



# INVISIO<sup>®</sup>

Annual Report 2020

Protection at work,  
a better life at home

# Contents

## ■ Overview

- 2 The year at a glance
- 4 CEO's comments
- 6 Business model
- 8 Why invest in INVISIO?

## ■ Objectives & strategy

- 11 Financial targets
- 12 Strategy

## ■ The offer

- 15 Personal communication systems and Intercom system
- 16 Customer benefits

## ■ Business environment

- 21 Market
- 24 Personal communication systems
- 26 The Intercom system

## ■ Sustainability

- 29 Focus areas
- 30 Safer work environment for users
- 32 Sustainable value chain
- 36 Fulfilling workplace
- 38 Ethical approach

## ■ The INVISIO share

- 40 The INVISIO share
- 41 Five questions to an analyst

## ■ History

- 42 Steady growth

## ■ Corporate Governance Report

- 43 Corporate Governance Report
- 48 Board of Directors
- 50 Management
- 52 Statement by the auditor

## ■ Remuneration report

- 53 Remuneration report 2020

## ■ Financial statements

- 56 Administration report
- 60 Financial statements and notes
- 83 Auditor's report



# A profitable growth company in 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. INVISIO has its headquarters in Copenhagen and sales organizations in the USA, France, the United Kingdom and Italy. The INVISIO share has been listed on Nasdaq Stockholm since 2015 and is in the Mid Cap segment.



## Unique customer benefit

INVISIO's offer consists of 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 while on the move.

## A growing market

The market for INVISIO's solutions is driven by defense and police forces around the world modernizing communication equipment for their personnel. Apart from a general improvement in communication capability, there is also an explicit wish to reduce individual suffering and the societal costs related to hearing loss.

Defense customers in the USA and Europe account for the largest part of INVISIO's revenue. However, interest in the company's products is also growing in other user groups, such as law enforcement and security, and in new geographical markets.

## 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. Acquisition of Racal Acoustics is an important step in this development.

## Long-term growth with sound profitability

# 18%

### CAGR for the past five years

For the period 2016–2020 the compound annual growth rate (CAGR) was just over 18 per cent.

# 22%

### Average operating margin for the last five years

For the period 2016–2020 the average operating margin was just over 22 per cent.

# Broadened offer and strengthened market position

## Stronger position despite COVID-19

During 2020 the order intake of smaller orders increased due to a growing customer base, new product areas and the larger sales and marketing organization. However, several major customer projects were somewhat delayed due to the ongoing pandemic. During the year the forward-looking investments for product development and organizational development continued in R&D and sales. In all, the number of employees grew by 25 per cent.

## A broadened offer

- The acquisition of Racal Acoustics, which was completed in January 2021, has broadened INVISIO's offer with a complementary product portfolio.
- During the year the INVISIO T7 was launched – an innovative over-the-ear headset developed in-house, which offers industry-leading hearing protection and situational awareness and sets a new standard.
- During the year INVISIO received the exclusive and global sales and distribution rights to the Danish audio company N-ears' 360 audio products.

## Several strategically important orders

Despite COVID-19, during the year several strategically important business transactions took place, which further strengthened INVISIO's market position:

- The Security Force Assistance Brigades (SFAB), a specialist unit in the American army, put in another order, this time valued at about SEK 36 million.
- Through the previously signed GSA contract, INVISIO received an order worth SEK 44 million from an existing customer in the US Department of Defense.
- After the close of the year one more American elite force chose INVISIO's solutions.

## Great interest in the Intercom system

Interest in the Intercom system continued to be considerable during the year. Despite COVID-19 and travel restrictions, marketing of the system could on the whole continue according to plan. In the second half-year a number of small orders from specialist units in the USA and Europe were received.

## Acquisition of Racal Acoustics /

At the end of 2020 the acquisition of Racal Acoustics, a world leading brand with a history of more than a hundred years, was initiated. The company develops and manufactures advanced and robust hearing protection and communication headsets for use in environments with constant high noise. Customers are mainly in defense, but also rescue services and the aviation sector. The acquisition means that INVISIO is broadening its offer with a new, complementary, product category. In addition, the acquisition also gives INVISIO access to customers that are relevant for the company's Intercom system.

