companies that equip military vehicles, the company will meet more competition, since there are already traditional larger internal mounted communication systems on the market. However, they are less flexible and considerably more expensive than INVISIO's alternative.

7.0

SEK billion

The total annual addressable market for the Intercom system is valued at about SEK 7.0 billion.



Sustainability

A woman with dark hair in a bun, wearing a camouflage jacket, is seen from behind, looking out a large window. In the background, two other people are sitting in a bright, modern office space, but they are out of focus.

INVISIO's sustainability work is based on a materiality analysis in which the most relevant sustainability aspects have been identified. These include contributing to a safer work environment for users and reducing the risk of hearing loss, but also minimizing the climate and environmental impact of our own operations. The work is conducted in close interaction with suppliers, partners and customers.

ABOUT THE SUSTAINABILITY REPORT

This statutory sustainability report is submitted by the Board of Directors of INVISIO AB, but is not part of the formal annual report documentation.

INVISIO and sustainability

Sustainability is an integrated part of INVISIO’s business operations. The work is characterized by a long-term perspective, constant improvements and a focus on user needs. All in all, the climate and environmental impact is deemed to be limited.

INVISIO’s products are used to enable communication under extreme circumstances and thus reduce the risk of work related injuries, while preventing hearing loss. The users are professionals in defense organizations, law enforcement and security.

Apart from reducing the risk of injury and personal suffering, they also contribute to reducing the costs to society related to care and compensation.

Most of the company’s products are classed as personal protective equipment and thus not subject to legislation covering military equipment. The exceptions are a few older headsets, under the Racal Acoustics brand, which are classed as military products as the business was previously part of a defense conglomerate.

Limited environmental impact

INVISIO’s operations are not subject to licensing requirements. The environmental impact that exists mainly arises in connection with manufacture (in the form of consumption of resources, mainly plastic and metals) and emissions of CO₂ (in connection with travel and production of input components). The combined environmental impact is deemed to be limited and not of a significant nature. Nonetheless, INVISIO works continually on improvements and efficiency gains. Other priority areas include questions related to ethics and anti-corruption. Here too, structured work is conducted that includes suppliers and partners as well as our own organization.

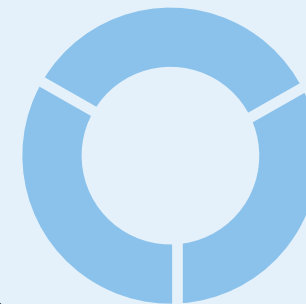
INVISIO’s sustainability principles

- INVISIO’s products are to contribute to reducing the risk of personal injury or hearing loss.
- INVISIO only collaborates with established partners that share the company’s view of sustainability, work environment, business ethics and quality.
- INVISIO endeavors as far as possible to choose material and production methods that are environmentally friendly.
- INVISIO endeavors to offer a good workplace with development opportunities for each individual.
- All INVISIO’s employees are included in incentive and option programs.



A clear ESG agenda

Environment /
A sustainable value chain



Social aspects /
A safer and healthier work environment for users
A fulfilling workplace

Governance /
Ethical approach and decent business practices

Environment /

A sustainable value chain

INVISIO's sustainability work runs throughout the value chain and covers a broad spectrum of areas. Among the most important are assuring the function and quality of the finished products, establishing the optimum sustainable product specification and principles for how INVISIO does business. As regards the overall environmental and climate footprint, this is deemed to be limited and not of a significant nature.

Product development



Product development is one of INVISIO's key processes. The direct sustainability-related impact, environmental as well as social, in the product development phase is limited. All the greater is the possibility of influencing aspects later in the value chain, such as function, quality, user-friendliness and environmental impact – both in production and after the product has reached the end of its life cycle.

The inputs that can have the greatest impact are decisions taken when drawing up a production specification for a

new or updated product. This includes decisions on choice of material and production method. Here INVISIO endeavors to choose the most environmentally friendly material, to minimize risks related to production, use and scrapping. The elements of drawing up the product specification that have a bearing on production itself take place partly in collaboration with the intended contract manufacturer. This collaboration ensures both a good end result and an environmentally friendly production method.

Close collaboration with customers

An important feature of product development is the interaction with customers. Product development is often based on an actual problem experienced by one or several customers that they have raised with INVISIO. Customers are often involved in the evaluation of prototypes for new products. The close collaboration with key customers in the work of development is one of INVISIO's strongest competitive advantages and the reason that the company's products are found at the forefront of technology.

A sustainable value chain, cont.

Manufacture



INVISIO's strategy as regards production is based on long-term and deep partnerships with leading established contract manufacturers. INVISIO consciously chooses to only work with established partners that share INVISIO's view of such things as quality, sustainability, work environment and business ethics.

Crucial to the choice of supplier, apart from the above and quality and price factors, is that they comply with requirements of REACH¹⁾, RoHS²⁾ and WEEE³⁾.

The absolute majority of production is by four European contract manufacturers.

The relative proximity to the suppliers facilitates continual and close collaboration on sustainability issues.

Regular inspections

All major suppliers have signed a Code of Conduct for suppliers and an anti-corruption policy. Contract manufacturers and important suppliers are regularly and systematically inspected by INVISIO. The inspections cover a number of different areas, including product quality, production methods, work environment and the training received by employees to enable them to perform quality

work. A working group with representatives from the company's Supply Chain, Manufacturing and Quality Assurance functions is responsible for assessing, approving and continuously evaluating the suppliers. Written reports are drawn up and any non-conformances with agreements are discussed with the manufacturer, and where necessary a period of grace is granted to take corrective measures.

- 1) REACH, (Registration, Evaluation, Authorisation and restriction of Chemicals), is an EU Regulation applicable to production and safe use of chemicals.
- 2) RoHS, (Restriction of the use of certain Hazardous Substances) is an EU Directive that prohibits or restricts the use of certain heavy metals and flame retardants in electrical and electronic products.
- 3) WEEE (Waste Electrical and Electronic Equipment) is an EU Directive for the treatment of electric and electronic waste.

After a year impacted by COVID-19, in 2022 inspections of suppliers have returned to more normal procedures.

A quality audit was conducted for INVISIO's largest manufacturing facility, where the focus was on the supplier's compliance with INVISIO's requirements concerning product quality and related processes.

Furthermore, there were no indications of violations of the company's Code of Conduct.

Limited environmental impact

INVISIO has consciously chosen as far as possible to purchase components from suppliers in Europe and the USA, since this creates the conditions for more effective collaboration regarding quality and sustainability aspects. Among the larger contract manufacturers is the Finnish listed company Scanfil.

In that the products are relatively small and not manufactured in large series, the production processes are not particularly energy consuming. Nor do they entail any significant emissions to water or air.

Scanfil provides a detailed account of its environmental work, for example on its website and in the company's annual report.

A sustainable value chain, cont.

Manufacturing cont.

INVISIO’s overall environmental impact related to the products themselves is not deemed to be significant. The input components of the products mainly consist of plastic and metals that are traditionally used in the manufacture of products containing electronics. The products do not contain any “conflict minerals”.

The plastic in current products is

made from virgin raw material. Together with its existing partners INVISIO has evaluated the possibility of using recycled plastic instead. However, this has not met INVISIO’s requirements concerning quality and function.

Only a few of INVISIO’s products contain batteries. Instead, they are powered from the sound source, usually a radio.

Reporting of greenhouse gas emissions

Since 2021 INVISIO’s CO₂ footprint has been measured within scope 1 and 2. For 2022 INVISIO has also measured emissions from activities within scope 3. The calculations are made in accordance with the GHG protocol.

Emissions of greenhouse gases according to the GHG protocol

Scope (tonnes CO ₂ e)	2022	2021	% of total in 2022	Change 2021-2022	Change % 2021 -2022
Scope 1 (vehicles ¹⁾)	25.4	29.2	1.5%	-3.8	-12.90%
Scope 2 (electricity, district heating)	39.0	34.1	2.3%	4.9	14.50%
Scope 3, of which	1,651.3	-	96.2%	n.a.	n.a.
Business travel	1,131.8		66.0%		
Upstream transportation and distribution	335.2		19.5%		
Other (employee commuting, fuel and energy related activities, purchased goods, waste)	184.3		10.8%		
Total	1,715.7	112.1	100.0%	n.a.²	

1) Refers to burning fuel in the organization’s own vehicles

2) The increase compared with the previous year is largely due to also measuring activities within scope 3.

Marketing and sales



INVISIO’s products are classified as personal protective equipment and customers are mainly public agencies and institutions.

Sales are mainly through INVISIO’s own personnel based in Denmark, France, the USA, England, Italy and Thailand, but also through distribution partners. As of 2017 partners are required to confirm compliance with the principles of INVISIO’s Code of Conduct and anti-corruption policy. Sales activities and training operations

involve travel and this is where INVISIO’s main environmental impact lies. At the end of 2022, the company’s organization for marketing and sales and training consisted of just over 60 people, whose travel is both by air and road. Due to the pandemic there continued to be few business trips during the year. Physical meetings were to a great extent replaced by digital meetings. INVISIO predicts that the digital meetings will become more common.

A sustainable value chain, cont.

Use and end-of-use



Environmental impact in connection with use of the systems is virtually non-existent. Only a few of INVISIO's products contain batteries. The systems are instead powered by electricity from the sound source, which is usually a radio.

INVISIO is subject to producer responsibility. This includes responsibility for collecting, recycling and treating the waste that arises when the product has reached the end of its life. INVISIO has procedures in place to make this possible, but in practice

it is usually dealt with by the customers themselves. It is unusual for end-of-life and scrapped products to be returned to INVISIO. It is also unclear whether there are any environmental gains from such a procedure, as it often involves long-distance transport.

In its agreement with the Swedish Police and Danish defense forces, INVISIO has undertaken to offer a recycling system.

Repair service extends product life

Racal Acoustics' headsets are built to last. Long-term use in tough conditions leaves its mark, however, and at the office in Harrow customers are offered the opportunity to repair and service their equipment. Production engineer Sukhwinder Panesar is responsible for the repair service.



Sukhwinder Panesar
Production engineer in Harrow, UK

What is the condition of the products when you receive them?

"Normally they are 15-20 years old when they are brought in for repair. They are all physically and/or mechanically damaged."

Can you describe the repair process?

"Our standard practice is to clean them and replace all ear cushions. Most have replacement parts for main cables, circuit boards and boom arms, and if they are damaged we usually replace ANR modules and neck bands - it's not far off building a new headset, but with original earphones. All in all, it usually takes about two hours per headset, including cleaning, repair and testing."

How many headsets do you repair on average per year?

"The number varies, but on the whole there is a fairly stable and even flow. We repair about a thousand headsets every year for the MoD, mainly the RA180 and RA195. Many of the units are upgraded at the same time to the latest standard, which works well for us and the customer. This year we are carrying out our first repair program for the Canadian DND."

Quality and sustainability

Meeting customers' requirements and needs is an important part of INVISIO's legacy and DNA. To ensure high quality and compliance with regulations in all processes, from idea generation, requirement specification, design, manufacture and delivery to after market, INVISIO uses the cross-functional quality management system QMS.

Audit by independent agencies

The system is used to ensure that customers' requirements and needs are met throughout the value chain. It entails a long series of processes and procedures and spans all departments. The system is certified under ISO-9001:2015 – by far the most used international standard for quality management systems, and for which an external audit by independent authorities is conducted annually.

Each process in QMS is developed with the aim of ensuring that INVISIO is constantly focused on product performance, reliability, safety and compliance with regulatory product requirements. All new products to be developed follow a detailed verification and validation plan that also includes plans for environmental tests (temperature, humidity etc.), in accordance with international standards. All critical customer and regulatory qualification tests are conducted by independent external test laboratories that are accredited for the specific test procedures.

Meet the toughest requirements

Apart from requirements that are directly related to customers, QMS also includes global, regional and local regulatory requirements related to the products and their performance and safety – such as EMC (Electro Magnetic Compatibility). Depending on the region and country, this includes for example CE marking of products, which covers any reciprocal EU regulatory requirements. As regards hearing protection, the company's core activity, INVISIO was recently approved by the authorities in accordance with the most recent standards (the EN352 series), which require further independent annual external audits by the authorities.

Reporting and follow-up

An important part of INVISIO's QMS is also constant monitoring of how the system functions. Quarterly reports are submitted to the management on performance and areas that need focus and improvement, which ensures that the QMS is further developed to support INVISIO's growth and business risk management.



Social aspects /

A safer work environment for users

INVISIO's communication systems help the users to work more safely and efficiently, while also protecting against hearing loss. Apart from reducing the risk of occupational injury, they thereby also contribute to reduced costs related to care and compensation for hearing loss.

The advantages of the system mainly consist of:

- **Clear communication in environments with high sound levels** The systems and their advanced microphones enable communication in environments where normal speech cannot be heard, and in situations where access to correct information may be the difference between life and death.
- **Increased situational awareness** Microphones on the outside of the equipment that pick up and amplify surrounding sounds. This makes it possible to hear sounds that the human ear cannot otherwise perceive as well as where they are coming from.
- **Improved communication capacities and increased flexibility** Combining the personal system with the Intercom system, primarily used in vehicles, enables communication in a considerably more effective and efficient way than would otherwise be possible.

Prevents hearing loss

INVISIO's system protects against hearing loss and related ailments that may arise as an effect of high sound levels. It is not unusual for hearing loss to also adversely affect perceived quality of life.

The equipment protects the user against harmful sounds through a combination of passive and active protection.

- **Passive protection** The headset's passive protection, in the form of ear-plugs or cups, reduces all ambient sounds and protects against injuries that may arise as an effect of high noise levels over a long period.
- **Active protection** The electronic protection in the control unit reduces both noise over a longer period – for example from aircraft – or more sudden noise from a mortar burst, for example.



Social aspects /

A fulfilling workplace

INVISIO combines the procedures and long-term perspective of a large company with the agility and commitment of a small company. The culture is characterized by a clear innovative spirit, a desire for constant development and a belief in the ability of individual employees to be free to make the right decisions, which is confirmed by an internal survey.

Competition for competent, experienced and committed employees is strong. The ability to identify, develop, attract and retain the right employees, with the right skills and approach, is quite crucial for the company's continued success.

INVISIO works continuously to develop the company's attractiveness as an employer. This is done both by offering commercial terms and benefits of employment, but also by offering good opportunities for ongoing professional development and a stimulating work environment.

As a complement to external recruitment, there is a drive to enable internal mobility and career development.

Bonus and option programs for everyone

All employees are included in the annual bonus program, and the outcome is governed by

regulations determined by the Board of INVISIO and linked to the company's performance during the year. In addition, all employees are included in the company's two current share option programs, provided that they were employed at the start of the respective program. Through this arrangement, INVISIO wants to strengthen commitment in the company and promote a sustainable long-term personnel policy – which strengthens the company's brand as an attractive employer.

Leadership training

INVISIO is a highly knowledge-based company. It is therefore of the greatest importance that employees continually enhance their skills. This applies not only to technical development but also to how INVISIO designs and runs its internal processes and leadership in the company. Among the continuing professional training



activities is the GROW leadership training, which is run externally, and in which many employees have participated over the years.

Gender equality and diversity

At INVISIO everyone – regardless of sex, gender identity, ethnicity, sexual orientation, age, religion or other belief – is to have the same chance at recruitment and in-work development. Violations and any form of discrimination are unacceptable. Questions concerning work environment, health and safety are regulated in the company's staff manual.

As in many technology companies, the percentage of women in the operations is relatively low. At the close of 2022 the figure was about 19 per cent [18]. The stated objective is that both sexes should be represented among the final candidates in all recruitment processes. The long-term goal is to achieve a more even gender balance at the workplace.

The proportion of women on the Board of INVISIO is 60 per cent.

Recurrent employee surveys

Great effort is put into regularly measuring and following up employees' attitudes and the initiatives taken within the Group. Recurrent employee surveys are an important part of this work. This enables regular follow-up, increased transparency and the possibility of quickly

taking the right type of action. The Net Promoter Score for 2022 was 60, which is very high.

Continued growth in 2022

At year-end the number of employees, restated as full-time equivalents, was 208 (187), of which 169 men (154) and 39 women (33). In recent years the rate of recruitment has been high. In 2022 the number of employees increased by 21, mostly within the organization in R&D and sales.

Staff turnover in 2022 was 12 per cent (4). Short-term sickness absence in relation to the total number of hours worked was 2 per cent (1). The last five years' average staff turnover and short-term sickness absence were 6 per cent and 1 per cent respectively.

Outstanding expertise and top-level skills are the hallmark of INVISIO employees. More than a third work with R&D. Acoustics, electronics, mechanics and software are among the particular areas of specialty. In addition INVISIO's employees have skills for example in sales and marketing, quality assurance and purchasing. Most of the employees work at INVISIO's headquarters in Copenhagen. In addition there are also staff in the USA, France, England and Italy as well as in Thailand.



Very high score in the employee survey

In the employee survey conducted at the beginning of 2023 INVISIO received high scores. The Employee Net Promoter Score (eNPS) was 60, which is high and a good rating for INVISIO as an employer.

eNPS is a method that measures how willing employees are to recommend their workplace to others. The main advantages of eNPS are that it is a fast and simple way to find out the state of employee loyalty and commitment. The only question asked is "How likely are you to recommend your employer to others?".

The respondents specify the likelihood on a scale from 0 (Not at all likely) to 10 (Extremely likely). Scores between 0 and 20 are good, between 20 and 50 very good and anything over 50 is regarded as excellent.

60

Net Promoter Score 2022

Governance /

Ethical approach and decent business practices

INVISIO's work on ethics and against corruption is of central importance. The company works actively to ensure a high level of confidence among customers, suppliers, employees, partners, shareholders and society in general.



Ethical approach

For INVISIO it is important to be ethically correct. This strengthens competitiveness and contributes to high credibility. INVISIO respects the laws and rules that apply in the markets where it operates. The Code of Conduct describes the basic principles for how managers and employees throughout the organization should act in their daily work and in contacts with customers, suppliers, competitors and other external parties. The corresponding principles are also laid down in the Code of Conduct for suppliers and partners.

Anti-corruption

Zero tolerance applies to all forms of corruption, which includes all offering or accepting of bribes. INVISIO's Code of Conduct also defines what applies, for example to gifts or in the

event of any conflict of interest. In 2022 no cases linked to corruption were reported.

Governance and organization

As a complement to current legislation, the Board and Management of INVISIO have together formulated and adopted a framework that sets out guidelines for how INVISIO is to act as a responsible company and employer. The framework consists of both internal regulations and guidelines, and adherence to external principles and recommendations. Some of the most important are presented below.

- **Code of Conduct** The Code of Conduct establishes common rules for how INVISIO employees are to act towards each other and when representing the company. The guidelines aim to guarantee a safe work

environment and equal and fair treatment of all employees. Underlying the Code of Conduct are the ten principles of the UN Global Compact.

All employees in the INVISIO Group have a personal responsibility to read, sign and comply with the Code of Conduct. To ensure that this is done, a procedure for follow-up is integrated into the company's quality management system. Approval is registered in the document management system.

INVISIO's Group Management is responsible for compliance with the Code of Conduct. The guidelines are supplemented by INVISIO's anti-corruption policy and Code of Conduct for suppliers, corporate governance rules and a number of internal policies.

“Ethics issues are a part of the quality management system.”



- Code of Conduct for Suppliers** As part of the company's methods for accountability in the supplier chain, INVISIO works continually to tighten up requirements and expectations of suppliers regarding matters related to social aspects, ethics, environmental issues and anti-corruption. The company's Code of Conduct for Suppliers establishes principles for ethical and responsible conduct in accordance with internationally recognized regulations.

The requirements of the Code of Conduct include minimum wages, regulated working hours and a prohibition on child labor.

- Anti-corruption policy** INVISIO considers that all forms of corrupt procedures, such as bribes, improper pressure, fraud, money laundering or cartel formation are harmful. To ensure that employees and existing partners and customers comply with laws as well as good practice in the area, the company has established an anti-corruption policy.
- Quality policy** The quality policy reflects INVISIO's view of quality and aims to ensure that the company's products meet customer needs and comply with regulatory requirements. Quality awareness is a central element of INVISIO's corporate culture and makes its mark on the company's sustainability work throughout the value chain.

- Other policy documents** Apart from the above-mentioned policy documents, INVISIO has produced further documents to support the company's operations, such as policies to ensure that financial reporting to the capital market is correct and that the company is governed in accordance with applicable laws and ordinances.

External whistleblower system implemented

In 2022 an external whistleblower system was implemented. The system enables employees to report anonymously and via a third party any irregularities that are in violation of the law or INVISIO's codes of conduct, values and policies. The purpose of the function is to ensure that any irregularities come to the attention of INVISIO if communication via the immediate manager or the HR function is for any reason not possible.

No cases have been processed in 2022.

The share and ownership structure

Share capital

At the close of 2022, share capital in INVISIO AB (publ) was SEK 45,048,694 divided between 45,048,694 shares with a quotient value of SEK 1.00. Each share confers one vote and each person entitled to vote may vote at the general meeting of shareholders for the full number of shares owned and represented. All shares confer the same right to participate in the company's assets and profit. Full share capital development is presented on INVISIO's website, www.invisio.com/investors/.

Trading in the share

The INVISIO share has been listed on Nasdaq Stockholm since May 29, 2015 and since 2016 has been included in the Mid Cap segment. The highest closing price in 2022 was SEK 205.00 and the lowest was SEK 110.30. The closing price on December 31, 2022, was SEK 164.60, giving a total market value of SEK 7.4 billion. Shares were traded on average for SEK 11.1 million per day. The total trading volume for the full year 2022 was SEK 2.8 billion.

Shareholders

The number of registered shareholders at the close of the year was 5,012 (6,132) according to data from Euroclear. The ten largest shareholders accounted for 70 per cent of the company's shares on the balance sheet date. Swedish and Danish ownership accounted for 33.5 and 33.2 per cent respectively of the votes and capital.

Proposed dividend

The Board of Directors of INVISIO proposes to the 2023 Annual General Meeting that a dividend of SEK 0.70 per share be distributed for 2022 (0.70). According to the dividend policy adopted by the Board, the dividend size must take into account INVISIO's long-term growth and earnings trend as well as capital needs, taking financial targets into consideration. The dividend target is that over time it should constitute 25 to 50 per cent of profit after tax.