Racal Acoustics' headquarters is in London and the operations employ 55 people. Annual sales amount to about SEK 130 million. The company has been part of the INVISIO Group since January 29, 2021.

More information can be found at [www.racalacoustics.com](http://www.racalacoustics.com)

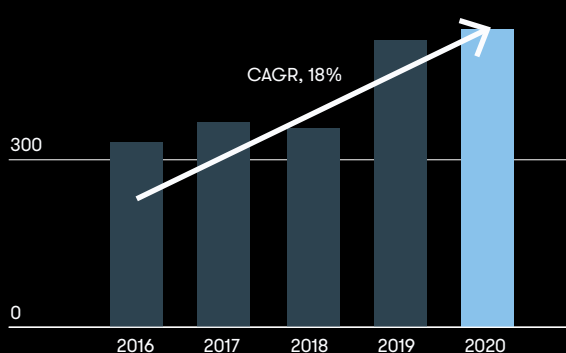


# 2020 in figures

## SALES

SEK million

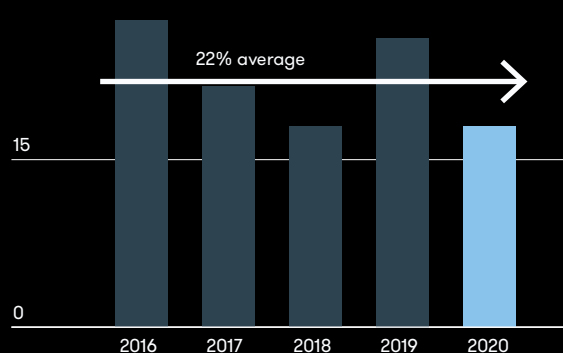
600



## OPERATING MARGIN

%

30



KEY FIGURES	2020	2019	%
Revenue, SEK million	532.0	513.8	4
Operating profit/loss, SEK million	95.4	132.6	-28
Net profit/loss for the year, SEK million	61.2	101.6	-40
Cash flow from operating activities, SEK million	85.6	158.4	-46
<b>MARGINS</b>			
Gross margin, %	58.1	61.0	-
Operating margin, %	17.9	25.8	-
Profit margin, %	11.5	19.8	-
<b>CAPITAL STRUCTURE</b>			
Equity ratio, %	73	76	-
<b>DATA PER SHARE</b>			
Earnings, SEK	1.39	2.30	-40
Shareholders' equity after dilution, SEK	8.28	8.11	2
Share price at close of period, SEK	250.00	101.80	146

SEK  
**532.0**  
million  
in sales

Revenue was SEK 532.0 million (513.8). This is an increase of 4 per cent compared to the previous year. After currency adjustment growth was 7 per cent.

**17.9%**  
operating margin

The operating margin was 17.9 per cent (25.8)

# Continued progress in a very special year

2020 was an intensive year for INVISIO. Despite great challenges in the world due to the pandemic, we continued to grow with sound profitability. One of the largest single events was of course the acquisition of Racal Acoustics, which means that we are broadening our offer and establishing ourselves in a new user segment.

Despite great challenges INVISIO continued to develop well in 2020. Net sales were SEK 532.0 million (513.8) and the operating margin was 17.9 per cent (25.8). The lower rate of growth compared to the previous year is mainly due to the pandemic, where especially in the second half of the year we could note delays in some customer projects. The reasons included difficulties for existing and potential customers to carry out field tests, cancelled trade exhibitions and travel restrictions that made customer visits more difficult.

At the same time we can note that the number of small orders increased. This is completely in line with our strategy and a logical consequence of a growing customer base, new product areas and a larger sales organization. The development gives us increased stability and reduced dependence on individual customers.

## Continued strategy based work

Great focus in the past year was on both broadening and strengthening the offer, and on continuing to strengthen R&D and the sales organizations.

### A broader offer

A central part of our strategy consists of gradually broadening the offer and establishing ourselves in new user segments. Here we took several important steps in the past year, where the acquisition of Racal Acoustics constitutes the greatest milestone. Racal Acoustics develops and manufactures advanced and robust communication systems for use in environments with constant high noise. The customers are mainly actors in the military and defense sectors, but are also found in other sectors, such as rescue services and aviation. The brand has existed for more than 100 years and today Racal Acoustics, just like INVISIO, holds a leading position in its niche.