Employee Stock Option Program

At the 2019, 2020 and 2022 Annual General Meetings it was resolved to offer the staff an incentive program based on stock options, the Employee Stock Option Program 2019/2022, 2020/2023 and 2022/2025. The programs are for all employees of the Group. To ensure availability of shares in INVISIO for transfer within the programs, stock options were issued for the wholly-owned Danish subsidiary INVISIO A/S. During the year the 2019/2022 employee stock option program was closed. A total of 508,200 allocated options were exercised. This increased the Group's share capital by SEK 508,200 divided between 508,200 new shares. Share capital development is presented on INVISIO's website www.invisio.com/investors/.

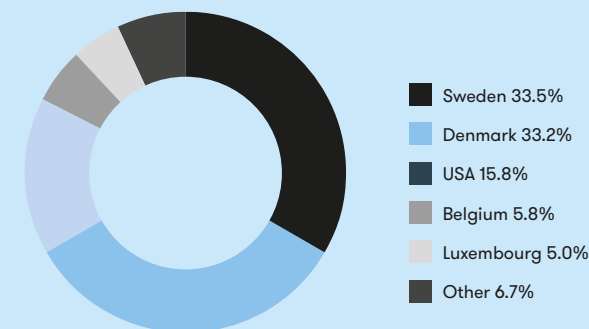
See Note 7 for further information.

INVISIO's 10 LARGEST OWNERS AS AT DECEMBER 31, 2022

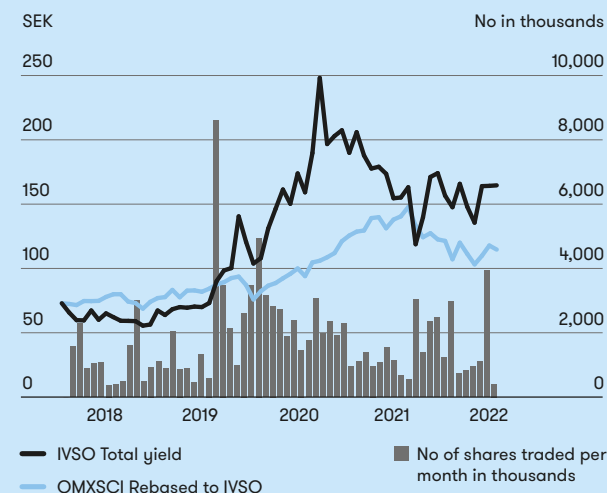
Owner	Number of shares	Votes and capital, %
William Demant	7,523,474	16.7
State Street Bank and Trust Co, W9	3,469,967	7.7
SEB Investment Management	3,265,453	7.2
Swedbank Robur funds	3,087,963	6.9
Arbejdsmarkedets Tillaegspension	2,767,800	6.1
Handelsbanken Fonder	2,746,882	6.1
BNY Mellon SA/NV W8IMY	2,498,227	5.5
JP Morgan Bank Luxembourg S.A.	2,124,116	4.7
Novo Holdings	1,995,805	4.4
Fourth National Pension Fund	1,992,127	4.4
Total	45,048,694	100.0

Source: Euroclear Sweden

Ownership by country, %

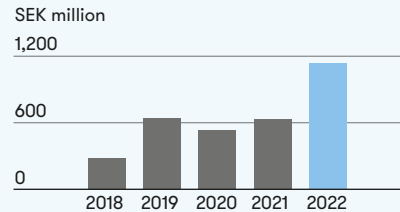


Share price and trading 2018-2022



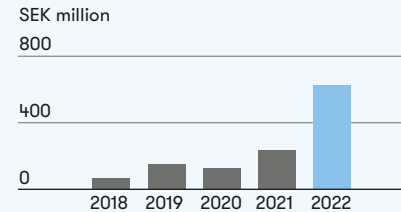
Explanation of central key figures

Order intake



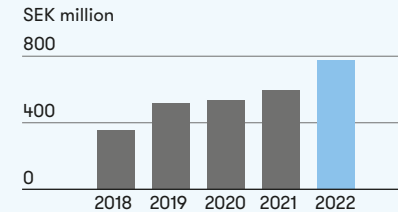
- The reported order intake is all confirmed orders.
- Order intake can fluctuate between quarters and the company's development should therefore be evaluated in a longer time perspective than an individual quarter or year. As a consequence of INVISIO becoming larger, fluctuations tend to be smaller.

Order book



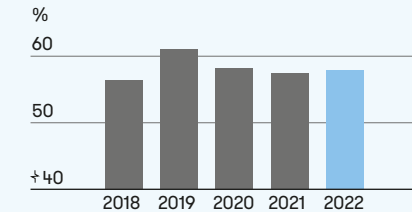
- The order book contains only confirmed orders as yet undelivered.
- Products under the INVISIO brand are normally delivered within 2-6 months, while deliveries under the Rascal Acoustics brand often extend over several years.

Revenue



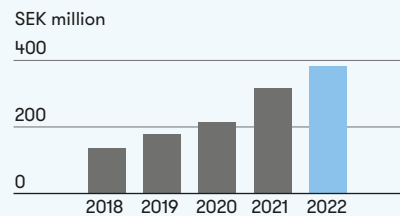
- Revenue has a more even development than order intake, as INVISIO has become better at predicting and planning production and deliveries.
- The target is to increase average sales by at least 20 per cent per year. In 2018-2022 average annual sales increased (CAGR) by 16 per cent. The pandemic had a negative effect on sales.

Gross margin



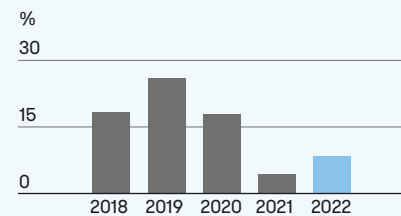
- Central drivers of the gross margin are the product mix, as well as the proportion of direct sales versus sales via distribution partners.
- Products from third parties tend to have a negative effect on the gross margin.

Operating expenses



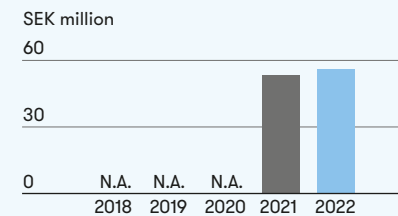
- Operating expenses comprise costs of selling, marketing, administration and R&D.
- As operating expenses mainly correlate with the number of employees, increased sales have a direct impact on the operating margin.

Operating margin



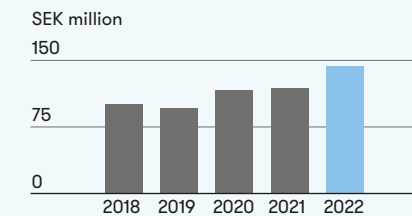
- The operating margin is to a great degree dependent on revenue, as the development of cost of goods sold is in direct relation to revenue, while operating expenses tend to have a more stable development.
- The operating margin over time is to exceed 15 per cent. During the period 2018-2022 the average margin was approximately 14 per cent.

Goodwill



- The Group's goodwill arose in connection with the acquisition of Rascal Acoustics in 2021.
- Impairment testing is performed annually. An impairment loss is recognized when there is an indication that the value of the asset has decreased. Since the acquisition of Rascal Acoustics no impairment loss has been recognized and thus there has been no effect on financial performance.

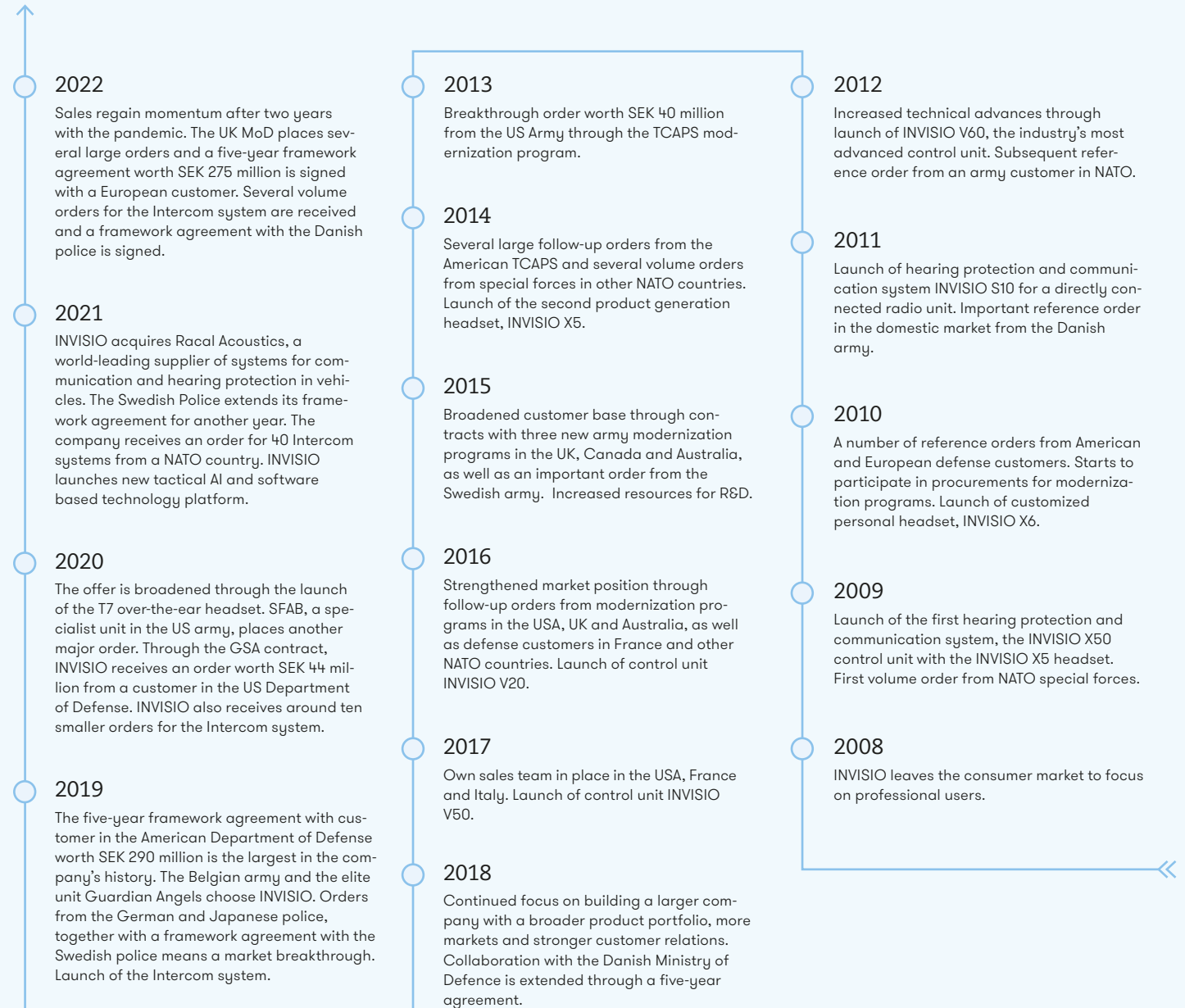
Inventories



- The inventory level has risen in recent years, which is an effect of a strategic decision. A large inventory is a competitive advantage because it enables fast deliveries.
- The cost of maintaining the inventory is limited as it contains standard products with a long life. The degree of obsolescence is normally very low.

A history of steady growth

INVISIO's roots are in "The Danish Sound", an international industry cluster with a long tradition of outstanding achievements in acoustics, hearing and mobile communication, based on partnership between business and university. INVISIO was established in 1999 and until 2008 marketed its products to both the consumer market and professional users. After that, operations were streamlined so as to focus on communication solutions for professional users.



Milestones and success factors

It is now almost 25 years since INVISIO was founded. Someone who has been involved for almost all those years is Lage Jonason. The roles have varied; from investor and responsible for raising capital in the first years, to active member of the Board for the last ten years. Here he gives his view of some of the most important milestones and success factors in the company's history.

“The decision to leave the consumer market and instead focus on professional users.”

The second half of the 1990s saw a major breakthrough for the internet. The number of computer and mobile phone users grew dramatically. INVISIO was born into this environment and in the first years of the company's history the focus was entirely on development of in-ear headsets for the consumer market. We put a lot of effort and money into producing the best product on the market.

Just in time for Christmas 2007 they were ready to launch. I then visited some electronics stores in London where the headsets were available to buy. They had received very good reviews in trade journals, but there was not a single store where the salesperson recommended our headset. Instead they pointed to alternatives from Motorola, Nokia and Samsung. My conclusion was that it's not always the best product that wins the battle for the consumer, but factors such as brand and the importance of being among the most easily sold products in the local store.

There and then I was entirely convinced that we must leave the consumer market and instead steer the entire company towards B2B. That has been our focus ever since.

“The right board, the right management and a major focus on governance.”

An absolutely central milestone for INVISIO was when we seriously tackled governance and established structures and processes for it. This applies not least to the work of the Board, where the company has benefited from a cohesive Board that has gradually learned from its mistakes (though these have been few). The ability to keep perspective has been, and still is, entirely central. A Board with members who have been in place for 7–10 years builds up an “institutional memory”, which makes it possible to recognize patterns and signals. The same applies of course to the company's management, where the recruitment of Lars Högård Hansen in 2006 marked the start of a new era.

“Good relations with the principal owners”

Most companies founded on the basis of a patent or a general idea will fail. The uncertainty factors are many and an idea seldom belongs to one person alone. Building up a large company takes time. The first 13 years of INVISIO's history required frequent raising of capital. Time and again we misjudged how much capital was required to achieve profitability. Without the principal owners' commitment and belief in the business it would never have been possible. During all these years we have had a very good working relationship between the management, the Board and major owners.

“Internal commitment and consensus on objectives and vision.”

Everyone who works at INVISIO knows why they are there, why the work is meaningful and how their daily efforts are linked to the income statement and balance sheet. Financial incentives such as bonuses and share options for all employees play a part, but even more crucial is a sense of purpose. This is something the current management has worked hard on and it has been highly significant.

“Establishment of our own sales organization in the USA – and the purchase of Racial Acoustics.”

Among the most important decisions is the establishment of our own sales organization in the USA in 2017. North America is INVISIO's single most important market and having our own employees who are fully familiar with our products and the users' needs, requirements and expectations has been absolutely crucial to establishing the company as a credible actor and supplier. In a few years I believe we will also look back on the launch of the Intercom system and acquisition of Racial Acoustics as another two important milestones. They have meant that INVISIO now has a more complete offer, adapted to different needs and types of user.



“The focus on its own sales organization in the USA in 2017 was absolutely crucial to establishing the company in the single most important market.”

Corporate Governance Report

INVISIO AB (publ.) ("INVISIO") is a Swedish public limited liability company with its registered office in Stockholm. Apart from the parent company, the Group consists of the wholly-owned subsidiaries INVISIO A/S (Denmark), INVISIO Communications SAS (France), INVISIO Communications Inc (USA), INVISIO Srl (Italy), Nextlink IPR AB, Nextlink Patent AB, Racal Acoustics Inc. (USA) and Racal Acoustics Ltd (UK). The Group's headquarters are in Copenhagen. INVISIO has applied the Swedish Code of Corporate Governance ("the Code") since the shares started to be traded in May 2015 and reports no deviations from the Code for 2022.

Principles for corporate governance

Governance of the Company and Group is based among other things on the Articles of Association, the Swedish Companies Act, the Nasdaq Stockholm Rule Book for Issuers and the Swedish Code of Corporate Governance, ("the Code"), as well as internal regulations and policies.

This corporate governance report is prepared as a separate document from the formal annual report. The responsibility for governance and control of the INVISIO Group is divided between the shareholders at the Annual General Meeting of shareholders, the Board of Directors and the President/CEO. An overview of the Group's organization, governance and control, including external and internal policy instruments, is shown in the illustration on the right.

Shareholders

Voting rights

The INVISIO share has been listed on Nasdaq Stockholm since May 2015. The company's share capital at December 31, 2022 amounted to SEK 45.0 million (44.5), divided into 45,048,694 shares (44,540,494), each with a quotient value of 1.00. All shares have equal voting rights and there is no limit to the number of votes each shareholder may use at an Annual General Meeting.

Ownership structure

As at December 31, 2022, INVISIO had 5,012 shareholders (6,132). Shareholder William Demant Invest A/S and William Demand Fonden's holdings totaled 16.7 percent of capital and votes, where William Demant Invest A/S owns 10.2 percent. No other shareholder's holding exceeded 10 per cent.

Annual General Meeting

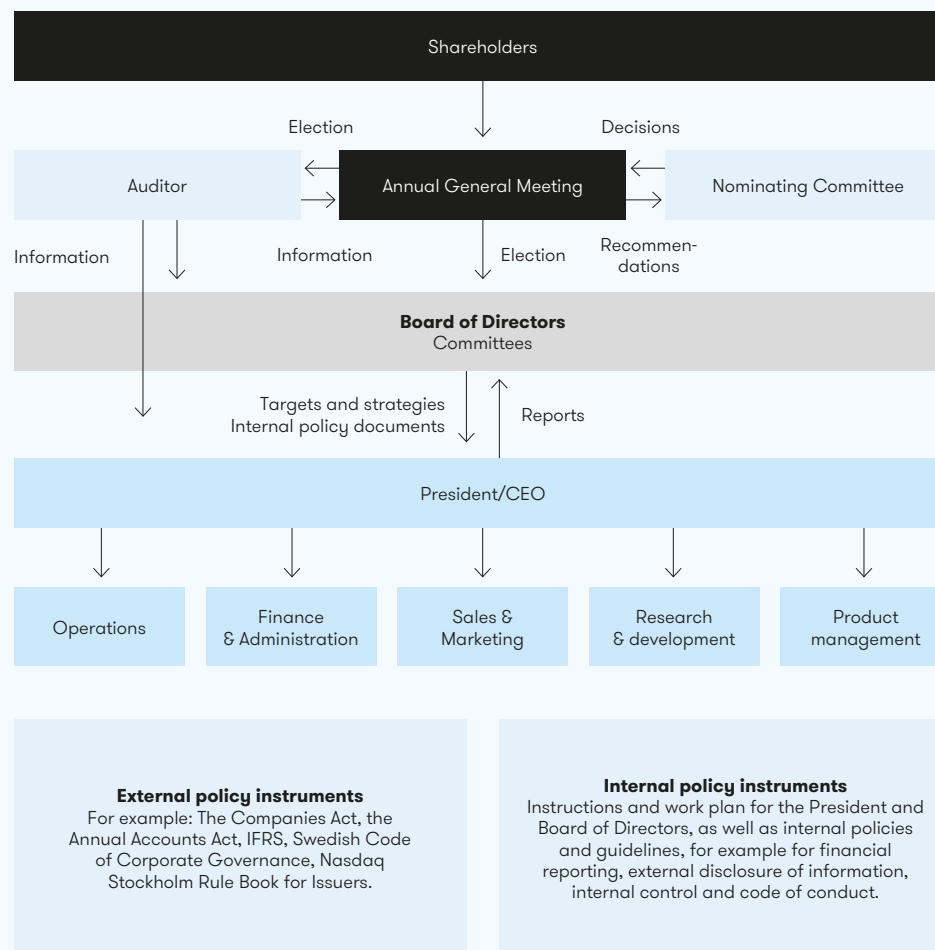
The Annual General Meeting is the company's highest decision-making body. The Annual General Meeting must be held within six months of the close of the financial year and is usually held in April or May in Stockholm. At the Annual General Meeting, resolutions are adopted concerning adoption of the company's income statement and 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 Chair of the Board, and auditor, 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 or the Swedish Code of Corporate Governance. An extraordinary annual general meeting of shareholders will be held where the Board finds reason to do so in accordance with the Swedish Companies Act. The Articles of Association do not contain any special provisions concerning amendment of the Articles by the general meeting of shareholders.

Annual General Meeting 2022

The Annual General Meeting for the 2021 financial year was held on May 4, 2022. Participating shareholders and proxies represented 30,689,359 shares, corresponding to 68 per cent of the total number of shares and votes. A number of the resolutions that were passed are set out below.

- The Annual General Meeting adopted the income statement and balance sheet included in the

Overview of corporate governance at INVISIO



annual report and resolved in accordance with the Board’s proposed appropriation of earnings and granted discharge from liability to the members of the Board and the President/CEO.

- The Annual General Meeting resolved to re-elect Annika Andersson, Lage Jonason, Martin Krupicka, Ulrika Hagdahl and Charlott Samuelsson as members of the Board, and elected Hannu Saastamoinen as a new member and re-elected Annika Andersson as Chair of the Board. Charlotta Falvin had declined re-election.
- In October 2022 Lage Jonason decided to resign from the Board for personal reasons.
- The Annual General Meeting voted in accordance with the Nominating Committee’s proposed board fee. For more information, please refer to Remuneration of the Board and Committees presented below.
- The Annual General Meeting resolved in accordance with the Board’s proposal on guidelines for remuneration to the President/CEO and other senior executives as presented on page 46.

The minutes of the Annual General Meeting can be found on the INVISIO website www.invisio.com/investors.

Nominating Committee for the Annual General Meeting in 2023

Member	Representing	Voting share, % ¹⁾
Elisabet Jamal Bergström (Chair)	SEB Investment Management	7.2
Casper Lorenzen	William Demant Invest	16.7
Lennart Francke	Swedbank Robur funds	6.9
Annika Andersson	Member by virtue of being Chair of the Board	Not applicable

¹⁾ Source: Euroclear Sweden, INVISIO December 31, 2022

Annual General Meeting 2023

INVISIO’s Annual General Meeting for the 2022 financial year will be held in Stockholm on May 4, 2023 at 13:00.

Nominating Committee

The main function of the Nominating Committee is to present proposals to the Annual General Meeting on the composition of the Board, for approval by the Annual General Meeting. The work of the Nominating Committee starts by studying the evaluation of the work of the Board that the Board has commissioned. The Nominating Committee then nominates Board Members and Chair for the coming mandate period. Furthermore, the Nominating Committee presents proposals for the election of auditor and remuneration to the Board and auditors.

Composition of the Nominating Committee

According to a resolution by the Annual General Meeting in 2020 the Nominating Committee is to be appointed for the period until a new Nominating Committee has been appointed, for drafting and presentation of recommendations to the shareholders at the AGM regarding:

- the Chair of the AGM,
- the number of Board members,
- election of Board members and Chair of the Board,
- remuneration of the Board Chair, Board members and Committee members,
- election of auditor,
- remuneration of the auditor, and
- other matters that may be incumbent on a nominating committee pursuant to the Swedish Code of Corporate Governance.

The Nominating Committee is to consist of four members, to be appointed as follows: INVISIO’s Nominating Committee is to safeguard all shareholders’ interests and ensure professional preparation of a number of matters that are important for the company’s board work that are resolved by the general meeting of shareholders.

Three of the members of the Nominating Committee are normally to be appointed by the company’s three largest shareholders and the fourth is the Board Chair. Ahead of the next Annual General Meeting, the Chair of the Board must contact the three largest shareholders of the company, based on shareholder data as at August 31, and call a first meeting of the Nominating Committee at the latest seven months before the Meeting.

If any of the largest shareholders refrain from appointing a member to the Nominating Committee, the Chair of the Board is to invite the shareholder next

in size to appoint a member. The analysis of ownership shall be based on Euroclear’s list of registered shareholders and on any other circumstances that are known to the Board Chair. In the event that a member voluntarily resigns from the Nominating Committee, the shareholder that appointed the outgoing member must appoint a successor, provided the ownership structure has not materially changed.

If the ownership structure in the company is materially changed the Nominating Committee can decide to change its composition so that the Committee reflects the ownership of the company appropriately. Even if changes are made in the ownership structure of the company, no changes need to be made to the composition of the Nominating Committee where the changes are minor or where a change occurs less than three months before the Annual General Meeting unless it is justified as a result of special circumstances.

The member representing the largest shareholder by voting power is the Chair of the Nominating Committee unless otherwise agreed by the members. However, neither the Chair of the Board nor another Board member may chair the Nominating Committee.

The Nominating Committee is encouraged to contact both large shareholders that have not appointed a member to the Nominating Committee and representatives of small shareholders, to ascertain their assessments of the matters that concern the Nominating Committee.

The terms of reference for the Nominating Committee apply until a future general meeting of shareholders resolves to amend them.

The members of the Nominating Committee and the shareholders appointing them are presented in the table adjacent. In 2022 the Nominating Committee held three meetings as well as maintaining contacts between meetings.

Remuneration of the Nominating Committee

No remuneration is payable to the members of the Nominating Committee. However, the Nominating Committee has the right to charge the company reasonable costs for engaging recruitment consultants, if such consultants are deemed necessary to obtain a suitable selection of candidates for the Board.

Board of Directors

The Board of Directors is responsible for INVISIO’s organization and management of the company’s affairs.

Composition of the Board of Directors

In accordance with the Articles of Association, INVISIO’s Board of Directors is to consist of a minimum of three and a maximum of eight members. The members of the Board represent a group with technical, commercial and economic knowledge, with experience of business development, growth, sustainability and internationalization. They are well suited and focused on conducting business in all respects in a sustainable way.

The company has applied rule 4.1 of the Code as its diversity policy, which states that the composition of the Board of Directors must exhibit diversity and breadth of qualifications, experience and background. Further, the company is to strive for gender balance. The Board of Directors is composed of three women and two men, which in the opinion of the Nominating Committee is compatible with the gender balance requirement. For further information on the Board members, please refer to pages 48–49.

The Articles of Association do not include any particular provisions on appointment or dismissal of members of the Board.

Independence of the Board

The composition of the Board meets the requirements of the Code concerning independent members. The independence assessments for each member are presented on pages 48–49.

The Board’s Work Plan

Every year the Board adopts a work plan for its work. This is done at the time of the inaugural board meeting and the work plan is thereafter updated as necessary. The work plan describes the responsibilities and duties of the Board and its Committees, their internal division of duties and working methods, as well as distribution between the Board and the President/CEO. The current work plan was adopted on May 4, 2022.

The work of the Board

Under the adopted work plan, the Board must meet at least six times in addition to the inaugural board meeting.

In 2022 the Board held ten meetings, including the inaugural meeting. The attendance of the members at the meetings is shown in the table in the Corporate Governance Report.

Standing items at the meetings are the business situation, financial situation and performance monitoring. Important matters during the year included business

objectives, strategic focus, R&D initiatives and organization, as well as acquisitions.

INVISIO's CEO and CFO regularly participate in the Board meetings. Other senior executives participate as presenters at the Board meetings if necessary. The presenter at Board meetings is normally the company's CEO, the secretary is the CFO.

Evaluation of the work of the Board

According to the Board's Work Plan, the Chair of the Board is responsible for ensuring that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work forms and effectiveness. For 2022 evaluation took place partly through a questionnaire that was compiled by an independent party, and partly through separate interviews with all members of the Board conducted by the Nominating Committee. These interviews were held with Elisabet Jamal Bergström, representing SEB Investment Management and Lennart Francke, representing Swedbank Robur Fonder.

Board members' attendance at Board meetings

Member	Attendance
Annika Andersson, Chair	10 of 10
Hannu Saastamoinen	6 of 6
Lage Jonason	6 of 8
Martin Krupicka	9 of 10
Ulrika Hagdahl	10 of 10
Charlott Samuelsson	10 of 10
Charlotta Falvin	4 of 4

Committees

Audit Committee

At the inaugural board meeting after the 2022 Annual General Meeting it was resolved that the Audit Committee is to consist of a maximum of three Board members.

The Committee is to meet as necessary, though at least three times per calendar year, and the meetings must be minuted. The following Board members were elected to the Committee: Annika Andersson, Lage Jonason and Ulrika Hagdahl (Committee Chair). The duties and responsibility of the Audit Committee include:

- monitoring the company's financial reporting and submitting recommendations and proposals to ensure reliability of reporting;

- with regard to the financial reporting, monitoring the effectiveness of the company's internal control and risk management;
- staying informed about the audit of the annual accounts and the consolidated accounts, as well as the conclusions of the Supervisory Board of Public Accountants quality control,
- being able to report how the audit contributed to the reliability of financial reporting,
- examining and monitoring the external auditor's impartiality and independence, 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 resolution of the Annual General Meeting of shareholders on the election of auditor.

For a new election of auditor, the Committee's recommendation must include at least two alternatives for the audit engagement and the Committee must give reasons for the alternative preferred by the Committee. In its recommendation the Committee must base its reasoning on the results of the compulsory selection procedure arranged by the company under the responsibility of the Committee.

Remuneration Committee

In connection with the inaugural Board meeting after the Annual General Meeting in 2022 the Board appointed a Remuneration Committee consisting of Annika Andersson (Committee Chair) and Hannu Saastamoinen. The Remuneration Committee's duties and responsibilities include preparing matters for board decisions on issues related to remuneration principles, remuneration and other terms of employment for company management, and following and evaluating programs (both current and those completed during the year) for variable remuneration for company management, following and evaluating the application of the guidelines for remuneration of senior executives (which by law must be determined by the Annual General Meeting) and of remuneration structures and remuneration levels at the Company. In 2022 the Remuneration Committee met three times and in addition maintained contact between meetings. All members participated in these meetings.

Cybersecurity Committee

In 2022 the Board decided to set up a committee for cybersecurity, consisting of Charlott Samuelsson

(Committee Chair), Annika Andersson and Ulrika Hagdahl. The duties and responsibility of the Committee include:

- monitoring the company's IT security work and
- monitoring the efficiency of the company's security work and IT risk management.

In addition, the Committee is to work to make cybersecurity risks a part of strategic decisions and a priority in business operations, as well as contributing to increased understanding of related issues in the company's Board.

The Cybersecurity Committee consists of a maximum of three Board members who appoint a Chair. The Committee is to meet as necessary, but no less than three times per calendar year. During the period three meetings were held and were all minuted.

Remuneration of the Board and Committees

The 2022 Annual General Meeting resolved that board fees totaling SEK 650,000 will be paid to the Chair of the Board and SEK 250,000 to each of the other Board members. In addition, a fee of SEK 125,000 is payable to the Chair of the Audit Committee and SEK 60,000 to the Chair of the Remuneration Committee and SEK 60,000 each to a maximum of two members of the Audit Committee and SEK 40,000 to one member of the Remuneration Committee. The Cybersecurity Committee Chair receives remuneration of SEK 60,000, the other two members SEK 40,000 each. Remuneration of the Board is described in more detail in Note 8.

Auditor

INVISIO's auditor audits the annual report, consolidated accounts and bookkeeping, as well as the administration by the Board and President/CEO. The auditor works according to an audit plan and reports any findings to the Audit Committee at audit meetings and Board meetings. The auditor participates at the Annual General Meeting in order to present the auditor's report, which describes the audit work and the auditor's conclusions. Apart from this, the auditor also normally participates in three Audit Committee meetings and one Board meeting during the autumn and one in the spring. On behalf of the Board the auditor has also reviewed the interim report for January–September 2022.

The Company's firm of auditors, PricewaterhouseCoopers AB, was re-elected at the 2022 Annual General

Meeting for the period until 2023. The auditor in charge is authorized public accountant Mats Åkerlund.

Remuneration of the auditor

The Annual General Meeting in 2022 resolved that the fee to the auditor shall be payable in accordance with an approved invoice. Remuneration of the auditors is described in more detail in Note 6.

President/CEO and management

The President/CEO is responsible for the day-to-day administration of INVISIO in accordance with the Board's guidelines and instructions. The current instruction to the President/CEO was adopted by the Board on May 4, 2022. The President/CEO prepares information and decision-making documentation for the Board meetings.

The President/CEO is assisted by a group management team consisting of the heads of the company's functions: Finance & Administration, Marketing & Sales, Research & Development, Product Management and Operations. All members of the management are based at INVISIO's headquarters in Copenhagen, apart from the SVP sales North America who works in the USA. The management holds weekly meetings at which operational issues are discussed. A more detailed presentation of the President/CEO and the management group is given on pages 50–51.

Remuneration to the President/CEO and other senior executives

The 2020 Annual General Meeting resolved in accordance with the Board's proposal to adopt the following guidelines for remuneration to the President/CEO and other senior executives, valid until further notice, though no longer than until the 2024 Annual General Meeting.

Successful implementation of the company's business strategy and safeguarding the company's long-term interest, including its sustainability, assume the ability of INVISIO to recruit and retain qualified employees.

INVISIO must therefore endeavor to offer total remuneration that enables the Group to attract and retain senior executives.

Remuneration of senior executives, both in the short and long term, must be based on the individual's performance and responsibility, as well as the earnings of INVISIO and its subsidiaries and it must link the interests and rewards of the senior executives with those of the shareholders.

Variable cash remuneration covered by these guidelines must aim to promote the company's business strategy and long-term interests, including its sustainability. Remuneration of senior executives may consist of:

- fixed salary,
- short-term variable cash remuneration,
- the opportunity to participate in long-term share or share-price related incentive programs, as well as
- pension and other benefits.

The senior executives' fixed salaries are revised annually and must be competitive and based on the individual's skills, responsibilities and performance.

The variable cash remuneration is to be based on how well the targets set for the respective areas of responsibility and for INVISIO and its subsidiaries have been met. The outcome is to be linked to measurable targets (qualitative, quantitative, general and individual). The target components, weighting and target levels may vary from year to year to reflect business priorities and they generally balance the Group's financial targets and non-financial targets (for example operational, strategic, environmental, social or other sustainability-related targets). The measurement period for variable remuneration is based as a principal rule on performance over a period of about twelve months.

The targets within the senior executives' respective areas of responsibility aim to promote the development of INVISIO, both in the short and long term. When the measurement period for meeting the criteria for payment of variable cash remuneration has been completed, an assessment/decision is to be made on the extent to which the criteria have been fulfilled.

The Remuneration Committee is responsible for the assessment concerning variable cash remuneration to senior executives. The Board of Directors has the right to disregard the fulfillment of the criteria and adjust payment of variable remuneration both upwards and downwards on the basis of actual progress during the year. Additional variable cash remuneration may be payable in extraordinary circumstances, provided that such extraordinary arrangements are made solely at individual level as remuneration for extraordinary work input in addition to the individual's ordinary duties. The total variable remuneration shall not exceed 60 per cent 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.

Remuneration of the President/CEO and other senior executives is described in more detail in Notes 7 and 8, in the Administration Report and the Remuneration Report.

Long-term incentive program

The 2019, 2020 and 2021 Annual General Meetings resolved in accordance with a proposal by the Board of Directors, to establish employee stock option programs 2019/2022, 2020/2023 and 2022/2025. During the year the 2019/2022 employee stock option program was closed. A total of 508,200 allocated options were exercised. The programs are described further in Note 7.

Period of notice

According to his employment contract, the President/CEO has a 12-month period of notice in the event of termination by the Company. The period of notice in the event of termination by the President/CEO 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 of own termination by other senior executives, the notice period is three months.

Internal control and risk management referring to financial reporting

Internal control and risk management referring to financial reporting is a central component of INVISIO's corporate governance. The process aims to provide reasonable assurance concerning the reliability of interim reports, year-end reports and annual reports and to ensure that these reports are prepared in accordance with applicable laws, accounting standards and other rules.

INVISIO's risk management and internal control are based on the Internal Control – Integrated Framework issued in 2013 by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO). According to COSO, internal control is a process with the following components: control environment, risk assessment, control activities, information and communication and monitoring.

Control environment

The control environment forms the basis of internal control and risk assessment within INVISIO and con-

sists of the values and the culture communicated and acted on by the Board and management, as well as the organization structure, leadership, authority, decision-making channels and employees' expertise. This includes several internal policy documents, which have been adopted by the Board. An overview of the company's organization, governance and control, including external and internal policy instruments can be found on page 44.

The Board of Directors has the overall responsibility for internal control and reporting with the task of and responsibility for monitoring INVISIO's financial reporting and monitoring the effectiveness of this process. See the previous page under the heading "Audit Committee" for more information.

Risk assessment

The Board has delegated the operative responsibility for risk assessment and internal control to the management group. INVISIO's management group conducts annual systematic risk assessments. This means that the company management assesses the risks that are removed or added, as well as selecting prioritized processes. Process descriptions are prepared as decision-making data for the Board. They include information on the purpose, risks, controls and effectiveness of the process. The company's risk management is described further in the Administration Report and in Note 2.

Control activities

In accordance with the internal control policy, the CFO is responsible for coordination, management and follow-up of internal control, including financial reporting. The CFO, together with the accounting department and others, is to ensure that process descriptions and internal frameworks are prepared and be responsible for reporting on the work concerning internal control and risk management in INVISIO to the Board and the Audit Committee.

To ensure good internal control concerning financial reporting, the company has established control activities for each main process, aimed at preventing, discovering and correcting errors and non-compliance. Among the areas of control are approval of business transactions, reliability of business systems, compliance with laws and other requirements placed on listed companies, segregation of duties, application of accounting standards and other areas that include material elements of assessment.

Information and communication

The Board of Directors has drawn up an information policy for external provision of information that is to ensure that the market receives relevant, reliable, correct and current information on the development and financial position of the company. The Board has also drawn up an insider policy aimed at safeguarding the integrity of information disclosure.

The company's internal policy instruments in the form of policies, guidelines and manuals for internal and external communication are regularly updated and communicated internally via relevant channels, such as intranet, internal meetings, email and the company's document management system.

Monitoring

The CFO has the operative responsibility for monitoring risk management and internal control with respect to financial reporting. This includes monitoring monthly financial reports against targets and plans, monitoring the President/CEO's business reports to the Board and monitoring reports from the company's auditor. In addition the main processes and associated control activities are regularly evaluated to ensure adequacy and effectiveness. The results are reported to the Board and the Audit Committee.

INVISIO has not set up a dedicated internal audit function. The Board of Directors has evaluated the need for this function and concluded that the size of the organization and scope of its activities do not justify such a function.

Events and activities in 2022

During the year INVISIO continued work on continual improvement of internal control and governance as the business grows and demands increase, for example by means of greater integration and automation of flows in the business system.

During the year particular effort has gone into improving IT security. As part of this work a special committee was set up with responsibility for issues related to cybersecurity.

During the year the Board increased its focus and discussions relating to ESG issues, which also involved the company management. The outcome of the discussion was to give the issues greater space in the work of the Board in 2023 and onwards.

Board of Directors



Annika Andersson

Chairman of the Board since 2019

Member since 2014
Born: 1958

Annika Andersson is a professional board director. She has long experience of the financial industry, including the Fourth Swedish National Pension Fund as portfolio manager and responsible for shareholder issues, information, and sustainability.

Other engagements

Chair of the board of Sequitor Engineering AB and member of the board of the First Swedish National Pension Fund.

Education

M.Sc. in Business Administration and Economics, Stockholm School of Economics.

Holding¹⁾

24,500 shares.

Independence

Independent in relation to the company, its management and major shareholders.

Member of the Audit Committee and the Cybersecurity Committee and Chair of Remuneration Committee.



Ulrika Hagdahl

Member since 2018
Born: 1962

Ulrika Hagdahl previously successfully built up and ran Orc Software, where, among other roles, she acted as CEO, from 1990 to 2000.

Other engagements

Member of the board of Beijer Electronics Group AB, Resolution Games AB, AB Idre Golf Ski & Spa and tbd30 AB.

Education

M. Sc. (Engineering), Royal Institute of Technology, Stockholm.

Holding¹⁾

3,400 shares.

Independence

Independent in relation to the company, its management and major shareholders.

Chair of the Audit Committee and member of the Cybersecurity Committee.



Martin Krupicka

Member since 2018
Born: 1962

Since 2009 Martin Krupicka has been CEO of the Brokk Group, which is part of Lifco AB. Martin has previously worked on company strategy and mobile services at Microsoft in the USA and as management consultant at Connecta and Accenture.

Other engagements

CEO of the Brokk Group. Member of the boards of Ahlberg Cameras AB, Aquajet Systems AB, and Darda GmbH.

Education

M.Sc. (Engineering), Linköping Institute of Technology, MBA from Harvard Business School.

Holding¹⁾

0 shares

Independence

Independent in relation to the company, its management and major shareholders.

¹⁾ Source: Euroclear Sweden, INVISIO December 31, 2022

Board of Directors, cont.



Hannu Saastamoinen

Member since 2022
Born: 1961

Hannu Saastamoinen works as a senior advisor at Investment AB Latour in Finland. From 2013 to 2020 he was CEO of Swegon Group. Before that, Hannu held leading positions at Munters, Huurre Group, TAC Svenska, United Technologies Carrier Corp and Electrolux, among others.

Other engagements

Board Chair of Rototex Group AB and MTC Flextex Oy.
Board member of Nordic Waterproofing Holding AB, Oy VEHO AB, M&G Group B.V. and Bemsiq AB.

Education

Master's degree from the Helsinki School of Economics.

Holding¹⁾

0 shares

Independence

Independent in relation to the company, its management and major shareholders.

Member of the Remuneration Committee.



Charlott Samuelsson

Member since 2019
Born: 1963

Charlott Samuelsson is Sr Vice President and head of the business area Pattern Generators at Mycronic AB, a company where she has held various leading positions since 2000.

Other engagements

—

Education

M.Sc. in Engineering, Chalmers University of Technology.

Holding¹⁾

3,000 shares.

Independence

Independent in relation to the company, its management and major shareholders.

Chair of the Cybersecurity Committee.

¹⁾ Source: Euroclear Sweden, INVISIO December 31, 2022

Auditor

PricewaterhouseCoopers AB

Mats Åkerlund

Authorized Public Accountant
INVISIO's auditor since 2017

Management



Lars Højgård Hansen

President and Chief Executive Officer since 2007

Employed: 2006

Born: 1963

Lars Højgård Hansen has long experience of international sales and marketing, mainly in technology companies and has previously held several leading marketing positions within the Sony Ericsson Group and GN.

Education

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

Holding¹⁾

431,511 shares and 59,000 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. Thomas' most recent role was as CFO of Systemtextgruppen.

Education

M.Sc. (Business Administration), Växjö University.

Holding¹⁾

262,038 shares and 29,000 options.



Carsten Aagesen

SVP Global Sales & Marketing

Employed: 2007

Born: 1968

Carsten Aagesen has long experience of international sales and marketing from leading positions at GN and Apple, among others. Previous experience includes marketing director at GN's mobile division and marketing manager at Apple Nordic & Benelux.

Education

Cand.merc. (MSc in Economics and Business Administration) Marketing and Strategic Management, Copenhagen Business School.

Holding¹⁾

37,058 shares and 29,000 options.

¹⁾ Source: Euroclear Sweden, INVISIO December 31, 2022

Management, cont.



Joakim Birgersson

SVP Operations

Employed: 2018

Born: 1964

Joakim Birgersson has many years' experience of the safety and hearing protection industry and has held leading positions in both small and large manufacturing companies, such as Sordin and Peltor. His most recent position was as Corporate Vice President and General Manager Europe at MSA Safety.

Education

Mechanical engineer. University studies. Diploma in Marketing.

Holding¹⁾

32,000 shares and 29,000 options.



Ray Clarke

SVP Sales North America

Employed: 2017

Born: 1961

Ray Clarke has many years' experience in the defense and security sector, where he has held various leading positions. Ray has led global sales, marketing and business development teams in technology-intensive companies such as Draeger, Mine Safety Appliances and Revision Military.

Education

Bachelor of Science, West Virginia University.

Holding¹⁾

3,114 shares and 29,000 options.



Jan Larsen

SVP R&D

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 leading positions in R&D at GN, Oticon A/S, Bernafon AG, UnoMedical A/S and Ortofon A/S.

Education

Electrical engineer with Diploma degree, Technical University of Denmark, Copenhagen and Graduate Diploma (HD-O), Copenhagen Business School.

Holding¹⁾

89,921 shares and 29,000 options.