Apart from supplementing our existing solutions, the acquisition also offers good opportunities for skills exchange and synergies, not least in product development and sales. Racal Acoustics will constitute the Group's center of excellence for products and solutions adapted for use in environments characterized by constant high noise levels.

## Continued investments in product development and sales

The investments in product development in the past year resulted in the launch of our new headset, INVISIO T7. The headset sets a new standard for submersibility, ruggedness, flexibility and comfort. It functions in the most challenging situations, such as a parachute jump from 10,000 meters or a dive to a depth of ten meters. The development work was conducted in close collaboration with several special forces, which often operate in the most variable and challenging environments.

The work of strengthening our R&D and sales organizations continued during the year. In the past two years we have increased the number of employees in R&D and sales by almost 50 per cent. Our sales organization is now represented in all our main markets, either directly or through close partners. The local presence creates the best possible conditions for building close and long-term relations with our customers, conducting training and tailoring customer-specific solutions.

The close collaboration with our customers – and also internally between product development and sales – is among our foremost success factors. It means that we can rapidly and highly accurately adapt our offer to the needs and wishes of our users.



### ACHIEVED IN 2020 /

“Our focus in the past year was on both broadening and strengthening the offer, and on continuing to strengthen R&D and the sales organizations. Important steps forward were taken in both areas.”

### FOCUS 2021 /

“Great effort will be devoted to integration of Racal Acoustics. We will also intensify market penetration of the Intercom system, continue efforts to increase the number of users in law enforcement and security and continue to grow in new geographies.”

## Structurally driven market growth

The degree of penetration in our current market segments continues to be low, which provides scope for a continued sound growth rate. At the same time, the market is growing in pace with the increase in use of personal communication systems in more and more military and law enforcement units. In addition, in several countries modernization and upgrading of existing equipment is in progress.

The driving forces include increased awareness of the consequences of hearing loss – both for the individual and society. We can really make a big difference here. Our innovative systems enable clear communication, while protecting users' hearing – without needing to compromise in any way.

## Innovative spirit and a desire to make a difference

INVISIO combines a small company's drive, commitment and agility with a large company's resources and structures. Right from the start the innovative spirit and desire to make a difference for our users have been important parts of our DNA – and they continue to be important pieces of the puzzle as we look forward. We have a strong market position on which to build, and a financial position that creates the right conditions for offensive initiatives and continued profitable growth.

## Focus 2021

In 2021 we have several important focus areas. Great effort will of course be devoted to successful integration

of Racal Acoustics. We will also intensify market penetration and sales of our new Intercom system. There is a great deal of interest and in the past year about ten small orders were received from specialist units in the USA and Europe. All in all, the Intercom system is a new revenue source with good growth prospects. Our assessment is that it has good prospects of being a significant contribution to the company's continued growth journey and profitability.

We also see a continued great need for modern hearing protection and communication equipment in law enforcement and security, user groups that are still relatively new to us and whose needs are largely the same as for military personnel.

As regards our geographical expansion, we will continue to address selected countries in Asia, the Middle East and South America. During the past year we received a number of new, small orders, which we believe can lead to larger orders later.

## Thank you!

None of this could be done without dedicated and committed co-workers. It is impressive and inspiring to share in the ideas, drive and cooperation that runs through all parts of the company. Warm thanks to you all for your great efforts under exceptional conditions.

Copenhagen in March 2021

**Lars Højgård Hansen**  
President and CEO of INVISIO

# A value-creating 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.

## An innovation company with a strong culture

INVISIO is a highly innovative company that develops groundbreaking solutions in close collaboration with its customers. High technical expertise, good market knowledge and a strong corporate culture are among the foremost success factors.

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



## Focus on core business

INVISIO focuses on development, marketing and sales. Selected European contract manufacturers are responsible for manufacture of the products. Outsourcing manufacturing to external suppliers ensures the flexibility to be able to manage variations in order volumes.