¹⁾ Source: Euroclear Sweden, INVISIO December 31, 2022

Auditor's report on the Corporate Governance Statement

To the General Meeting of the shareholders of INVISIO AB (publ),
corporate identity number 556651-0987

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2022 on pages 44–51 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö, April 4, 2023
PricewaterhouseCoopers AB

Mats Åkerlund
Authorized Public Accountant

Auditor's report on the statutory sustainability report

To the Annual General Meeting of the shareholders of INVISIO AB (publ),
corporate identity number 556651-0987

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2022 on pages 28–39 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Malmö, April 4, 2023
PricewaterhouseCoopers AB

Mats Åkerlund
Authorized Public Accountant

Remuneration Report

Introduction

This remuneration report gives an account of how the guidelines for remuneration of senior executives adopted by the 2020 Annual General Meeting have been implemented in 2022. The report also gives an account of details of remuneration to the President/CEO and contains a summary of INVISIO's outstanding incentive programs. The report was prepared in accordance with the Swedish Companies Act (2005:551) and the Swedish Code of Corporate Governance.

Further information on remuneration of senior executives required under Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554) can be found in Note 8. For more information about the work of the Remuneration Committee in 2022 please refer to the Corporate Governance Report.

Remuneration of the Board of Directors is not covered by this report. That remuneration is decided annually by the Annual General Meeting and reported in Note 8.

Development of the company

The development of the company and significant events for the year are described in the CEO's presentation on pages 5-6.

INVISIO's remuneration principles and application of guidelines in 2022

Successful implementation of INVISIO's business strategy and safeguarding the company's long-term interests, including its sustainability, assumes the company's ability to recruit and retain qualified personnel. For this purpose INVISIO is to offer competitive total remuneration. The company's guidelines for remuneration make it possible for the company to offer senior executives such remuneration. Under the guidelines, remuneration to the President/CEO and other senior executives must be competitive and based on the individual's expertise, responsibilities and performance and may consist of the following components: fixed salary, short-term variable cash remuneration, the opportunity to participate in long-term share-price related incentive programs, as well as pension and other benefits. The variable cash remuneration is to be based on how well the targets set for the respective senior executive's areas of responsibility and for INVISIO and its subsidiaries have been met. The outcome is to be linked to measurable targets [qualitative, quantitative, general and individual]. The target components, weighting and target levels may vary from

year to year to reflect business priorities and they generally balance the Group's financial targets and non-financial targets (for example operational, strategic, environmental, social or other sustainability-related targets).

The guidelines can be found on pages 58-59. The remuneration guidelines, adopted unanimously by the 2020 Annual General Meeting, have been fully complied with. No deviations from the guidelines have been approved, no remuneration has been repaid, and no exceptions to the guidelines' procedures have been applied. The auditor's statement on compliance with the guidelines is available on INVISIO's website.

Option program

The 2019, 2020 and 2022 Annual General Meetings resolved in accordance with a proposal by the Board of Directors, to establish an employee stock option program 2019/2022, an employee stock option program 2020/2023 and an employee stock option program 2022/2025. The programs were issued without charge and the right to subscribe for shares in INVISIO under the provisions of the employee options (through stock options) is exercised at a price corresponding to the average

INVISIO share price in a given measurement period. All employees of the company and its subsidiaries are included in the programs.

The purpose of the employee stock option programs is to link the employees', including the CEO's, remuneration to INVISIO's long-term performance and value creation for shareholders and in that way link the long-term incentives of the employees and CEO with shareholder interests.

For all employee stock options to entitle the holder to acquire INVISIO shares it is a requirement, apart from employment throughout the vesting period, that the share price for INVISIO exceeds SIXPRX by 20 percentage points. If the INVISIO share price exceeds SIXPRX by 10 percentage points half of the employee stock options will confer entitlement to acquire shares in INVISIO. If the INVISIO share price exceeds SIXPRX by more than 10 but less than 20 percentage points, the stock options will entitle the holder to acquire shares in INVISIO on a linear basis between 50 and 100 per cent. If the INVISIO share price does not exceed SIXPRX by 10 percentage points, all stock options will lapse. For more information on the option programs please refer to Note 7.

TOTAL REMUNERATION TO THE PRESIDENT/CEO

2022, SEK million	Fixed salary	Other benefits ¹⁾	Variable remuneration	Multi-year variable remuneration ²⁾	Pension	Total remuneration	Percentage fixed/variable remuneration
Lars H. Hansen, President/CEO Group	3.2	0.0	1.8	2.9	0.2	8.2	42/58
Total	3.2	0.0	1.8	2.9	0.2	8.2	

1) Refers to health insurance and mobile telephony.

2) Multi-year variable remuneration consists of option programs. During the year 35,000 options were exercised, see the table Employee stock option program for the CEO on the next page for details.

During the year the 2019/2022 employee stock option program was closed. A total of 508,200 allocated options, of which 35,000 referring to the President/CEO, were exercised. The weighted exercise price was SEK 70.82 per share and the weighted average share price during the exercise period was SEK 153.41.

Performance criteria

The CEO's annual variable cash remuneration is based on how well targets have been met. The targets aim to promote INVISIO's development in both the short and long term. The measurement period for variable remuneration is based as a principal rule on performance over a period of twelve months. The annual variable remuneration shall not exceed 60 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. The performance criteria in 2022 were order intake and operating margin and applied to all INVISIO employees. The threshold must be reached for both criteria for remuneration to be payable.

The performance criteria for 2022 were exceeded as regards order intake, while the threshold value for the EBIT margin was not achieved. Due to current circumstances, with component shortages and delivery delays outside the company's control, the Board has decided to make an exception to the model's requirement that both performance criteria must be met and to pay out the part relating to order intake. The decision was made in accordance with INVISIO's remuneration guidelines, which allow the Board of Directors to adjust payment of variable remuneration, both upwards and downwards, based on actual progress during the year. For details of performance criteria and outcomes please refer to the table on the right.

EMPLOYEE STOCK OPTION PROGRAM FOR THE PRESIDENT/CEO

Employee stock option program	Exercise price (SEK)	Share price on allocation date	Allocation date	Vesting period	Exercise date	Opening balance options (Number)	Allocated options for the year (Number/Value ¹⁾)	Exercised options for the year (Number/Value ²⁾)	Closing balance options (Number)
2019/2022	70.90	70.70	May 7 2019	May 7 2019 – May 9, 2022	May 15 2022 – June 30 2022	35,000	-	35,000 / SEK 2.9 m	0
2020/2023	108.00	108.00	May 7 2020	May 7 2020 – May 9, 2023	May 15 2023 – June 30 2023	35,000	-	-	35,000
2022/2025	184.10	154.40	May 6, 2022	May 6, 2022- May 8, 2025	May 15 2025 – June 30 2025	0	24,000 / SEK 0 m	-	24,000
Total						70,000	24,000 / SEK 0 m	35,000 / SEK 2.9 m	59,000

1) The value of allocated options is calculated through the difference between share price on the allocation date and the exercise price.

2) The value of exercised options is calculated through the difference between weighted average share price during the exercise period and the exercise price.

VARIABLE REMUNERATION TO PRESIDENT/CEO

	Criteria	Weighting	Threshold	Maximum level	Outcome	Allocated bonus
Lars H. Hansen, President/CEO Group	Order intake	70%	SEK 706 million	SEK 863 million	SEK 1,142 million	1.8
	Operating margin	30%	12%	17%	8%	-

ANNUAL CHANGE IN REMUNERATION AND COMPANY'S PROFIT/LOSS, FIVE-YEAR REVIEW

	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020 ¹⁾	2022 vs 2021 ²⁾	2022 (SEK million)
Group's operating profit	-19%	109%	-28%	-74%	162%	65.2
Order intake	-31%	132%	-17%	19%	82%	1,141.6
Remuneration of President/CEO	-79%	31%	-24%	134%	0%	8.2
Average remuneration to employees in the Group	-62%	22%	-6%	21%	3%	1.3

1) In 2021 a total of 442,000 options were exercised, of which 35,000 referring to the President/CEO. The value of exercised options is calculated through the difference between weighted average share price during the exercise period and the exercise price. Excluding the options, remuneration of the President/CEO and other employees increased by 6 per cent and 9 per cent respectively in relation to the previous year.

2) In 2022 a total of 508,200 options were exercised, of which 35,000 referring to the President/CEO. The value of exercised options is calculated through the difference between weighted average share price during the exercise period and the exercise price. Excluding the options, remuneration of the President/CEO and other employees increased by 61 per cent and 16 per cent respectively in relation to the previous year.

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Administration report

The Board of Directors and President of INVISIO AB (publ.) ("INVISIO"), corporate identity number 556651-0987, hereby submit the annual report and consolidated accounts for the 2022 financial year. Unless otherwise indicated, all amounts are stated in millions of Swedish kronor (SEK). Figures in parentheses refer to the previous year.

Operations

INVISIO develops and sells advanced communication systems that enable professionals in noisy and mission critical environments to communicate, protect their hearing and work effectively. The company combines specialist knowledge in acoustics and hearing with broad engineering know-how in software, materials technology and system integration. Most sales are via the headquarters in Copenhagen and sales offices in the USA, France, the United Kingdom, Italy and Thailand, but also via a global network of partners. The business is normally conducted via procurements.

Sales and profit

- Sales for 2022 were SEK 775.5 million (593.0), an increase of 31 per cent in comparison with the previous year. Sales on international markets are mainly in USD, EUR and GBP. Adjusted for exchange rate effects sales increased by 23 per cent.
- The order book totaled SEK 624.7 million (224.7) at the close of the year.
- Gross profit was SEK 449.7 million (340.4) and the gross margin was 58.0 per cent (57.4).
- Operating expenses were SEK 384.5 million (315.5). The cost increases are due to forward-looking investments in line with the company's growth strategy and consolidation of Racal Acoustics.
- Development costs of SEK 23.9 million (14.9) were activated during the year. Depreciation of capitalized development costs of SEK 21.0 million (18.9) were included in operating expenses.
- Operating profit was SEK 65.2 million (24.9) and the operating margin was 8.4 per cent (4.2).
- Net financial income was SEK -2.7 million (-1.3).
- Profit before tax amounted to SEK 62.5 million (23.5) and profit for the year was SEK 44.5 million (14.5).
- Earnings per share were SEK 0.99 (0.33).

Uneven order flow and sales over the year

INVISIO's market is characterized in general by large procurements, often with long lead times as a consequence of such things as extensive customer tests, both in laboratories and among end users. This means that the order intake and sales for individual quarters may vary and have an effect on the full year figures. The acquisition of Racal Acoustics has, however, brought somewhat more stable sales in that vehicle programs and framework agreements often extend over long periods of time, in some cases up to 20–25 years.

A continuing clear trend during the year was also an increase in the number of medium-sized orders, which is a direct consequence of a broader product portfolio and a growing customer base. All in all, this has contributed to greater stability in the income stream.

Cash flow and investments

The Group's cash flow for 2022 was SEK -17.0 million (-27.9), of which cash flow from operating activities was SEK 41.7 million (91.0). The weaker cash flow from operating activities, compared with the previous year, is due to increased trade receivables, coming from higher sales at the end of the fourth quarter.

Cash flow from investing activities amounted to SEK -33.5 million (-191.9). The explanation for the difference is that INVISIO acquired Racal Acoustics in 2021.

Capitalized development costs were SEK -23.9 million (-14.9) and net investment in property, plant and equipment was SEK -9.6 million (-3.7). Cash flow from financing activities was SEK -21.5 million (73.0), of which SEK -20.0 million (85.0) was loans taken up and amortization of loans. Dividend paid was SEK -31.2 million (-30.9).

At year-end, inventories were SEK 144.4 million (117.5). The increase in inventories is mainly due to impending deliveries in the first quarter of 2023.

Cash and cash equivalents and financial position

The Group's cash and cash equivalents at the year end amounted to SEK 127.1 million (134.8). INVISIO has sound financial strength. Group equity at year-end amounted to SEK 510.0 million (417.5), which gave an equity/assets ratio of 64 per cent (61).

Significant events during the year

The start of 2022 was characterized by somewhat weaker sales. This was mainly due to pandemic-related reasons such as longer purchas-

ing processes, challenges when conducting tests and temporary budgetary reprioritizations among some customers.

Development in the second half of 2022 was considerably stronger. The higher sales were a direct consequence of diminishing effects of the pandemic, a generally stronger market situation, a larger customer base and broader offer.

In addition, the war in Ukraine and a considerably more uncertain geopolitical situation, particularly in Europe, has put a strong focus on defense and security issues.

The order book at the close of the year was almost SEK 625 million, the largest in the history of the company. Despite some component delivery delays, sales increased to just over SEK 775 million, an increase of 31 per cent.

Orders of strategic or material significance:

- At the beginning of the year a five-year framework agreement is signed where the end customer is a European defense force. The contract, signed with the system integrator of the end customer's vehicle modernization program, is for the new Racal Acoustics CVC headset, RA4000 Magna™ with accessories. The value is approximately SEK 275 million over the contract period.
- In March two orders are received from the UK MoD for communication systems for use in armored combat vehicles and for users in the field. The combined value of the two orders is SEK 118 million.
- In March a first order is also received within the five-year framework agreement signed by the company and communicated at the beginning of the year. The order refers to the new headset Racal Acoustics RA4000 Magna™. The order value is SEK 91 million. Deliveries will continue until 2026.
- In April INVISIO and its partner Marlborough Communications are awarded a three-year In-Service Support contract by the UK MoD. The contract, which includes an option for a further two years, is for deliveries of the communication system with hearing protection.
- In July and August INVISIO receives two major orders for its Intercom system, where the customer is a European NATO country. The combined value of the orders is SEK 27 million.
- Towards the end of the summer a two-year framework agreement is signed with the Danish police authority for communication equipment with hearing protection. The order value for the first two years is estimated to be up to SEK 15 million.

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- In September an order worth SEK 58 million is received from a new customer in a European NATO country. The order is for advanced communication and hearing protection systems under the INVISIO brand.
- In September an existing American customer places an order, worth SEK 40 million, for advanced systems for communications and hearing protection under the INVISIO brand.
- In December an order worth SEK 40 million is received for INVISIO's most advanced personal system for communication and hearing protection from an existing customer.

The Racal Acoustics brand

Racal Acoustics reported strong growth during the year. The increasing activity level in the market for military vehicles has clearly stepped up demand for products adapted for extremely noisy environments. Moreover, the position of the brand in the market has been further strengthened, particularly in the USA, as a consequence of the decision by one of the major actors to discontinue its competing product line.

Great interest in the Intercom system

Interest in the Intercom system continued to be considerable during the year. Despite some pandemic-related challenges at the beginning of 2022, including travel restrictions, marketing of the system has by and large gone according to plan. The orders during the year are clear confirmation that the solution meets the high requirements of NATO countries for a modern communication system.

During the year the company received several volume orders from one and the same customer, which is a European NATO country.

Evaluation projects are ongoing with several potential customers in Europe and the USA and with several manufacturers and equippers of heavy vehicles, boats and helicopters.

Continued focus on law enforcement and security

Penetration of the law enforcement and security market continued during the year. Interest is great and the previously completed reinforcement of our sales organization and increased number of distribution partners has yielded results.

In 2022 cooperation with the Swedish Police Authority deepened and a two-year framework agreement with the Danish police was signed.

In addition, the company's position in the American and European markets was strengthened by several orders from leading law enforcement organizations.

Growth in new markets

It is INVISIO's strategy to address new geographical markets in Asia, the Middle East and South America. Before the pandemic the com-

pany achieved success in selected countries in Asia. In the past two years, however, the successes in Asia were limited, due to the difficulties brought on by the pandemic.

However, the outlook for sales improved substantially in 2022 and the activity level is now back at the same level as before the pandemic.

INVISIO sees the same pattern here as in more established markets, where orders from defense and police special forces pave the way for more business with other parts of the respective organization.

More employees

To maintain a high rate of innovation and utilize market opportunities, during the year both the development organization and the marketing and sales departments were augmented with a number of new employees. In all 21 people were employed in 2022.

The number of employees in the Group, restated as full time positions, was 208 (187) at the close of the year. Of the employees, 169 were men (154) and 39 women (33). One employee 1 (1) was employed in the parent company.

The percentage of women in the organization is relatively low, a situation that is true of most technology companies. At the close of 2022 the figure was about 19 per cent [18]. The long-term goal is to achieve a more even gender balance at the workplace. Consequently, the stated objective is that both sexes should be represented among the final candidates in all recruitment processes.

INVISIO's personnel policy has proved to be successful. In an employee survey conducted in early 2023 the company received a very high score. The Employee Net Promoter Score (eNPS) survey results gave a score of 60, which is high. Scores between 0 and 20 are good, between 20 and 50 very good and anything over 50 is regarded as "excellent".

Staff turnover was less than 12 per cent (4) and confirms the positive score. Short-term sickness absence in relation to the total number of hours worked was also low at 1.0 per cent (0.8). More information can be found on pages 36–37.

Organization

The Group consists of the parent company INVISIO AB and the wholly-owned subsidiaries INVISIO A/S (Denmark), INVISIO Communications SAS (France), INVISIO Communications Inc. (USA), INVISIO Srl (Italy), Nextlink IPR AB, Nextlink Patent AB, Racal Acoustics Inc. (USA) and Racal Acoustics Ltd (UK). INVISIO AB is a non-operational limited liability company whose shares are admitted to trading on Nasdaq Stockholm, Sweden. The company's registered office is in Stockholm, Sweden.

The main operations are in the subsidiary INVISIO A/S in Copenhagen, Denmark, where the headquarters are also located. The function of the subsidiaries is mainly direct sales and market support to partners and resellers.

Background

INVISIO's business was started in 1999 in the Danish company Nextlink.to A/S. In 2003 Nextlink AB (publ) was formed, to which the shareholders in Nextlink.to A/S transferred all their shares in 2004. Nextlink.to A/S thereby became a wholly-owned subsidiary of Nextlink AB (publ). This company changed its business name in 2008 to Invisio Headsets AB (publ) and in 2010 to Invisio Communications AB (publ) and in 2020 to INVISIO AB (publ).

The parent company's shares were listed in 2004 on the then Nordic Growth Markets OTC list. In 2006 trading moved first to First North and then, in 2009, to First North Premier. In 2015 the shares were listed on Nasdaq Small Cap. Since 2016 the shares have been traded on Nasdaq Mid Cap.

Research and development

Product development and technical innovation are important parts of INVISIO's growth strategy. Development is internal and builds on extensive knowledge of acoustics, electronics, mechanics and software, as well as system integration. The Copenhagen region is considered to be one of the world's leading clusters in acoustics and hearing.

Development work is undertaken to a great extent in close collaboration with customers and users.

INVISIO is constantly evaluating new inventions and technical solutions 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.

After the acquisition of Racal Acoustics the company has two development centers. Racal Acoustics focuses on solutions for environments with constant high noise, while INVISIO's operations in Copenhagen focus on developing systems for users in the field and for internal communication.

Manufacture

The company's products are mainly manufactured by contract manufacturers in Europe. Prototypes and product adaptations in smaller volumes are manufactured to some extent by INVISIO in Copenhagen, Denmark, and at the facility in Harrow, UK. The company works continuously to find the most optimum conditions for effective manufacture.

The operations in Harrow carry out repairs and updates of headsets sold under the Racal Acoustics brand. About 1,000 headsets per year are refurbished to as good as new.

Increased focus on cybersecurity

In 2022 the business had an increased focus on cybersecurity. Several exercises and training sessions were conducted. Procedures and

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processes were reviewed from a security perspective. In addition, a committee was set up by the Board for this.

The share and shareholders

Information about the INVISIO share and shareholders can be found on page 40.

Financial Instruments

INVISIO's use of financial instruments is described in Notes 1 and 2.

Environment

The company does not conduct any operations that require permits or notification under the Swedish Environmental Code. The Annual Report's sustainability section can be found on pages 28–39.

Parent company

Net sales in 2022 amounted to SEK 0.1 million (0.1). The operating result was SEK -11.6 million (-8.8). Profit for the year was SEK 25.4 million (15.0), of which dividends from subsidiaries amounted to SEK 40.0 million (26.8). At year-end the parent company's cash and bank balances amounted to SEK 5.0 million (4.8). Equity amounted to SEK 281.9 million (247.2), which gave an equity/assets ratio of 80 per cent (71).

Corporate Governance Report

The corporate governance report is prepared as a separate document from the formal annual report. The Corporate Governance Report is on pages 44–51.

Sustainability report

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, INVISIO has decided to prepare the sustainability report separately from the annual report. The sustainability report is on pages 28–39. Sustainability related risks and risk management are presented on pages 60–62.

Sustainability work in 2022 was augmented by the establishment of a whistleblower function, administered by an external partner, as well as by reporting of Scope 3 emissions.

INVISIO has also, as a step in strengthening sustainability, started measuring employee satisfaction at the workplace. The survey was conducted in January 2023.

Risks and risk management

Technical advantage, close customer relations and long-term framework agreements are factors that help reduce the company's risk level.

Structured process for risk management

Risk management is an important part of governance and control of INVISIO and affects the company's possibilities of achieving its objectives. INVISIO carries out an annual structured analysis of the company's overall risk exposure. Risks can generally be divided into market-related, operational, and financial risks.

Market-related risks and financial risks are managed mostly at board and management level. In the first instance, operational risks are managed at management and business area management level, but can also be managed at Board level if they are of strategic importance. On pages 60–62 an account is given of the most significant risks (without ranking) and how they are managed. Detailed information about INVISIO's financial risks can be found in Note 2.

Guidelines for remuneration to senior executives

The last adopted guidelines for remuneration of senior executives are described in Note 8 and the remuneration report, on pages 53–54 and will remain in force until further notice, though no longer than until the 2024 Annual General Meeting. The guidelines cover remuneration of senior executives in the INVISIO Group and members of the Board of the parent company, to the extent they receive remuneration outside their board assignment. The guidelines do not include remuneration resolved by the general meeting of shareholders.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

INVISIO's strategy for profitable growth is in brief to increase market share in existing markets, broaden the product portfolio through innovative development, expand to new geographies and conduct the business cost-effectively.

INVISIO's financial targets are that sales are to increase by an average of 20 per cent per year and that the operating margin should exceed 15 per cent over time.

Successful implementation of the company's business strategy and safeguarding the company's long-term interest, including its sustainability, assume the ability of INVISIO to recruit and retain qualified employees. INVISIO must therefore endeavor to offer total remuneration that enables the Group to attract and retain senior executives. Remuneration to senior executives of INVISIO, both in the short and long term, must be based on the individual's performance and responsibility, as well as the earnings of INVISIO and its subsidiaries and it must link the interests and rewards of the senior executives with those of the shareholders. Variable cash remuneration covered by these guidelines must aim to promote the company's business strategy and long-term interests, including its sustainability.