In-house R&D, sales and marketing

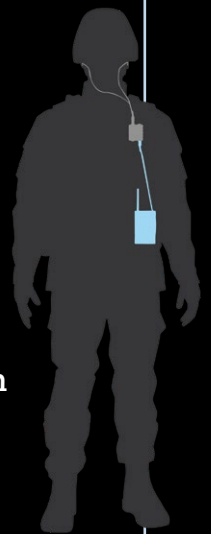
High level of collaboration

Manufacturing through external manufacturers and partners

## Two complementary offers

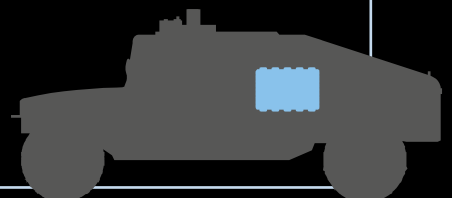
### Personal communication systems

INVISIO offers personal communication equipment with hearing protection for professional users, mobile as well as stationary.



### The Intercom system

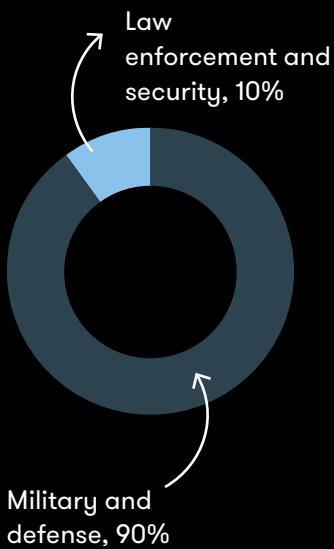
enables users of the personal equipment to connect to internal and external communication systems in various forms of transport.





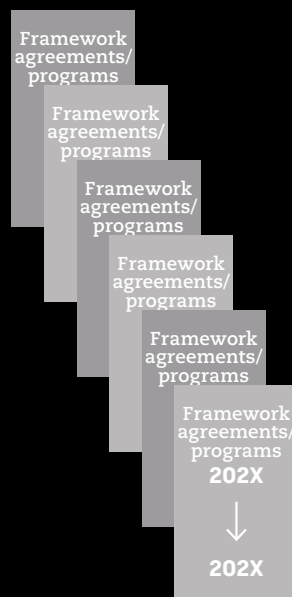
## Two customer groups

INVISIO's customers are primarily in the military and defense sector and the law enforcement and security industry. Special forces and SWAT teams are often the gateway to the larger volumes in the regular army and national police forces.



## Portfolio with long-term agreements

INVISIO's procurements won refer to framework agreements or programs of a long duration. The agreements do not guarantee sales volumes, but entail major barriers to entry for competing actors.



## Value creation for both users and society

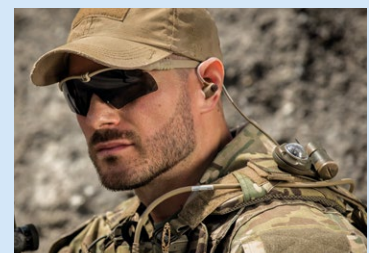
By enabling safe communication in critical situations INVISIO creates value for both individuals and society as a whole.

### 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



# Why invest in INVISIO?

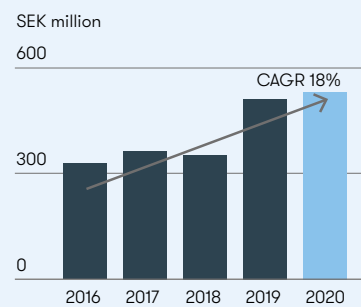
INVISIO holds a leading position in a growing niche market. The main strengths include high growth with sound profitability, a strong corporate culture and a clear strategy – where continued broadening of the offer, penetration of new geographical markets and expansion to new user groups are important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

## Stable financial development and continuous investments in R&D /

### Good long-term growth

- INVISIO's average annual growth during the period 2016–2020 was 18 per cent.
- The acquisition of Racal Acoustics expands INVISIO's revenue base.
- The market for INVISIO's systems is not cyclically dependent and is growing structurally.

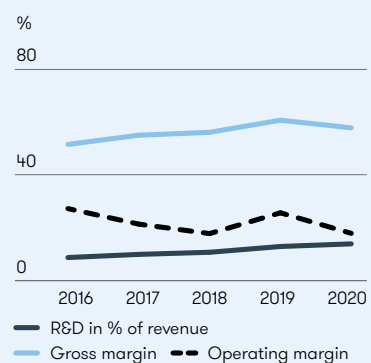
### SALES



### Sound profitability enables offensive R&D

- The gross margin for the period 2016–2020 was on average 57 per cent. For 2020 the gross margin was 58 per cent.
- The average operating margin for 2016–2020 was 22 per cent. The operating margin was almost 18 per cent for 2020.
- Investments in R&D for the period 2016–2020 amounted to an average of 14 per cent per year of the company's total revenue. For 2020 investments in R&D amounted to 13 per cent.