Forms of remuneration etc.

Remuneration of senior executives may consist of fixed salary, short-term variable cash remuneration, the opportunity to participate in long-term share or share-price related incentive programs, as well as pension and other benefits.

Fixed salary

The senior executives' fixed salaries are revised annually and must be competitive and based on the individual's skills, responsibilities and performance.

Variable remuneration

The variable cash remuneration of senior executives is to be based on how well the targets set for their respective areas of responsibility and for INVISIO and its subsidiaries have been met.

The outcome is to be linked to measurable targets (qualitative, quantitative, general and individual). The target components, weighting and target levels may vary from year to year to reflect business priorities and they generally balance the Group's financial targets and non-financial targets (for example operational, strategic, environmental, social or other sustainability-related targets).

The measurement period for variable remuneration is based as a principal rule on performance over a period of about twelve months. The targets within the senior executives' respective areas of responsibility aim to promote the development of INVISIO, both in the short and long term. When the measurement period for meeting the criteria for payment of variable cash remuneration has been completed, an assessment and a decision are to be made on the extent to which the criteria have been fulfilled. The Remuneration Committee is responsible for the assessment concerning variable cash remuneration to senior executives.

The Board of Directors has the right to disregard the fulfillment of the criteria and adjust payment of variable remuneration both upwards and downwards on the basis of actual progress during the year. Additional cash remuneration may be payable in extraordinary circumstances, provided that such extraordinary arrangements are made solely at individual level as remuneration for extraordinary work input in addition to ordinary duties. The total variable remuneration shall not exceed 60 per cent 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.

Share or share price related incentive programs

The Annual General Meeting may decide, independently of these guidelines, on share and share price-related incentive programs for senior executives, i.e. the company's management.

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The 2019, 2020 and 2022 Annual General Meetings resolved to introduce employee stock option programs. The programs were resolved by the general meeting and are thus not subject to these guidelines. The purpose of the employee stock option programs is to link part of the employees' remuneration to INVISIO's long-term performance and in that way link employee interests with shareholder interests.

During the year the 2019/2022 employee stock option program was closed. Out of the total of 558,000 options allocated, 508,200 were exercised. The programs are described further in Note 7.

Pensions and other benefits

The pension terms of senior executives shall be based on defined contribution pension solutions and follow or correspond to, and thus be limited to, general pension plans in accordance with the ITP plan. As regards terms of employment that are subject to non-Swedish rules, in the case of pension and other benefits appropriate adaptations may be made to follow mandatory rules or established local practice, whereby the overall purpose of these guidelines is to be met as far as possible. Senior executives' non-monetary benefits are to facilitate the work performance of senior executives and be proportionate to what may be regarded as reasonable in relation to market practice where the respective senior executive operates.

Termination of employment

The CEO has a twelve-month notice period of notice 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.

Salary and conditions of employment for employees

When preparing the Board's proposals for these remuneration guidelines, the salary and conditions of employment of the company's employees have been taken into account in that data concerning employees' total remuneration, the components of the remuneration as well as the increase in remuneration and rate of growth of remuneration over time have made up part of the Remuneration Committee's and Board's decision support when evaluating the reasonability of the guidelines and the constraints that follow from them.

Evaluation of the guidelines and the auditor's statement regarding compliance

In accordance with the Swedish Code of Corporate Governance, the Board monitors and evaluates the application of the guidelines for remuneration to senior executives, as adopted by the Annual General

Meeting. In accordance with Chapter 8, Section 54 of the Swedish Companies Act, the company's auditor has expressed an opinion on compliance with the guidelines for remuneration of senior executives that was in force in 2022. The Board's evaluation and the auditor's review have resulted in the conclusion that in 2022 INVISIO complied with the guidelines adopted by the Annual General Meeting.

Significant post year-end events

After the close of the year INVISIO received a major follow-up order for the Intercom system. The order value amounted to SEK 40 million. The customer is a European NATO country that has previously placed two major announced orders for the Intercom system. The systems will be delivered in the first and second quarters of 2023.

INVISIO also received a first major American order for the new RA4000 Magna™ headset. The order represents a breakthrough for the Racal Acoustics brand in the North American market. The order value is SEK 42 million. The customer is a major supplier to the American Department of Defense. The products are to be used in heavy vehicles in critical and extremely noisy conditions, which puts high demands both on communication capability and hearing protection functionality. Deliveries are planned to take place monthly until September 2023.

In February the company was awarded a whole army contract and a first order by a new customer that is a European non-NATO country. The order is worth about SEK 40 million. The order is for INVISIO's advanced and AI-driven system for communication and hearing protection, developed specifically for use in extremely challenging environments. Deliveries are expected to take place in the current year.

INVISIO has also recently been chosen as supplier to large parts of the country's special forces.

Outlook for 2023

The company's assessment is that the increasing geopolitical uncertainty, combined with increased defense and military appropriations, will contribute to increased demand for the company's products in the longer term.

The extensive forward-looking investments carried out in recent years relating to broadening the product portfolio, and strengthening both the R&D and sales organizations, have resulted in INVISIO today being a considerably stronger and more stable actor.

The substantial order book and current market conditions mean that the company predicts continued strong order intake and sales for the period that is foreseeable for the company.

INVISIO stands by its financial targets, which means that sales are to increase by an average of 20 per cent per year and that the operating margin is to exceed 15 per cent over time.

Proposed appropriation of earnings

According to the dividend policy adopted by the Board, the dividend size must take into account INVISIO's long-term growth and earnings trend, as well as capital requirements, taking financial targets into consideration. It is INVISIO's objective that dividend over time is to be between 25 and 50 per cent of profit after tax. It is proposed that the remaining amount be carried forward.

The Board of Directors proposes to the 2023 Annual General Meeting that a dividend of SEK 0.70 per share be distributed for the 2022 financial year (0.70).

In the latest five-year period SEK 157 million has been distributed to shareholders, equivalent to a dividend payout ratio of 55 per cent of INVISIO's total profit after tax of SEK 288 million. Including the year's proposed dividend, the dividend payout ratio is 57 per cent.

Parent company (SEK)**At the disposal of the Annual General Meeting:**

Retained earnings	127,955,682
Share premium reserve	61,917,080
Profit/loss for the year	25,356,480
	215,229,242

The Board of Directors and President/CEO propose that the earnings above be appropriated as follows:

Dividend to shareholders, SEK 0.70 per share	31,534,086
To be carried forward	183,695,156
	215,229,242

Board of Directors' statement concerning proposed appropriation of earnings

In the opinion of the Board of Directors the proposed dividend does not impede the company from fulfilling its obligations in the short and long term. When assessing the size of the proposed dividend the Board took into consideration the requirements which are imposed by the nature, scope and risks associated with the operations and the company's and Group's need to strengthen the balance sheet and their liquidity and financial position in general. The proposed dividend means that the parent company's and the Group's equity/assets ratio will be 78 per cent and 62 per cent respectively. Liquidity in the company continues to be good. The proposed dividend can therefore be justified under the provisions of the prudence concept specified in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2-3.

Risks and risk management

Risks and risk-taking is a natural part of INVISIO's business. A good understanding of the risks and continuous monitoring of changes in the risk picture create the right conditions to enable relevant consideration of risks in decision-making, which increases the possibilities of fulfilling the Group's strategic objectives. An important part of managing operations is therefore to ensure continuous analysis of risks as well as appropriate and effective management of the risks that may entail a significant negative impact on INVISIO's achievement of objectives. INVISIO carries out an annual structured analysis of the company's overall risk exposure.

INVISIO has decided to group the risks into four categories, market-related and operational risks, as well as risks related to sustainability and climate change and lastly financial risks. Market-related risks and financial risks are managed mostly at board and management level. In the first instance, operational risks are managed at management and business area management level, but can also be managed at Board level if they are of strategic importance. On the following pages an account is given of the most significant risks (without ranking) and how they are managed. Detailed information about INVISIO's financial risks can be found in Note 2.

MARKET RISK

Legislation and political decisions

INVISIO products are sold in a large number of markets. Changes to legislation and regulations in countries where the company operates or where the company's products are sold may adversely affect operations. Purchases from defense and police organizations are influenced by political decisions and are dependent on tax revenues and appropriations. Developments in these respects may indirectly impact INVISIO.

Treatment: The company carefully follows developments in the markets and countries where INVISIO operates. For example, collaboration with business partners contributes to a better understanding of developments in the respective markets. Establishments in countries such as Italy, France, the United Kingdom, USA and Thailand mean better opportunities to monitor and assess local events that are of importance to INVISIO's customers and hence to the company.

Demand for INVISIO's products fluctuates

INVISIO's order intake fluctuates between quarters, which may impact the full year as the influx of orders is affected by long decision-making processes. Sales are largely via public procurement processes, normally with long lead times. Even if INVISIO is awarded a procurement contract, the first order may take a long time and the order intake may vary over time. This entails a risk of uneven order intake and variations in sales in both the short-term and longer-term perspective.

Treatment: The company endeavors to obtain more customers and to broaden its product portfolio, to achieve diversification of purchasing patterns and lower risk of uneven order and income flows. An expanding customer base and the acquisition of Racal Acoustics has reduced the order fluctuations to some extent. Apart from this, 2022 meant an increase in the number of medium-sized orders – a direct consequence of the broader product portfolio and a growing customer base. Apart from increasing sales, this also improves stability in the order intake.

Competition

The market for communications equipment for defense, law enforcement and security customers is characterized by competition and innovation. If INVISIO cannot adapt its business activities and its products to developments in the market, there is a risk of the company losing competitiveness, which would change the company's expansion potential.

Treatment: INVISIO assesses that it has a technological advantage over its competitors. Since INVISIO's formation, the company has developed knowledge and experience in a number of technologies that are difficult for competitors to copy. The close relationship to its customers and multi-year contracts entered into constitute an important competitive advantage. The company monitors its competitors closely.

RISKS AND RISK MANAGEMENT

OPERATIONAL RISKS**Ability to manage growth**

INVISIO meets increased demand for the company's products, which may place demands on management and the operational and financial infrastructure. Effective planning and management processes are of great importance in guaranteeing manufacture, component supply and delivery. If the company is not successful in adapting its organization, its processes and its capacity to increased demand, this may have negative effects on the company's sales, profits and financial position.

Treatment: The company has adapted its capacity to increased demand on an ongoing basis. This has been done through investment, employment and increasing capacity at existing or new suppliers. The company has a strong financial position and well-developed systems aimed at maintaining good internal control at a high level of growth.

Dependence on key personnel

INVISIO has a distinctly high-tech profile and is therefore dependent on being able to recruit and retain employees with a high level of knowledge and creativity, as well as long experience.

Treatment: The growth strategy includes having highly motivated key personnel. To attract and retain key people INVISIO continually develops working methods and management focused on a strong team feeling, knowledge-promoting methods and a favorable work environment. There is heavy emphasis on participation and shared core values for all employees.

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 competing products launched by other actors may have more impact.

Treatment: The business areas Marketing, Product Management, R&D and Operations work together on planning new products and, in line with the business strategy, build on identified customer needs and requirements. The company follows market developments through close relationships with its customers and in addition gathers strategic intelligence aimed at early discovery of trends and events that may be relevant.

Customer dependency

A limited number of customers accounts for a large proportion of INVISIO's net sales. One customer accounts for more than 10 per cent of total net sales for the year. Net sales to this customer constitute 23 per cent of the total. In the previous year no customer accounted for more than 10 per cent of the total sales for the year. The loss of any of the company's large customers could in the short term have a significantly negative impact on INVISIO's business, financial position and performance.

Treatment: The company's growth strategy builds on increasing market share and expanding to new geographical markets and product areas.

Niche product portfolio

INVISIO operates in a global niche in the market for communication equipment. Unfavorable development for this market segment would have negative consequences for INVISIO.

Treatment: The company endeavors to continually broaden the product portfolio, primarily through in-house development, though acquisition of complementary products in related areas may be considered.

Dependency on suppliers

INVISIO's products are mainly manufactured by contract manufacturers in Europe. The company is dependent on the suppliers' compliance with agreed requirements as regards, for example, quantity, quality, and delivery. Incorrect delivery or non-delivery can lead to delayed delivery to customers and consequent loss of sales.

Treatment: INVISIO has broadened the base of contract manufacturers as volumes have grown. As part of its quality management system, the company has procedures for the selection and ongoing evaluation of potential and existing contract manufacturers, aimed at minimizing quality shortcomings and supply disruptions.

RISKS AND RISK MANAGEMENT

IT and cyber risks

Increased digitalization implies greater exposure to interruption and disruption in IT systems, which can have major consequences. Moreover, breaches in the IT environment or deficiencies in management of customer data, employee details or business critical data can lead to reduced confidence and entail negative impact on the Group's earnings.

Treatment: In recent years INVISIO, together with external experts, has intensified its efforts to safeguard the company's IT system against breaches and disruptions, work which will continue unabated in the future.

RISKS RELATED TO SUSTAINABILITY AND CLIMATE CHANGE**Climate change and compliance**

INVISIO's overall environmental and social impact is deemed to be limited and not of a significant nature. For example, INVISIO's operations are not considered to have any significant climate impact. Nor is climate change assessed to have any great negative impact on INVISIO's operations, either financially or operationally.

The greatest sustainability related risk is instead deemed to be lack of compliance with the Code of Conduct, for example as regards ethics and anti-corruption, on the part of suppliers and partners. Manufacture of INVISIO's products takes place to a great extent through collaboration with external contract manufacturers. Correspondingly, sales on some geographical markets are through collaboration with external parties.

The arrangements constitute a potential risk, as they entail a lower degree of continual transparency in critical processes compared with in-house production. Violations or alleged violations may mean serious negative consequences for the business operations, including reputational damage to the company, fines or imprisonment of employees.

Treatment: A central part of INVISIO's sustainability work is working in accordance with, and ensuring compliance with, relevant policy documents, standards and certifications. These include the Codes of Conduct for employees and suppliers, the anti-corruption policy, the quality policy and various quality management systems.

To minimize the risk of non-compliance with policies and regulatory codes, INVISIO has decided to only initiate collaboration with actors deemed by the company to have the best prospects of being able to meet INVISIO's requirements and ambition level in this area. A characteristic of INVISIO's partnerships is that they are long-term and continue over many years. It is a conscious choice on the part of the company not to change suppliers too often. In that way, INVISIO gains a good knowledge of and insight into its partners' operations, which reduces the risk of non-compliance with the Code of Conduct by suppliers. Follow-up is quarterly with annual reviews. Responsibility for implementing controls lies with a working group with representatives from Supply Chain, Manufacturing and Quality Assurance. The results are reported to the Group Management quarterly.

Lack of transparency

Expectations of companies by customers and the public have increased in recent years. This applies not least to the degree of transparency as to how operations impact, and are impacted by, sustainability related aspects in the rest of the world.

INVISIO is expected to conduct extensive sustainability work and be open about both positive and negative impact. Lack of transparency or lack of confidence in the sustainability work, for example as a consequence of poor quality or dubious working conditions at suppliers, may impact INVISIO's long-term development, financially as well as from an employer perspective. This could also entail limitations in terms of the ability or inclination of investors to invest in the INVISIO share.

Treatment: INVISIO's external communication is to be characterized by transparency, both as regards opportunities and challenges. INVISIO's communication policy, adopted by the Board of Directors, establishes fundamental values in the form

of openness and transparency. In the financial reporting, mainly in the annual report, work in the four focus areas for sustainability is described in more detail.

FINANCIAL RISK**Currency risk**

Sales in international markets are mainly in USD, EUR and GBP, which means that INVISIO's sales and performance are impacted by changes in these currencies.

Treatment: The company hedges large orders to offset any currency fluctuations in the short term.

Consolidated income statement and statement of comprehensive income

January-December (SEK million)	Note	2022	2021
	1, 2		
Revenue	3	775.5	593.0
Cost of goods sold	4	-325.7	-252.6
Gross profit		449.7	340.4
Operating expenses			
Selling and marketing costs	4, 6, 7, 8	-193.4	-148.2
Administrative expenses	4, 6, 7, 8	-81.9	-76.5
Research and development costs	4, 6, 7, 8	-109.2	-90.9
Operating profit		65.2	24.9
Financial items			
Financial income		4.1	1.1
Financial expenses		-6.8	-2.4
Net financial items		-2.7	-1.3
Profit/loss before tax		62.5	23.5
Income tax	9	-18.0	-9.0
Profit/loss for the year		44.5	14.5
(Attributable to parent company shareholders)			
OTHER COMPREHENSIVE INCOME			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Translation differences from foreign operations for the period		38.7	24.1
Total comprehensive income for the year		83.2	38.6

(Attributable to parent company shareholders)

January-December (SEK million)	Note	2022	2021
Earnings per share, SEK	22	0.99	0.33
Earnings per share after dilution, SEK	22	0.99	0.32
Gross margin, %		58.0	57.4
Operating margin, %		8.4	4.2
Profit margin, %		5.7	2.4
Depreciation incl. in operating expenses	11, 12, 13, 14	-47.8	-45.1

The central key figures are explained on page 41.

Consolidated statement of financial position

December 31 (SEK million)	Note	2022	2021	December 31 (SEK million)	Note	2022	2021
	1, 2				1, 2		
ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
Non-current assets				Shareholders' equity			
Goodwill	10	56.2	54.5	Share capital	19	45.0	44.5
Capitalized development costs	11	103.5	92.6	Other contributed capital		334.2	298.7
Other intangible assets	12	79.2	89.3	Translation difference		70.6	32.0
Property, plant and equipment	13	20.8	17.1	Retained earnings including profit/loss for the year		60.1	42.3
Rights of use, leases	14	22.8	33.7	Total shareholders' equity		510.0	417.5
Deferred tax assets	9	3.6	3.2				
Long-term deposits for rent		2.7	2.4	Long-term liabilities			
Total non-current assets		288.9	292.9	Liabilities to credit institutions	20	45.0	65.0
Current assets				Lease liabilities	14	16.1	26.5
Inventories	15	144.4	117.5	Deferred tax liabilities	9	34.6	35.5
Trade receivables	16	194.5	117.6	Total long-term liabilities		95.6	127.0
Other receivables	17	6.7	6.2				
Prepaid expenses and accrued income	18	38.3	21.1	Current liabilities			
Cash and cash equivalents		127.1	134.8	Liabilities to credit institutions	20	20.0	20.0
Total current assets		511.0	397.1	Trade payables ¹⁾		63.7	34.1
				Lease liabilities	14	8.7	7.8
TOTAL ASSETS		799.9	690.0	Current tax liabilities	9	19.2	16.6
				Other liabilities		2.2	4.5
				Accrued expenses and deferred income	21	73.7	57.3
				Warranty provision		6.9	5.3
				Total current liabilities		194.3	145.6
				TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		799.9	690.0

1) All trade payables mature within 3 months.

Consolidated statement of changes in equity

December 31 (SEK million)	Note	Share capital	Other contributed capital	Translation differences	Retained earnings including profit/loss for the year	Total shareholders' equity ¹⁾
	1, 2, 19					
OPENING BALANCE AT JANUARY 1, 2021		44.1	272.3	7.8	54.7	378.9
Profit/loss for the year		-	-	-	14.5	14.5
Translation differences from foreign operations for the period		-	-	24.1	-	24.1
Total comprehensive income		-	-	24.1	14.5	38.6
Transactions with shareholders						
New issue through exercising employee stock options	7	0.4	26.4	-	-	26.9
Employee Stock Option Program	7	-	-	-	3.9	3.9
Dividend		-	-	-	-30.9	-30.9
Total transactions with shareholders		0.4	26.4	-	-27.0	-0.1
CLOSING BALANCE AT DECEMBER 31, 2021		44.5	298.7	32.0	42.3	417.5
Profit/loss for the year		-	-	-	44.5	44.5
Translation differences from foreign operations for the period		-	-	38.7	-	38.7
Total comprehensive income		-	-	38.7	44.5	83.2
Transactions with shareholders						
New issue through exercising employee stock options	7	0.5	35.5	-	-	36.0
Employee Stock Option Program	7	-	-	-	4.5	4.5
Dividend		-	-	-	-31.2	-31.2
Total transactions with shareholders		0.5	35.5	-	-26.6	9.4
CLOSING BALANCE AT DECEMBER 31, 2022		45.0	334.2	70.6	60.1	510.0

1) Equity is entirely attributable to the parent company's shareholders.

Consolidated cash flow statement

January-December (SEK million)	Note	2022	2021	January-December (SEK million)	Note	2022	2021
	1, 2						
Operating activities				Financing activities			
Profit/loss before tax		62.5	23.5	New issue through exercising employee stock options		36.0	26.9
Adjustments for non-cash items	23	57.4	47.7	Loans raised		-	100.0
Income tax paid		-19.0	-9.0	Amortization of loans		-20.0	-15.0
Cash flow from operating activities before changes in working capital		100.9	62.2	Amortization of lease liabilities	14	-9.9	-8.0
				Dividend paid		-31.2	-30.9
Changes in inventories		-13.9	21.5	Cash flow from financing activities		-25.1	73.0
Changes in trade receivables		-65.1	18.2				
Changes in other operating receivables		-16.8	-1.0	CASH FLOW FOR THE YEAR		-17.0	-27.9
Changes in trade payables		26.7	-7.1				
Changes in other operating liabilities		9.9	-2.8	Cash and cash equivalents at start of year		134.8	157.7
<i>Cash flow from changes in working capital</i>		<i>-59.2</i>	<i>28.8</i>	Translation differences in cash and cash equivalents		9.2	5.0
Cash flow from operating activities		41.7	91.0	Cash and cash equivalents at year-end		127.1	134.8
Investing activities				Supplementary disclosures to the cash flow statement			
Capitalization of development costs	11	-23.9	-14.9	Interest received from operating activities during the year		0.0	0.1
Change in other intangible assets	12	-	12.5	Interest paid from operating activities during the year		-3.0	-2.4
Investments in subsidiaries	24	-	-185.6				
Purchases of property, plant, and equipment	13, 14	-9.6	-3.7				
Acquisition of financial assets		-0.1	-0.1				
Cash flow from investing activities		-33.5	-191.9				

Parent company income statement

January-December (SEK million)	Note	2022	2021
	1, 2		
Revenue	5	0.1	0.1
Administrative expenses	4, 5, 6, 7, 8	-11.7	-8.9
Operating profit		-11.6	-8,8
Financial items			
Profit/loss from participation in Group companies	25	40.0	26.8
Financial income		0.0	0.0
Financial expenses		-3.1	-3.0
Net financial items		37.0	23.8
Profit/loss before tax		25.4	15.0
Income tax	9	-	-
Profit/loss for the year¹⁾		25.4	15.0

1) Comprehensive income corresponds to profit/loss for the year.

Parent company balance sheet

December 31 (SEK million)	Note	2022	2021
	1, 2		
ASSETS			
Non-current assets			
Participations in Group companies	25	308.5	304.0
Total non-current assets		308.5	304.0
Current assets			
Receivables from Group companies	25	38.3	-
Other receivables		0.3	0.3
Prepaid expenses and accrued income		0.1	0.1
Cash and bank balances		5.0	41.8
Total current assets		43.7	42.2
TOTAL ASSETS		352.2	346.2

December 31 (SEK million)	Note	2022	2021
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	19	45.0	44.5
Statutory reserve		21.6	21.6
Total restricted shareholders' equity		66.6	66.1
Non-restricted equity			
Share premium reserve		61.9	26.4
Retained earnings		128.0	139.6
Profit/loss for the year		25.4	15.0
Total unrestricted shareholders' equity		215.3	181.0
Total shareholders' equity		281.9	247.2
Long-term liabilities			
Liabilities to credit institutions	20	45.0	65.0
Total long-term liabilities		45.0	65.0
Current liabilities			
Liabilities to credit institutions	20	20.0	20.0
Trade payables ¹⁾		0.3	0.5
Liabilities to Group companies		2.6	11.4
Other liabilities		0.3	0.3
Accrued expenses and deferred income	21	2.1	1.7
Total current liabilities		25.3	33.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		352.2	346.2

¹⁾ All trade payables mature within 3 months.

Parent company changes in equity

December 31 (SEK million)	Note	Restricted equity		Non-restricted equity		Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings including profit/loss for the year	
OPENING BALANCE AT JANUARY 1, 2021		44.1	21.6	-	166.6	232.3
Profit/loss for the year ¹⁾		-	-	-	15.0	15.0
New issue through exercising employee stock options	7	0.4	-	26.4	-	26.9
Employee Stock Option Program	7	-	-	-	3.9	3.9
Dividend		-	-	-	-30.9	-30.9
CLOSING BALANCE AT DECEMBER 31, 2021		44.5	21.6	26.4	154.6	247.2
Profit/loss for the year ¹⁾		-	-	-	25.4	25.4
New issue through exercising employee stock options	7	0.5	-	35.5	-	36.0
Employee Stock Option Program	7	-	-	-	4.5	4.5
Dividend		-	-	-	-31.2	-31.2
CLOSING BALANCE AT DECEMBER 31, 2022		45.0	21.6	61.9	153.3	281.9

¹⁾ Comprehensive income corresponds to profit/loss for the year.

Parent company cash flow statement

January-December (SEK million)	Note	2022	2021
	1, 2		
Operating activities			
Profit/loss before tax		25.3	15.0
Adjustments for non-cash items	23	-40.0	-
Cash flow from operating activities before changes in working capital		-14.7	15.0
Changes in operating receivables		1.7	-27.7
Changes in operating liabilities		-8.7	8.9
<i>Cash flow from changes in working capital</i>		<i>-7.0</i>	<i>-18.8</i>
Cash flow from operating activities		-21.6	-3.8
Investing activities			
Investments in subsidiaries		-	-211.1
Cash flow from investing activities		-	-211.1
Financing activities			
New issue through exercising employee stock options		36.0	26.9
Loans raised		-	100.0
Amortization of loans		-20.0	-15.0
Dividends from subsidiaries		-	136.8
Dividend paid		-31.2	-30.9
Cash flow from financing activities		-15.2	217.8
CASH FLOW FOR THE YEAR		-36.8	2.9

January-December (SEK million)	Note	2022	2021
Cash and cash equivalents at start of year		41.8	38.9
Cash and cash equivalents at year-end		5.0	41.8
Interest received during the year		0.0	0.0
Interest paid during the year		-1.8	-1.5

Notes

Note 1 / General information, accounting policies and valuation principles

General information

The INVISIO Group (“INVISIO”) consists of the parent company INVISIO AB (publ) and the wholly-owned subsidiaries INVISIO A/S (Denmark), INVISIO Communications Inc. (USA), INVISIO Communications SAS (France), INVISIO Srl (Italy), Nextlink IPR AB, Nextlink Patent AB, Racal Acoustics Inc. (USA) and Racal Acoustics Ltd (UK). The parent company’s registered address is SE 201 21 Malmö, Sweden.

Basis of preparation

The consolidated accounts are prepared in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS) and interpretation statements from the International Financial Reporting Standards Interpretations Committee (IFRIC) as adopted by the EU.

Further, the consolidated accounts are prepared in accordance with Swedish law through application of the Swedish Financial Reporting Board recommendation RFR 1, Supplementary accounting rules for groups.

The parent company’s annual accounts are prepared in accordance with Swedish law, applying the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation 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 January 1, 2022 have had any significant impact on the Group’s financial statements.

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

None of the new standards and amendments of interpretations and existing standards which are effective for financial years starting on or after January 1, 2023 have had any significant impact on the Group’s financial statements.

Consolidated Accounts

The consolidated accounts include the parent company INVISIO AB (publ.) and its subsidiaries. Subsidiaries are companies over which the Group has a controlling interest. The financial statements for INVISIO and its subsidiaries included in the consolidated accounts refer to the same period and are prepared in accordance with the accounting policies applicable to the Group.

The consolidated accounts have been prepared in accordance with the historical cost method, except financial assets and liabilities (including derivative instruments), which are measured at fair value or amortized cost. All inter-company business transactions, revenue, expenses, gains or losses arising in transactions between companies covered by the consolidated accounts are eliminated in their entirety. A subsidiary is included in the consolidated accounts through the purchase method from the acquisition date, which is the date on which the parent company gains a controlling interest and is included in the consolidated accounts up until the date on which the controlling interest ceases.

The acquisition method of accounting is used to account for the Group’s business combinations. The transferred compensation for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities and shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities that are a consequence of an agreement on contingent purchase price. Acquisition related expenses are recognized as expenses when 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 interest and the fair value 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 the amount is less than the fair value of the acquired subsidiary’s assets, in the case of a “bargain purchase”, the difference is reported directly in other comprehensive income.

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 accounts use the parent company’s functional currency as presentation currency, which is Swedish kronor.

The results and financial position of all group companies with a functional currency other than the presentation currency are restated as follows: assets and liabilities for each of the balance sheets are restated at the closing day rate, income and expenses for each of the income statements are restated at the average exchange rate. All foreign exchange differences arising are recognized in other comprehensive income. When translating subsidiaries the following exchange rates were used:

Currency	Income statement	Balance sheet
DKK	1.4290 (1.3641)	1.4965 (1.3753)
EUR	10.6317 (10.1449)	11.1283 (10.2269)
GBP	12.4669 (11.8022)	12.5811 (12.1790)
USD	10.1245 (8.5815)	10.4371 (9.0437)

Estimates and assumptions

Estimates and assumptions are continually evaluated and rest on historical experience and other factors, including expectations of future events regarded as reasonable under the circumstances.

The Group makes estimates and assumptions about the future, which do not always correspond to the actual outcome. The estimates and assumptions that involve a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment loss on intangible assets

If there is an indication of impairment loss, the recoverable amount of the asset is calculated. For goodwill and other intangible assets with an indefinite useful life and intangible assets not yet available for use

Note 1 (cont.) General information, accounting policies and valuation principles

the recoverable amount is calculated annually or as soon as there is an indication of impairment. If it is not possible to determine largely independent cash flows for an individual asset, and its fair value less selling expenses cannot be used, when testing impairment the assets are to be grouped in a cash generating unit.

An impairment loss is recognized when the carrying amount of an asset or cash generating unit exceeds the recoverable amount. An impairment loss is recognized as an expense in the income statement. When an impairment loss is identified for a cash generating unit, the impairment loss is in the first instance allocated to goodwill. Remaining impairment loss is thereafter allocated to other assets of the unit on a pro rata basis.

The recoverable amount is the higher of fair value less selling costs 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 sensitivity analyses of goodwill and capitalized development costs, please see Notes 10 & 11.

Warranty provision

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. Reported provisions refer to any future commitments for warranties for products sold. The amount is calculated on a continuous basis during the year, based on previous outcomes and current sales, plus a supplement for other known circumstances. At December 31, 2022, warranty provision was SEK 6.9 million (5.3). If sales had been 10 per cent lower/ higher than the actual outcome, all other variables being constant, the warranty provision at December 31, 2022, would have been SEK 0.7 million (0.5) lower/higher.

Leases

When the lease term is established, the management takes into account all available information which gives an economic incentive to exercise an extension option, or not to exercise an option to terminate a lease. The option to extend a lease is only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated). The leases that are mainly affected by this assessment refer to premises in Copenhagen and London where INVISIO can either extend the lease one month at a time (after the original lease term has expired at the end of 2026 and 2024 respectively) or decide to terminate the lease prematurely (though including

a break-up fee). The assessment as at December 31, 2022 is that the Group will not exercise the option to terminate the leases prematurely. Nor has INVISIO considered that it is reasonably certain that they will exercise the extension option.

Revenue

The Group applies IFRS 15 Revenue from contracts with customers.

The Group develops and sells advanced communication systems with hearing protection. The Group's revenue mainly consists of two revenue flows (1) Sales through purchase orders (2) sales through programs. Sales through purchase orders mean that the Group's customers submit separate purchase orders and in connection with this approve the Group's standardized sales agreements. Sales through programs means that there is usually a larger framework agreement with customers, for example as part of a modernization program concerning soldiers' personal equipment.

Regarding sales through purchase orders, the Group uses standardized terms of sale and delivery in connection with all sales. Each order is a specific performance obligation, since the goods are regarded as distinct. The transaction price is set for each sales order and only includes fixed consideration; there is no variable consideration. The revenue is recognized when the performance obligation is satisfied, which means that the revenue is recognized at a given point in time. For sales through purchase orders control mainly passes when INVISIO makes the goods available to the customer (Ex Works) or when INVISIO has delivered the goods to a determined place (DAP).

Sales through programs have several similarities with sales through purchase orders. The difference is that there is some form of underlying framework agreement or distribution agreement. When a framework agreement is signed neither the seller nor the buyer is obliged to deliver/buy a certain quantity; enforceable rights and obligations arise only when a purchase order is made. The transaction price is set for each sales order and only includes fixed consideration; there is no variable consideration. The revenue is recognized when the performance obligation is satisfied, which means that the revenue is recognized at a given point in time. For sales through programs control passes at different times depending on what has been agreed with the specific customer. Usually control passes when INVISIO makes the goods available to the customer (Ex Works) or when INVISIO has delivered the goods to a determined place (DAP). Sales through programs may include training in connection with the purchase. The revenue for training is recognized on performance of the service and is usually before the first delivery of goods.

No revenue stream includes any financing component as the credit period is short, often about 30 days.

The Group's obligation to repair or replace defective products in accordance with normal guarantee rules is recognized as a provision.

Segment reporting

The business consists of only one segment. Operating segments are reported in line with the internal reports submitted to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and assessing the operating segment's performance. In the Group this function has been identified as the management group.

Remuneration to employees**Variable remuneration**

The Group recognizes a liability and a cost for variable remuneration based on achievement of targets in terms of sales and performance.

Pension obligation

The Group has only defined contribution pension plans, which are expensed on a current basis. The company has no obligations after the pension premium is paid.

Share-based benefits

The Group has two ongoing share-based remuneration plans where settlement is in shares. The fair value of the requisite service that entitles employees to allocation of options is expensed. The total amount to be expensed during the vesting period is based on fair value of the allocated options, excluding any impact of non-market related vesting conditions. Non-market related vesting conditions are taken into account when assuming how many options are expected to be redeemable. Every balance sheet day the company revises its estimates of how many options are expected to be redeemable. Any impact of the revision on the original estimates is recognized in corresponding adjustments made to equity. For more information on the employee stock option program, see Note 7.

Current and deferred tax

Tax expense for the period consist of current and deferred tax. 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.

Note 1 (cont.) General information, accounting policies and valuation principles

Deferred tax is recognized using the balance sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is calculated on the basis of the tax rates and rules applicable or adopted at the balance sheet date and 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 probable 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.

Financial Instruments

The Group applies IFRS 9 Financial instruments. The Group's financial assets and liabilities consist of the items; trade receivables, other receivables, deposits for rent, cash and cash equivalents, trade payables, liabilities to credit institutions and other liabilities.

Initial recognition

Financial assets and liabilities are recognized when the Group becomes party to the instrument's contractual terms and conditions. Purchases and sales of financial assets and liabilities are recognized on the trade date, the date on which the Group commits to purchase or sell the asset.

Financial instruments are initially recognized at fair value plus, for an asset or financial liability not recognized at fair value via the income statement, transaction costs directly attributable to acquisition or issue of a financial asset for liability, for example fees and commission.

Financial assets – Classification and measurement of debt instruments

A company is to classify a financial asset in three different ways depending on the company's business model for managing financial assets and the qualities of the contractual cash flows from the asset. The three categories are fair value through profit or loss, amortized cost and fair value through other comprehensive income. The Group only holds debt instruments that are classified and measured through amortized cost.

Financial assets are measured at amortized cost

The classification of investments in debt instruments depends on the Group's business model for managing financial assets and the contractual terms for the assets' cash flows. The Group reclassifies debt instruments only in cases where the Group's business model for the instruments is changed.

The Group's financial assets held to collect contractual cash flows and where these cash flows only consist of principal and interest, are recognized at amortized cost. Interest income from these financial assets is recognized as financial income applying the effective interest method. Impairment losses are recognized on a separate line in the income statement.

The Group's financial assets measured at amortized cost consist of the items trade receivables, other receivables, deposits for rent and cash and cash equivalents.

Financial assets and liabilities – Classification and measurement of derivative instruments

Derivatives are recognized and measured in the balance sheet at fair value, both initially and on subsequent remeasurement at the close of each reporting period. All changes in fair value of derivative instruments are recognized directly in the income statement among financial items.

Derecognition of financial assets

Purchases and sales of financial assets are recognized on the trade date. Financial assets are derecognized when the rights to receive cash flows from the instrument have expired or have been transferred and the Group has transferred substantially all risks and benefits of ownership.

Gains and losses arising on derecognition from the balance sheet are recognized directly in profit or loss in financial items.

Financial liabilities – Classification and measurement

The Group's financial liabilities are measured after initial recognition at amortized cost, applying the effective interest method and financial liabilities measured at fair value through profit or loss.

The Group's financial liabilities measured at amortized cost consist of the items trade payables, other liabilities, accrued expenses and liabilities to credit institutions.

Derecognition of financial liabilities

Financial liabilities are removed from the balance sheet when the obligations have been discharged, annulled or otherwise

extinguished. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the payment made, including transferred assets that are not cash or assumed debts, are recognized in other comprehensive income.

When the terms and conditions for a financial liability are renegotiated, and not derecognized from the balance sheet, a gain or loss is recognized in other comprehensive income. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Offset of financial instruments

Financial assets and liabilities are offset and recognized net in the balance sheet only when there is a legally enforceable right to set off the recognized amounts and an intention to settle them net or simultaneously realize the asset and settle the liability. The legal right may not be contingent on a future event and it must be legally enforceable on the company and the counterparty, both in the normal course of business or in the event of default, insolvency or bankruptcy.

Impairment losses on financial assets**Assets carried at amortized cost**

The Group assesses future expected credit losses linked to assets recognized at amortized cost. The Group reports a credit reserve for these expected credit losses on each reporting date.

The Group applies the simplified approach for expected credit loss; in other words the reserve will correspond to the expected loss over the entire life of the trade receivables.

The credit reserve is based on the expected credit loss and consists of a general reserve and an individual assessment. For the general reserve a percentage rate is calculated based on historical credit losses and forward-looking assumptions. For the individual assessment the customer's current situation and other relevant circumstances, such as credit risk characteristics, days past due and historical situation. Expected credit losses are recognized in the consolidated statement of comprehensive income in the item 'Other external costs'.

Goodwill

Goodwill is measured at cost of acquisition less any accumulated impairment losses. Goodwill is allocated to cash generating units and tested at least annually for impairment (please see the accounting policy for Impairment loss on intangible assets).

Note 1 (cont.) General information, accounting policies and valuation principles

Goodwill arising on acquisition of associated companies is included in the carrying amount for the holdings.

Capitalized development costs

The Group conducts product-specific development activities. Expenses 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 expenses can be reliably measured. Expenses directly associated with development of products intended for sale are accounted for as intangible assets.

Development expenditure includes salary and other expenses for employees arising through the development of products, as well as directly attributable external expenses such as molds, testing and type approval. Other development expenditure is expensed as it arises. Development expenditure already expensed is not recognized as an asset in subsequent periods.

Capitalized development expenditure has a limited useful life and is amortized on a straight line basis from the time commercial production of the product is started. Amortization is over the expected useful life; 3–7 years.

Other intangible assets

Other intangible assets consist of customer contracts, technology and trade marks in connection with company acquisitions. Other intangible assets are recognized at fair value on the date of acquisition and thereafter at cost of acquisition less accumulated depreciation/amortization and impairment. Amortization is on a straight-line basis over the estimated life of the assets and is 15 years for technology, 7 years for customer relations and 8 years for trade marks.

Property, plant and equipment

Property, plant and equipment are reported at cost of acquisition less planned depreciation based on an estimation of the useful life of the assets. Any gains/losses on divestment are recognized through the income statement. The residual value and useful life of the asset is determined at every year-end closing and is adjusted as necessary. Property, plant and equipment have a limited useful life and are amortized on a straight-line basis over the expected useful life, 3–10 years.

Impairment losses on non-financial assets

The carrying amounts of the Group's assets, with the exception of financial assets at fair value with changes in value in the income

statement, are tested whenever there is the need to assess whether there is indication of impairment loss. If such indication exists, the recoverable amount of the asset is calculated. An impairment loss is recognized when the carrying amount of an asset exceeds the recoverable amount. An impairment loss is charged to the income statement. See below for more details on calculation of the recoverable amount of an asset.

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.

Provisions

A provision is recognized when an obligation exists as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Inventories

Inventories are measured at the lower of cost and net realizable value on the balance sheet date. Cost is determined using the "first-in, first-out" principle. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision for obsolescence is based on the articles' age and recoverable amount.

Cash and cash equivalents

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

Receivables and liabilities in foreign currency

In the individual companies, receivables, liabilities and provisions in foreign currency have been translated at the closing rate of exchange. Foreign exchange effects are recorded in the income statement as financial income/expense.

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method. This means that the cash flow has been adjusted for transactions that have not entailed any payments in or out during the period.

Calculation of recoverable amount

The recoverable amount for all assets, excluding assets in the categories loan receivables and trade receivables, which are recognized at amortized cost, 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.

Leases

The Group applies IFRS 16 Leases. INVISIO's leases where INVISIO is the lessee are mainly for rented premises and vehicles. Leases are normally signed for fixed periods of 2–10 years for rented premises and three years for vehicles. Extension and premature termination options may exist, as described below. Terms and conditions are negotiated separately for each contract and include a large number of different contract terms.

Lease contracts are recognized as rights of use and a corresponding liability, on the date the leased asset is available for use by INVISIO. The right of use and lease liability are recorded on separate lines on the balance sheet as Right of use, leases and Lease liability. Each lease payment is allocated between amortization of the debt and interest expense. The interest expense is allocated over the lease term so that each accounting period is charged with an amount equivalent to a fixed interest rate on the reported debt in the respective period. The right of use is depreciated on a straight line basis over the shorter of the useful life of the asset and the term of the lease.

Assets and liabilities arising from leases are initially recognized at present value. Lease liabilities include the present value of the following lease payments:

- fixed charges (including in-substance fixed payments),
- variable lease payments based on an index or a rate, initially measured using the index or the rate at the commencement date,
- guaranteed residual value the lessee expects to have to pay to the lessor,

Note 1 (cont.) General information, accounting policies and valuation principles

- the exercise price of a purchase option, if it is reasonably certain that the lessee will exercise the option and
- penalty payments for terminating the lease, if the lease term reflects the lessee exercising this option.

The lease payments are discounted using the implicit interest rate if that can be determined, otherwise the incremental borrowing rate.

The assets with right of use are measured at cost of acquisition and include the following:

- the amount of the original lease liability,
- lease payments made on or before the commencement date, less any benefits received in connection with signing the lease agreement,
- initial direct costs and
- costs of restoring the asset to the condition required by the terms and conditions of the lease.

INVISIO has decided to apply an exemption in IFRS 16 that means that payments for short-term and low-value leases are expensed in the income statement. Short-term leases are leases with a term of 12 months or less. Low-value leases mainly include low-value IT equipment. The Group recognizes each lease component separately from non-lease components.

Options to extend and terminate leases are included in a number of the Group's lease agreements for rented premises. These conditions are used to maximize flexibility in the management of the agreements. The majority of the options to extend and terminate lease agreements can only be exercised by the Group and not by the lessors. Assessments concerning exercise of options to extend or terminate lease agreements are reviewed if any significant event or change in circumstances arises that impacts these assessments and the change is within the control of the lessee.

Related party transactions

Regarding salaries and other remuneration to the Board and President/CEO, costs, obligations and benefits, as well as agreements on severance payment, please see Note 8. Inter-company transactions are presented in Note 5. Other disclosures on related party transactions are presented in Note 26.

Parent company's accounting policies

The parent company prepares its financial statements in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for legal enti-

ties. The same accounting policies are applied as for the Group, as far as this is possible, subject to the Annual Accounts Act and the Act on Safeguarding Pension Obligations, taking into account the connection between accounting and taxation. The differences between the Group's and the parent company's accounting policies are mainly the following two principles.

Leases

The parent company does not apply IFRS 16 Leases in accordance with the exception in the Swedish Financial Reporting Board's recommendation RFR 2. Lease payments are expensed on a straight line basis over the lease term. Hence no right of use or lease liability is recognized in the balance sheet.

Subsidiaries and associated companies

Investments in subsidiaries and associated companies are recognized in the parent company in accordance with the cost method. All dividends from subsidiaries and associated companies are recognized in the parent company's income statement. Under special circumstances such dividends may be an indication of depreciation and that an impairment test should be performed.

Note 2 / Financial risk management and capital risk

Financial risk factors

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

The Financial Policy includes both investments and borrowing. The focus is to reduce 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. The Group must not create added value through financial risk taking. Taking into account the constraints of the financial policy, the aim is to achieve the highest return possible 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 and parent company's interest-bearing financial assets consist of bank balances.

The parent company's interest-bearing financial liabilities refer to liabilities to credit institutions in the form of bank loans. Based on the financial interest-bearing liabilities as at December 31, 2022, a one percentage point change in market rates of interest would affect the Group's earnings and equity by SEK 0.5 million (0.7).

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).

Note 2 (cont.) Financial risk management and capital risk

Transaction exposure

INVISIO has a strong international profile, with most of its sales being made in EUR, GBP and USD and is thereby exposed to transaction risks when buying/selling and making financial transactions in foreign currency. Sales in these currencies in 2022 were USD 29.2 million (35.2), EUR 31.4 million (17.4) and GBP 9.5 million (6.2). Components are primarily purchased in SEK, DKK, USD and GBP. Purchases in these currencies in 2022 amounted to SEK 106.8 million (77.2), DKK 58.0 million (48.3), USD 8.5 million (3.8) and GBP 4.5 million (8.1). Currency risks are managed in accordance with the financial policy established by the Board, which in brief means that large sales orders received and confirmed are to be hedged. During the year INVISIO has not received any sales orders of the kind that need hedging.

If the average exchange rate for the Swedish krona had strengthened/weakened by 10 per cent against EUR, all other variables remaining constant, revenues and earnings after tax for 2022 would have been SEK 33.4 million (17.6) and SEK 17.3 million (8.4) lower/higher. If the average exchange rate for the Swedish krona had strengthened/weakened by 10 per cent against USD, all other variables remaining constant, revenues and earnings after tax for 2022 would have been SEK 29.5 million (30.2) and SEK 13.3 million (14.6) lower/higher. If the average exchange rate for the Swedish krona had strengthened/weakened by 10 per cent against GBP, all other variables remaining constant, revenues and earnings after tax for 2022 would have been SEK 11.8 million (7.4) and SEK 6.4 million (3.2) lower/higher.

Translation exposure

The Group has cash and cash equivalents, trade receivables and trade payables in foreign currencies, above all in USD, EUR and GBP. At December 31, 2022 the net exposure in USD against SEK was SEK 93.8 million (83.3), in EUR against SEK, SEK 127.3 million (53.3) and in GBP against SEK, SEK 32.2 million (58.9) for these items. If the exchange rate for USD had been 10 per cent higher/lower compared with that on December 31, 2022, the Group's earnings after tax would have been positively/negatively affected by SEK 7.4 million (6.6). If the exchange rate for EUR had been 10 per cent higher/lower compared with that on December 31, 2022, the Group's earnings after tax would have been positively/negatively affected by SEK 10.1 million (4.2). If the exchange rate for GBP had been 10 per cent

higher/lower compared with that on December 31, 2022, the Group's earnings after tax would have been positively/negatively affected by SEK 2.6 million (4.6). As part of hedging transaction exposure, related trade receivables are also hedged. In other respects INVISIO does not work actively with translation exposure.

Translation exposure in the balance sheet

The Group's net assets are largely in DKK and GBP. If the exchange rate for DKK had been 10 per cent higher/lower compared with that on December 31, 2022, the Group's equity would have been positively/negatively affected by SEK 27.5 million (21.3). If the exchange rate for GBP had been 10 per cent higher/lower compared with that on December 31, 2022, the Group's equity would have been positively/negatively affected by SEK 7.1 million (14.5).

Credit risk

Credit risk is the risk of a party to a transaction with a financial instrument failing to fulfill its obligations. INVISIO's customers have a good debt-servicing ability, as they mainly consist of government agencies in charge of procurement for police, security forces and defense forces. In order to limit the risks of any credit losses, the Group's credit policy includes guidelines and provisions for credit checking new customers, payment terms and procedures and processes for managing unpaid receivables. For an age analysis of trade receivables, please see Note 16.

The Group works with several reputable banks that are subject to supervision by Finansinspektionen (Swedish Financial Supervisory Authority) or the equivalent foreign authority and that have high creditworthiness. During the year INVISIO has had deposits mainly with SEB, SBAB, Soci t  G n rale, BPM Banco, HSBC and JP Morgan Chase Bank.

Financing 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 meeting its payment commitments. 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. At December 31, 2022 cash and cash equivalents amounted to SEK 127.1 million (134.8). The Company's total borrowing as at

December 31, 2022 amounted to SEK 65 million (85), of which SEK 20 million (20) will fall due for payment within 12 months. The loan was raised in SEK, maturing on February 2, 2026. The interest rate is variable.

All trade and other payables mature within three months, with the exception of lease liabilities. See Note 14 for a maturity analysis of lease liabilities.

Management of capital

The Group's goal for its capital structure (shareholders' equity and liabilities) is to safeguard the Group's ability to continue its operations, so that it can generate a return for its shareholders and benefit other stakeholders and to ensure optimal capital structure 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 instruments, December 31

Financial assets	2022	2021
Measured at amortized cost:		
– Trade receivables	194.5	117.6
– Deposits for rent	2.7	2.4
– Other receivables	6.7	24.1
– Cash and cash equivalents	127.1	134.8
Total financial assets	330.9	278.9
Financial liabilities	2022	2021
Measured at amortized cost:		
– Trade and other payables	120.7	73.4
– Liabilities to credit institutions	65.0	85.0
Total financial liabilities	185.7	158.4

For the Group's financial instruments the carrying amount corresponds to the fair value since the interest is in parity with current market rates or the items are current.

Note 3 / Revenue

Revenue by geographical area	2022	2021
Sweden	26.0	36.6
Europe	425.4	218.8
North America	247.8	253.3
Rest of the world	76.3	84.3
Total	775.5	593.0

One customer accounts for more than 10 per cent of total net sales for the year. Net sales to this customer constitute 23 per cent of the total. In the previous year no customer accounted for more than 10 per cent of the total sales for the year. The largest customers may vary from year to year.

The majority of the Group's intangible assets and property, plant and equipment are in Denmark and the United Kingdom.

Note 4 / Costs by nature of expense

Group	2022	2021
Cost of goods sold	325.7	252.6
Costs of employee benefits (Note 7)	232.8	181.3
Depreciation/amortization and impairment losses (Notes 11, 12, 13 & 14)	47.8	45.1
Other costs	103.9	89.2
Total	710.2	568.1

Parent company	2022	2021
Costs of employee benefits (Note 7)	3.4	2.7
Other costs	8.3	6.1
Total	11.7	8.9

Note 5 / Inter-company transactions

Of the parent company's invoicing, SEK 0.1 million (0.1) refers to subsidiaries. The invoicing consists of services provided to subsidiaries. Invoicing from subsidiaries to the parent company amounted to SEK 0.3 million (0.3).

Note 6 / Auditors' remuneration

	Group		Parent company	
	2022	2021	2022	2021
PwC				
Audit assignments ¹⁾	1.2	1.2	0.8	0.9
Audit business in addition to audit assignment	-	0.0	-	0.0
Other services ²⁾	-	0.1	-	0.1
Total	1.2	1.3	0.8	1.0
Other auditors				
Audit assignments ¹⁾	0.8	0.9	-	-
Audit business in addition to audit assignment	-	-	-	-
Other services ²⁾	-	-	-	-
Total	0.8	0.9	-	-

1) Audit assignment refers to fees for the statutory audit, i.e. such work as is necessary to submit an auditor's report, as well as so-called auditing consultancy, which is given in connection with the audit assignment.

2) Other services refer primarily to consulting on accounting and tax matters.

Note 7 / Personnel

Average number of employees	2022		2021	
	Number	Of which men	Number	Of which men
Parent company	1	100%	1	100%
Subsidiaries	198	83%	179	82%
Total	199	83%	180	82%

Gender breakdown, senior executives	2022		2021	
	Number	Of which men	Number	Of which men
Board of Directors	5	40%	6	33%
Remuneration to the President/CEO and other senior executives	6	100%	8	100%

Salaries and other remuneration	2022	2021
Parent company	3.2	2.5
Subsidiaries	227.5	173.5
Capitalized salaries for research and development	-16.4	-10.1
Group total	214.3	165.9

Social security costs excluding pension costs	2022	2021
Parent company	0.0	0.0
Subsidiaries	10.5	8.5
Group total	10.5	8.6

Pension costs	2022	2021
Parent company	0.2	0.2
Subsidiaries	7.8	6.6
Group total	8.0	6.8

Total personnel costs	232.8	181.3
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Pensions

Neither the parent company nor the subsidiaries have any defined benefit pension plans for their employees.

Employee Stock Option Program

The purpose of the employee stock option programs is to link part of the employees' remuneration to INVISIO's long-term performance and in that way link employee interests with shareholder interests. The programs target all employees of the company and its subsidiaries, divided into three different categories. Provided that the participants were employed by the Group on the allocation date, the employee was offered employee stock options without charge which may entitle them to acquire shares in the company. To enable all employee stock options to entitle the participant to acquire INVISIO shares it is a requirement, apart from the participant being employed within the INVISIO Group throughout the vesting period, that the share price for INVISIO exceeds SIXPRX by 20 percentage points. If INVISIO's share price exceeds SIXPRX by 10 percentage points, half of the participant's share options confer the right to acquire shares in INVISIO. If the INVISIO share price exceeds SIXPRX by more than 10 but less than 20 percentage points, the share options confer the right to acquire shares in INVISIO on a linear basis between 50 and 100 per cent. If the INVISIO share price does not exceed SIXPRX by 10 percentage points all share options will lapse.

2019/2022 Employee Stock Option Program During the year the 2019/2022 employee stock option program was closed. Of the total 558,000 allocated options, 508,200 were exercised, which

increased the Group's share capital by SEK 508,200 distributed among 508,200 new shares. The exercise price was SEK 70.81 per share. During the exercise period the weighted average share price was SEK 153.42. The costs during the year was SEK 0.2 million (1.1).

2020/2023 Employee Stock Option Program The vesting period extends from May 7, 2020 to May 9, 2023 and the exercise period extends from May 15, 2023 to June 30, 2023. The costs during the year was SEK 1.8 million (2.6).

2022/2025 Employee Stock Option Program On May 6, 2022, 685,700 new options were allocated to employees. The vesting period extends from May 7, 2022 to May 9, 2025 and the exercise period extends from May 15, 2025 to June 30, 2025. The costs during the year was SEK 2.6 million (-).

The market value of the employee stock option programs 2019/2022, 2020/2023 and 2022/2025 was calculated on the basis of the Black & Scholes valuation model with the following inputs:

	2019/2022	2020/2023	2022/2025
Share price, SEK	69.60	108.00	155.40
Expected dividend per share, SEK	0.70	0.85	0.70
Volatility, %	35	40	45
Risk-free interest rate, %	-0.45	-0.37	1.45
Expected number of earned options, %	41	45	44
Value per employee stock option, SEK	5.90	12.28	18.25

	President/CEO	Other executives	Other employees	Total, number of options	Exercise price, weighted average, SEK
Opening number of options as at January 1, 2022	70,000	199,000	931,000	1,200,000	90.69
Allocated during the year	24,000	60,000	601,700	685,700	177.05
Forfeited/lapsed during the year	-	34,000	93,800	127,800	93.49
Exercised during the year	35,000	80,000	393,200	508,200	70.82
Closing number of options as at December 31, 2022	59,000	145,000	1,045,700	1,249,700	145.87

1) Social security contributions were SEK 0.5 million (-1.3).

Note 8 / Remuneration to the Board of Directors and senior executives

Board of Directors ¹⁾	2022				2021			
	Fee/ Salary	Pension	Other remuneration	Total	Fee/ Salary	Pension	Other remuneration	Total
Annika Andersson, Chair of the Board ²⁾	0.8	-	-	0.8	0.6	-	-	0.6
Lage Jonason ³⁾	0.2	-	-	0.2	0.3	-	-	0.3
Hannu Saastamoinen ⁴⁾	0.2	-	-	0.2	-	-	-	-
Charlotta Falvin ⁵⁾	0.1	-	-	0.1	0.3	-	-	0.3
Ulrika Hagdahl ⁶⁾	0.4	-	-	0.4	0.3	-	-	0.3
Martin Krupicka	0.2	-	-	0.2	0.2	-	-	0.2
Charlott Samuelsson ⁷⁾	0.3	-	-	0.3	0.2	-	-	0.2
Total	2.2	-	-	2.2	1.9	-	-	1.9
Management								
Lars H. Hansen, President/CEO ⁸⁾	5.0	0.2	0.0	5.3	3.1	0.2	0.0	3.4
Other management ⁹⁾	17.0	0.3	0.3	17.6	15.5	0.3	0.3	16.1
Total	22.0	0.6	0.3	22.9	18.6	0.5	0.3	19.4

1) The 2022 Annual General Meeting resolved that board fees of SEK 650,000 shall be paid to the Chair of the Board and SEK 250,000 to each of the other Board members. In addition, a fee of SEK 125,000 is payable to the Chair of the Audit Committee and SEK 60,000 to the Chair of the Remuneration Committee and SEK 60,000 to the Chair of the Cybersecurity Committee and SEK 40,000 to members of the Remuneration Committee and the Cybersecurity Committee and SEK 60,000 each to two members of the Audit Committee.

2) Includes fee for work as member of the Audit Committee, Cybersecurity Committee and as Chair of the Remuneration Committee.

3) Includes fee for work as member of the Audit Committee. Lage Jonason resigned at the end of October 2022.

4) Hannu Saastamoinen was elected to the Board at the 2022 Annual General Meeting. Includes fee for work as member of the Remuneration Committee.

5) Charlotta Falvin resigned at the 2022 Annual General Meeting.

2) Includes fee for work as Chair of the Audit Committee and for work as member of the Cybersecurity Committee.

7) Includes fee for work as Chair of the Cybersecurity Committee.

8) Variable salary may be a maximum of 60 per cent of the fixed salary. Variable salary of SEK 1.8 million (-) was paid in 2022.

9) Variable salary may be a maximum of 40 per cent of the fixed salary. Variable salary of SEK 4.0 million (2.2) was paid in 2022. During the year two senior executives resigned.

Guidelines for remuneration to senior executives

The last adopted guidelines for remuneration to senior executives are described below. The guidelines were adopted at the 2020 Annual General Meeting and apply until further notice, though no longer than until the 2024 Annual General meeting.

General

INVISIO is to endeavor to offer total remuneration that enables the Group to attract and retain senior executives. Remuneration to senior executives of INVISIO, both in the short and long term, must be based on the individual's performance and responsibility, as well as the ear-

nings of INVISIO and its subsidiaries and it must link the interests and rewards of the senior executives with those of the shareholders.

Remuneration to senior executives may consist of fixed salary, short-term variable cash remuneration, the opportunity to participate in long-term share or share-price related incentive programs, as well as pension and other benefits.

Fixed salary

The senior executives' fixed salaries are revised annually and must be competitive and based on the individual's skills, responsibilities and performance.

Variable salary

The variable cash remuneration of senior executives is to be based on how well the targets set for their respective areas of responsibility and for INVISIO and its subsidiaries have been met. The outcome is to be linked to measurable targets (qualitative, quantitative, general and individual). The targets within the senior executives' respective areas of responsibility aim to promote the development of INVISIO, both in the short and long term. The variable remuneration shall not exceed 60 per cent 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.

Employee Stock Option Program

For more information on the employee stock option program, see Note 7.

Pension

Any pension benefits shall be through a defined contribution plan.

Period of notice

The CEO has a twelve-month notice period of notice 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.

Remuneration to members of the Board

Elected board members shall in specific cases be able to receive a fee for services within their respective area of expertise which does not constitute board work. A market based fee, which shall be approved by the Board, will be payable for these services.

Deviations from the guidelines

The board may, if it determines that there are special grounds in an individual case, deviate from the guidelines. In the case of such deviation, the Board shall report the grounds for the deviation at the Annual General Meeting immediately following.

Evaluation of the guidelines and the auditor's statement regarding compliance.

In accordance with the Swedish Code of Corporate Governance, the Board monitors and evaluates the application of the guidelines for remuneration to senior executives, as adopted by the Annual General Meeting.

In accordance with Chapter 8, Section 54 of the Swedish Companies Act, the company's auditor has expressed an opinion on compliance with the guidelines for remuneration of senior executives for 2022. The Board's evaluation and the auditor's review have resulted in the conclusion that in 2022 INVISIO has complied with the guidelines adopted by the Annual General Meeting.

Note 9 / Income tax

	Group		Parent company	
	2022	2021	2022	2021
Tax on profit for the year				
Current tax on profit for the year	-21.1	-16.1	-	-
Deferred tax	3.0	7.1	-	-
Total current tax	-18.0	-9.0	-	-
Differences between reported tax expense and tax expense based on current tax rate				
Profit/loss before tax	62.5	23.5	25.4	15.0
Tax 20.6% (20.6)	-12.9	-4.8	-5.2	-3.1
Tax effect of;				
- Foreign tax rates	-0.4	0.5	-	-
- Non-taxable revenue	-	-	8.2	5.5
- Expenses not deductible for tax purposes	-2.8	-3.4	-	-
- Other	1.5	1.1	-	-
- Tax attributable to previous years	-0.5	-	-	-
- Tax losses for which no deferred tax asset is recognized	-3.0	-2.4	-3.0	-2.4
Tax on profit for the year according to income statement	-18.0	-9.0	-	-
Effective tax rate, %	28.8	38.4	-	-

	Group		Parent company	
	2022	2021	2022	2021
Deferred tax assets				
Deferred tax asset attributable to other temporary differences	3.6	3.2	-	-
Closing balance	3.6	3.2	-	-

	Group		Parent company	
	2022	2021	2022	2021
Deferred tax liabilities				
Deferred tax liability attributable to capitalized development costs in Denmark	-20.8	-19.9	-	-
Deferred tax liability attributable to temporary differences in other intangible assets	-14.1	-16.1	-	-
Deferred tax asset attributable to other temporary differences in Denmark	0.4	0.4	-	-
Closing balance	-34.6	-35.5	-	-

	Group		Parent company	
	2022	2021	2022	2021
Unutilized loss carry forwards				
Unutilized loss carry-forwards for which no deferred tax asset has been recognized	150.2	135.5	147.3	132.7
Potential tax asset	30.9	27.9	30.3	27.3

Deferred tax assets are recognized for tax loss carry-forwards insofar as it is likely that they can be utilized via future taxable profits. An individual assessment is made of each company with reference to historical performance and possibilities of utilizing the loss carry-forwards.

The Group's total loss carry-forwards as at December 31, 2022 were SEK 150.2 million (135.5), of which no amount is capitalized.

Unutilized tax loss carry-forwards refer mainly to the parent company and cannot be used at present, as the parent company is a holding company with no other business activities.

Note 10 / Goodwill

Group, December 31	2022	2021
Opening carrying amount	54.5	-
Acquisition of subsidiary	-	51.2
Foreign exchange differences for the year	1.8	3.2
Closing carrying amount	56.2	54.5

Goodwill is 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 by the Board, market reports concerning future growth and technological trends. Cash flows beyond the five-year period are extrapolated using an estimated rate of growth. Material assumptions used for calculating value in use are terminal growth rate, projected operating margin and discount rate before tax.

The terminal growth rate used is 2 per cent (2). The discount rate before tax used is 11.2 per cent (10.8). This is to reflect the specific risks applicable to the segment the company operates within.

A decrease in the terminal growth rate of 3 percentage points (3) does not trigger any impairment loss. A decrease in the estimated operating margin of 2 percentage points (2) does not trigger any impairment loss. An increase in the discount rate of 3 percentage points (3) does not trigger any impairment loss.

Based on the above, it is not deemed necessary to recognize any impairment losses.

Note 11 / Capitalized development costs

Group, December 31	2022	2021
Opening acquisition value	173.3	155.2
Internally developed assets	23.9	14.9
Foreign exchange differences for the year	16.1	3.2
Closing accumulated acquisition value	213.3	173.3
Opening depreciation	-80.6	-60.4
Depreciation for the year	-21.0	-18.9
Foreign exchange differences for the year	-8.1	-1.3
Closing accumulated depreciation	-109.8	-80.6
Closing carrying amount	103.5	92.6

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 annually tested for impairment. The recoverable amount for the Group's cash generating units (CGU) is determined on the basis of value in use calculations.

Calculation is per project. 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 by the Board, market reports concerning future growth and technological trends. The discount rate after tax used is 10.0 per cent (9.2). 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 (IAS 38). 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 any impairment loss. Based on the above, it was not deemed necessary to recognize any impairment losses.

Expenditure recognized for research and development, excluding depreciation, amounted to SEK 87.0 million (75.8) for the year.

Note 12 / Other intangible assets

Group, December 31	2022				2021			
	Trade mark	Customer relations	Technology	Total	Trade mark	Customer relations	Technology	Total
Opening acquisition value	13.4	60.9	26.5	100.8	-	-	-	-
Acquisition of subsidiary	-	-	-	-	12.6	57.2	36.6	106.4
Sales and disposals for the year	-	-	-	-	-	-	-12.1	-12.1
Foreign exchange differences for the year	0.4	2.0	0.9	3.3	0.8	3.7	2.0	6.5
Closing accumulated acquisition value	13.8	62.9	27.4	104.1	13.4	60.9	26.5	100.8
Opening depreciation	-1.5	-8.0	-2.0	-11.5	-	-	-	-
Depreciation for the year	-1.7	-8.9	-2.3	-12.9	-1.5	-7.7	-1.9	-11.1
Foreign exchange differences for the year	-	-0.3	-0.1	-0.4	0.0	-0.2	-0.1	-0.4
Closing accumulated depreciation	-3.3	-17.2	-4.3	-24.8	-1.5	-8.0	-2.0	-11.5
Closing carrying amount	10.5	45.7	23.0	79.2	11.9	52.9	24.5	89.3

Note 13 / Property, plant and equipment

Group, December 31	2022	2021
Opening acquisition value	40.5	21.1
Acquisition of subsidiary	-	15.0
Purchases	8.3	3.2
Sales and disposals for the year	-	0.0
Foreign exchange differences for the year	2.8	1.1
Closing accumulated acquisition value	51.6	40.5
Group, December 31	2022	2021
Opening depreciation	-23.3	-17.0
Depreciation for the year	-5.5	-5.7
Sales and disposals for the year	-	0.0
Foreign exchange differences for the year	-2.0	-0.6
Closing accumulated depreciation	-30.8	-23.3
Closing carrying amount	20.8	17.1

Note 14 / Leases

Group, December 31	2022	2021
Opening acquisition value	51.9	32.6
Acquisition of subsidiary	-	18.1
Additional rights-of-use	1.1	0.6
Foreign exchange differences	0.6	0.6
Closing accumulated acquisition value	53.7	51.9
Opening depreciation	-18.2	-8.6
Impairment loss/reclassification	-4.1	-
Depreciation for the year	-8.4	-9.3
Foreign exchange differences	-0.2	-0.3
Closing accumulated depreciation	-30.8	-18.2
Closing carrying amount	22.8	33.7

The majority of the Group's leases consist of tenancy agreements for premises, whereby INVISIO does not consider it material to present depreciation and carrying amounts for underlying asset types.

The Group has decided to exclude short-term leases and low-value leases. These were expensed directly during the year and the impact on earnings was not significant.

Maturity analysis of lease liabilities, December 31	2022	2021
Year 1	9.0	8.5
Year 2	7.7	8.1
Year 3	4.5	7.9
Year 4	4.3	6.8
Year 5	1.1	3.9
After 5 years	-	1.0
Total lease liabilities	26.5	36.2
Effect of discounting	-1.8	-1.9
Total according to the balance sheet	24.8	34.3
Of which short-term debt	8.7	7.8
Of which long-term debt	16.1	26.5

Total cash flow for leases during the year amounted to SEK 9.4 million (9.4). The parent company had no leases in 2022.

Group, December 31	2022	2021
Opening lease liability	34.3	23.8
Acquisition of subsidiary	-	18.1
Impairment loss/reclassification	-4.2	0.0
Additional lease liability	1.1	0.6
Amortization	-8.7	-9.1
Foreign exchange differences	2.2	0.9
Closing lease liability	24.8	34.3

Note 15 / Inventories

Group, December 31	2022	2021
Finished products	110.4	93.2
Goods in progress	34.0	24.3
Total	144.4	117.5

During the year product costs of SEK 291.2 million (234.2) were recognized as cost of goods sold. The year's impairment loss on inventories amounts to SEK 3.7 million (2.2) and is recognized in cost of goods sold. No impairment loss on inventories to net realizable value took place during the year, nor during the previous year.

Note 16 / Trade receivables

Group, Age analysis of trade receivables, December 31	2022	2021
Not past due	134.9	94.7
Past due 0-30 days	29.3	6.3
Past due 31-60 days	1.5	7.5
Past due >60 days	29.2	9.5
Total past due	60.0	23.3
Total receivables	194.9	118.0
Anticipated bad debt losses	-0.5	-0.4
Trade receivables in the accounts	194.5	117.5
Doubtful trade receivables	2022	2021
Opening balance	-0.4	-1.1
Anticipated bad debt losses	0.0	-
Reversed amounts	-	0.7
Foreign exchange differences	-0.1	-0.1
Closing balance	-0.5	-0.4

Note 16 (cont.) Trade receivables

INVISIO's customers have a good debt-servicing ability, as they mainly consist of public agencies in charge of procurement for police, security forces and defense forces. A general credit loss reserve is based on historical credit losses and forward-looking assumptions.

As INVISIO has no historical bad debt losses, and INVISIO's future customer base also consists of similar customers, the assessment has been made that the credit risk is very low and that the general credit loss reserve is not material at December 31, 2022. An individual assessment of the customers has been carried out, in which the customers' current situation and other relevant circumstances are taken into consideration. The individual assessment gave rise to a provision of SEK 0.0 million (-).

Note 17 / Other receivables

Group, December 31	2022	2021
VAT	4.9	3.2
Receivables from suppliers	0.0	-
Other	1.8	3.0
Total	6.7	6.2

Note 18 / Prepaid expenses and accrued income

Group, December 31	2022	2021
Advances to suppliers	29.1	17.1
IT expenses	4.1	0.5
Exhibition expenses	1.8	0.9
Insurance	1.4	1.2
Other prepaid expenses	2.0	1.4
Total	38.3	21.1

Note 19 / Share capital

At December 31, 2022 share capital amounted to SEK 45.0 million (44.5), distributed among 45,048,694 shares (44,540,494) with a quotient value of SEK 1.00.

The number of outstanding stock options amounts to 1,249,700 (1,200,000), which entitle the holder to subscribe for 1,249,700 (1,200,000) shares, distributed over two (two) programs.

For more information on the stock options, see The Invisio Share on page 40 and Note 7.

Note 20 / Liabilities to credit institutions

Group, December 31	2022	2021
Opening carrying amount	85.0	-
Loans raised	-	100.0
Amortization of loans	-20.0	-15.0
Closing carrying amount	65.0	85.0

The table above presents the year's changes in the Group's liabilities to credit institutions. The table includes current and non-current liabilities. The part that falls due for payment within one year is SEK 20 million (20) and within 1-5 years is SEK 45 million (65). No part falls due for payment after 5 years.

Parent company, December 31	2022	2021
Opening carrying amount	85.0	-
Loans raised	-	100.0
Amortization of loans	-20.0	-15.0
Closing carrying amount	65.0	85.0

The table above presents the year's changes in the parent company's liabilities to credit institutions. The table includes current and non-current liabilities. The part that falls due for payment within one year is SEK 20 million (20) and within 1-5 years is SEK 45 million (65). No part falls due for payment after 5 years.

Note 21 / Accrued expenses and prepaid income

Group, December 31	2022	2021
Salary and other remuneration	30.1	8.4
Holiday pay liability	22.5	19.4
Accrued trade payables	2.5	10.2
Social security contributions	2.0	2.9
Audit fees	0.6	0.8
Rental of premises	0.4	0.6
Prepaid income	0.2	0.9
Other accrued expenses	15.3	14.2
Total	73.7	57.3

Parent company, December 31	2022	2021
Salary and other remuneration	0.3	0.3
Audit fees	0.3	0.4
Social security contributions	0.1	0.1
Other accrued expenses	1.4	1.0
Total	2.1	1.7

Note 22 / Earnings per share

Earnings per share before dilution

Group	2022	2021
Profit after tax	44.5	14.5
Average number of shares outstanding, thousands	44,838	44,358
Earnings per share before dilution	0.99	0.33

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.

Note 22 (cont.) Earnings per share

Earnings per share after dilution

Group	2022	2021
Profit after tax	44.5	14.5
Average number of outstanding shares after dilution, thousands	45,158	45,060
Earnings per share after dilution	0.99	0.32

Earnings per share after 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 (measured at fair value under IFRS 2) is less than the average share price for the period can lead to a dilutive effect. The average price for 2022 was SEK 150.63 (189.51).

Note 23 / Non-cash items

Group	2022	2021
Depreciation/amortization	47.8	45.1
Change in warranty provision	1.1	-0.4
Employee Stock Option Program	4.5	3.9
Retirement of property, plant and equipment	4.1	-
Foreign exchange differences	-0.3	-0.9
Total	57.4	47.7
Parent company	2022	2021
Anticipated dividend	-40.0	-
Total	-40.0	-

Note 24 / Business combinations

Business combinations 2022

There were no business combinations during the year.

Business combinations 2021

On January 29, INVISIO acquired 100 per cent of the shares in Racal Acoustics Ltd and Racal Acoustics Inc. The total purchase price for the acquisitions was SEK 202.1 million, of which SEK 51.2 million was allocated to goodwill in accordance with the preliminary acquisition analysis. The acquisitions impacted the Group's net sales in 2021 by SEK 149.0 million, the operating profit by SEK 7.8 million and the net profit for the year by SEK 5.1 million. The acquisitions would have impacted the Group's net sales by an estimated SEK 160 million, the operating profit by about SEK 9 million, and the profit after tax for the financial year by about SEK 6 million if the acquisition had been completed on January 1, 2021.

The total transaction costs for acquisition, taking over during the 2021 financial year, amounted to SEK 9.0 million and were recognized in the administrative expenses item in 2020 and 2021.

The values allocated to intangible assets, such as customer relations, technology and trade marks, have been measured at the discounted value of future cash flows. The amortization period is governed by an assessment of an annual loss of parts of sales referring to the respective asset. Customer relations are amortized over a period of 7 years, trade marks are amortized over a period of 8 years and technology over a period of 15 years. Annual estimated amortization of intangible assets for the acquisition amount to about SEK 13 million.

The assets and liabilities included in acquisitions after the close of the financial year, according to preliminary acquisition analyses, are as follows:

SEK million

Acquisition price

Purchase price, cash	202.1
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Total	202.1
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Fair value of acquired assets and liabilities

Intangible assets	106.4
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Other non-current assets	32.1
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Inventories	17.6
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Other current assets	37.9
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Cash and cash equivalents	16.5
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Deferred tax liability	-20.1
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Other liabilities	-39.5
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Total	150.9
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Goodwill	51.2
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Change in the Group's cash and cash equivalents

Purchase price paid in cash	202.1
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Less cash and cash equivalents in acquired operations	-16.5
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Impact on the Group's cash and cash equivalents	185.6
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Note 25 / Participations in Group companies

Company	Corporate identity number	Registered office	participations	Share of equity, %	Book value
INVISIO A/S	20 75 82 36	Hvidovre, Denmark	672,590	100	92.2
INVISIO Communications Inc.	38-4018124	Delaware, USA	100	100	1.6
INVISIO Communications SAS	820 683 654	Paris, France	100	100	0.5
INVISIO Srl	MI - 2128807	Milan, Italy	10,000	100	0.2
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2.5
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	0.1
Racal Acoustics Inc	74-3154816	Delaware, USA	1,000	100	5.0
Racal Acoustics Ltd	GB863378003	Harrow, UK	2,000,000	100	206.4

Parent company, December 31	2022	2021
Opening carrying amount	304.0	88.9
Acquisition of subsidiary	-	211.1
Employee Stock Option Program	4.5	3.9
Closing carrying amount	308.5	304.0

Note 26 / Related party disclosures

Inter-company transactions are with the parent company's wholly-owned subsidiaries, which is presented in Notes 5 and 25.

Remuneration to the Board of Directors and senior executives is presented in Note 8.

No transactions take place with any of the company's shareholders.

Note 27 / Events after the close of the financial year

After the close of the year INVISIO received a major follow-up order for the Intercom system. The order value amounted to SEK 40 million. The customer is a European NATO country that has previously placed two major announced orders for the Intercom system. The systems will be delivered in the first and second quarters of 2023.

INVISIO also received a first major American order for the new RA4000 Magna™ headset. The order represents a breakthrough for the Racal Acoustics brand in the North American market. The order value is SEK 42 million. The customer is a major supplier to the American Department of Defense. The products are to be used in heavy vehicles in critical and extremely noisy conditions, which puts high demands both on communication capability and hearing protection functionality. Deliveries are planned to take place monthly until September 2023.

In February the company was awarded a whole army contract and a first order by a new customer that is a European non-NATO country. The order is worth about SEK 40 million. The order is for INVISIO's advanced and AI-driven system for communication and hearing protection, developed specifically for use in extremely challenging environments. Deliveries are expected to take place in the current year.

INVISIO has also recently been chosen as supplier to large parts of the country's special forces.

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on May 4, 2023 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 administration report for the Group and Parent Company provides a fair review of the development of the Group's and the Parent Company's business, financial position and performance and describes significant risks and uncertainties faced by the Parent Company and the companies that are part of the Group.

Stockholm, April 4, 2023

Annika Andersson
Chair of the Board

Ulrika Hagdahl
Board member

Martin Krupicka
Board member

Hannu Saastamoinen
Board member

Charlott Samuelsson
Board member

Lars Højgård Hansen
President/CEO

Our audit report was submitted on April 4, 2023

PricewaterhouseCoopers AB

Mats Åkerlund
Authorized Public Accountant
Auditor in charge

Auditor's report

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

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of INVISIO AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 55–87 in this document.

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 parent company and the group as of 31 December 2022 and its financial performance and cash flow 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 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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 general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where

applicable, its parent company or its controlled companies within the EU.

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

Our audit approach Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–54. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such

internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of INVISIO AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

KEY AUDIT MATTERS

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Revenue recognition

With reference to note 1 and note 3 in the Annual report.

The Group's sales for the year amount to SEK 776 million and consist entirely of sales of goods.

Sales are primarily via a global network of partners and resellers but the company also sells via its own companies in Denmark, the USA, United Kingdom, France and Italy. Revenue recognition represent a significant area in our audit given its importance to the financial reporting of the group. Specific attention is given to that revenue transactions represent valid revenue transactions in accordance with accounting framework.

Our audit approach included substantive testing of sales using data analysis and sample testing of customer contracts to identify any possibilities for customers to return goods.

At the year-end closing we made a detailed examination of accruals of sales and cost of goods sold to ensure correct reporting of sales and cost of goods sold for the financial year.

The examination was conducted with satisfactory results.

Measurement of goodwill and intangible assets with an indefinite life

With reference to note 10 in the Annual report.

Part of INVISIO's intangible assets have been acquired externally through the acquisition of Racal and represent significant amounts. Assets with indefinite useful life such as goodwill are not subject to yearly depreciation. Instead, an annual test will show whether the carrying amount for the cash generating unit can still be supported.

There are a number of instances where management's judgment is decisive for the accounting treatment in connection with acquiring businesses. Management's estimates of the intangible assets' potential to generate future cash flows and other assumptions are also decisive when preparing the annual impairment tests.

Note 10 contains additional information on the Group's intangible assets and the significant assumptions applied in the annual impairment tests. In note 24 there is additional information about business combinations, accounting principles and acquired intangible assets.

Our audit included but was not limited to the following activities:

Assessed the model used by the Group for impairment testing and evaluated the significant assumptions for establishing forecasted cash flows and discount interest rates used for calculating the value-in-use of the cash generating units. In our evaluation, we have compared with the historic business performance and the Group's forecasts and strategic planning as well as with external data sources when possible and relevant.

Traced disclosure information to accounting records and other supporting documentation.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic

reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for INVISIO AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of INVISIO AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the ESEF report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the ESEF report has been prepared in a valid XHTML format and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the ESEF report has been marked with iXBRL in accordance with what follows from the ESEF regulation.

PricewaterhouseCoopers AB, Box 4009, 203 11 Malmö, was appointed auditor of INVISIO AB (publ) by the general meeting of the shareholders on May 4th 2022 and has been the company's auditor since April 11th 2008.

Malmö, April 4, 2023
PricewaterhouseCoopers AB

Mats Åkerlund
Authorized Public Accountant

Financial key figures, alternative performance measures and other definitions

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

Gross margin

Gross profit as a percentage of total income.

Operating margin

Operating profit as a percentage of total revenue.

Profit margin

Profit for the year as a percentage of total revenue.

EBITDA

Operating profit before depreciation and impairment losses.

EBIT (Operating profit)

Operating profit after depreciation and impairment losses. INVISIO defines EBIT in the same way as the key figure operating profit.

Operating expenses

Selling and marketing costs, Administrative expenses and Development costs.

Net financial items

Financial income less Financial expenses.

Equity/assets ratio

Equity divided by total assets (balance sheet total).

Number of employees at close of period

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

Investments in R&D

Expenditure for research and development less amortization of intangible assets and capitalized development costs.

Number of shares

Number of outstanding shares at the close of the period.

Number of shares after dilution

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

Average number of outstanding shares

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

Average number of outstanding shares after dilution

Weighted average of the number of outstanding shares during the period plus a weighted number of shares that would be added if all

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

Earnings per share

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

Earnings per share after dilution

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

Equity per share

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

Shareholders' equity per share after dilution

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

Operating profit excluding acquisition costs

Operating profit excluding non-recurring acquisition costs. Non-recurring acquisition costs are one-off costs that arise in connection with acquisitions.

Reconciliation of alternative performance measures

January-December (SEK million)		2022	2021
Gross profit	A	449.7	340.4
Operating expenses	B	384.5	315.5
EBIT (Operating profit)	A-B	65.2	24.9
EBIT (Operating profit)	A	65.2	24.9
Depreciation/amortization and impairment, intangible assets and property, plant and equipment	B	47.8	45.2
EBITDA	A+B	113.0	69.9
Research and development costs	A	109.2	90.9
Amortization of intangible assets	B	21.0	18.9
Capitalized development costs	C	23.9	14.9
Investments in R&D	A-B+C	112.1	86.8
EBIT (operating profit)	A	65.2	24.9
Acquisition-related non-recurring costs	B	-	1.8
EBIT excluding acquisition costs	A+B	65.2	26.7
31 December		2022	2021
Equity, SEK million	A	510.0	417.5
Number of shares, thousands	B	45,049	44,540
Equity per share, SEK	A/B	11.32	9.37
Equity, SEK million	A	510.0	417.5
Number of shares after dilution, thousands	B	45,049	45,098
Shareholders' equity per share after dilution, SEK	A/B	11.32	9.26

Five-year review

Income statements, January-December (SEK million)	2022	2021	2020	2019	2018
Total revenue	775.5	593.0	532.0	513.8	354.5
Cost of goods sold	-325.7	-252.6	-222.9	-200.5	-154.7
Gross profit	449.7	340.4	309.0	313.3	199.7
Operating expenses	-336.7	-270.5	-200.9	-170.7	-132.0
Depreciation/amortization and impairment losses	-47.8	-45.1	-12.7	-10.0	-4.3
Operating profit	65.2	24.9	95.4	132.6	63.5
Net financial items	-2.7	-1.3	-10.5	1.5	0.7
Profit/loss before tax	62.5	23.5	84.9	134.1	64.2
Income tax	-18.0	-9.0	-23.7	-32.5	-16.0
Profit/loss for the year	44.5	14.5	61.2	101.6	48.2

Balance sheets, December 31 (SEK million)	2022	2021	2020	2019	2018
ASSETS					
Non-current assets					
Intangible assets	238.9	236.4	94.8	85.6	49.7
Property, plant and equipment	20.8	17.1	4.1	3.1	4.4
Rights of use, leases	22.8	33.7	24.0	25.3	-
Financial assets	6.3	5.6	5.1	4.1	17.3
Total non-current assets	288.9	292.9	128.0	118.0	71.4
Current assets					
Inventories	144.4	117.5	115.7	95.6	101.3
Trade receivables	194.5	117.6	100.4	111.0	104.6
Other current receivables	45.0	27.3	14.0	10.0	16.2
Cash and cash equivalents	127.1	134.8	157.7	145.1	62.2
Total current assets	511.0	397.1	387.8	361.7	284.3
TOTAL ASSETS	799.9	690.0	515.8	479.7	355.7
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	510.0	417.5	378.9	366.0	292.0
Long-term liabilities					
Liabilities to credit institutions	45.0	65.0	-	-	-
Lease liabilities	16.1	26.5	19.6	22.0	-
Deferred tax liabilities	34.6	35.5	20.5	6.5	-
Total long-term liabilities	95.6	127.0	40.1	28.5	-
Current liabilities					
Liabilities to credit institutions	20.0	20.0	-	-	-
Trade payables	63.7	34.1	35.3	29.8	39.6
Lease liabilities	8.7	7.8	4.2	3.9	-
Other current liabilities	101.9	83.7	57.3	51.5	24.1
Total current liabilities	194.3	145.6	96.8	85.2	63.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	799.9	690.0	515.8	479.7	355.7

Five-year review (cont.)

Cash flow statement, January-December (SEK million)	2022	2021	2020	2019	2018
Profit/loss before tax	62.5	23.5	84.9	134.1	64.2
Adjustments for non-cash items	57.4	47.7	24.0	8.7	2.0
Income tax paid	-19.0	-9.0	-12.3	-2.8	-4.8
Cash flow from operating activities before changes in working capital	100.9	62.2	96.7	140.0	61.4
Cash flow from changes in working capital	-59.2	28.8	-11.1	18.4	-64.3
Cash flow from operating activities	41.7	91.0	85.6	158.4	-3.0
Cash flow from investing activities	-33.5	-191.9	-25.4	-40.8	-25.1
Cash flow from financing activities	-25.1	73.0	-39.5	-34.2	-26.5
CASH FLOW FOR THE YEAR	-17.0	-27.9	20.7	83.4	-54.6

Key figures	2022	2021	2020	2019	2018
Margins					
Gross margin, %	58.0	57.4	58.1	61.0	56.4
Operating margin, %	8.4	4.2	17.9	25.8	17.9
Profit margin, %	5.7	2.4	11.5	19.8	13.6
Capital structure					
Equity ratio, %	63.8	60.5	73.5	76.3	82.1
Other					
Number of employees at close of year	208	187	125	101	82
The INVISIO share					
Number of shares at close of period, thousands	45,049	44,540	44,098	44,098	44,098
Earnings per share, SEK	0.99	0.33	1.39	2.30	1.09
Earnings per share after dilution, SEK	0.99	0.32	1.37	2.30	1.09
Equity per share, SEK	11.32	9.37	8.59	8.30	6.62
Shareholders' equity per share after dilution, SEK	11.32	9.26	8.28	8.11	6.62
Share price at close of period, SEK	164.60	163.80	250.00	101.80	56.90

Financial calendar

Interim report January-March 2023 May 4, 2023

Annual General Meeting 2023 May 4, 2023, at 13.00

Interim report January - June 2023 July 21, 2023

Interim report January-September 2023 October 25, 2023

The Annual General Meeting 2023 will be held in Stockholm and the notice to attend can be found at www.invisio.com/Investors/

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