### KEY INDICATORS



### 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 R&D and sales.
- Cash flow from operating activities before changes in working capital amounted to SEK 96.7 million (140.0).
- At the close of the year the Group had no loans and the equity/assets ratio was 73 per cent. After the acquisition the interest-bearing debt amounts to about SEK 100 million.

## Strong market position in a growing niche market /

### Growing niche market with high entry barriers

- The market is growing structurally as increasing numbers of users in the military and law enforcement are issued with personal communication equipment.
- According to the US Department of Veterans' Affairs, tinnitus and hearing loss together accounted for about 17 per cent of the total number of claims registered in 2019, for which American veterans receive compensation.
- 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

- INVISIO's market leadership was further strengthened by the acquisition of Racial Acoustics.
- INVISIO has a portfolio of framework agreements and programs that run for 3-7 years. The customers include the US Department of Defense, several NATO armies and the Swedish Police. The framework agreements and programs enable recurrent sales.

## Clear growth strategy /

### Broadened customer offer, new user categories and geographical markets

- The new Intercom system is an entirely new source of revenue for INVISIO. The value of the addressable market for the solution is estimated to be about SEK 7 billion per year.
- The police are a growing user group. The addressable market for the personal system intended for the police is about SEK 1.5 billion per year.
- INVISIO is addressing new geographical markets in South America, the Middle East and Asia.
- The acquisition of Racial Acoustics means that the offer is being broadened with a new, complementary product category. The acquisition increases the value of the annual addressable market by about SEK 0.5 billion.

# 20%

The target is to increase average sales by at least 20 per cent per year.



## Strong corporate culture /

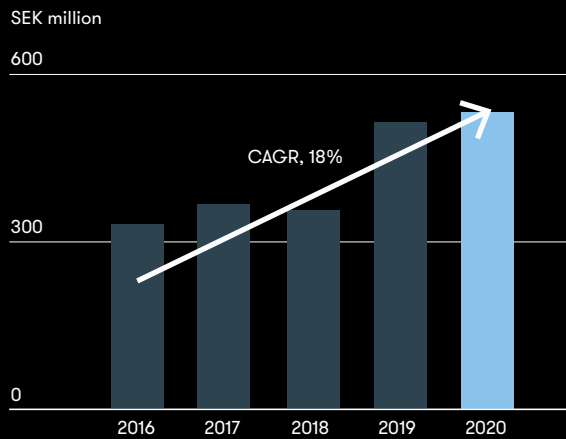
- INVISIO's corporate culture is strong. Clear targets and incentive programs that include all employees help to motivate employees and strengthen the culture.
- The company's staff turnover is low and in 2020 was 3 per cent (3).
- The company has an experienced leadership with many years of cooperation behind it. The President/CEO, the SVP Global Sales & Marketing and the SVP R&D have each worked for INVISIO for more than 13 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 20 per cent per year and that the operating margin must exceed 15 per cent. Achieving the targets requires continued innovative product development, market penetration and expansion, as well as cost focus.

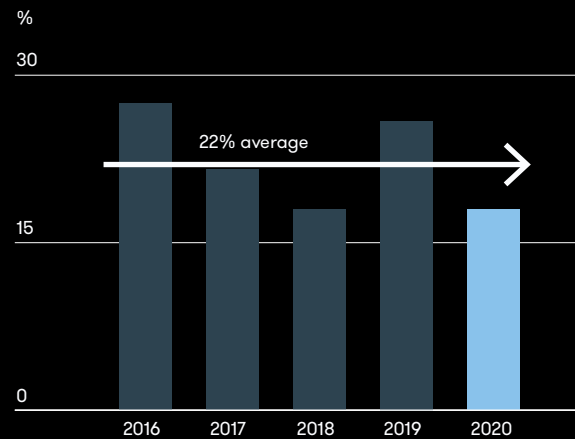
## Financial targets /

Increase average sales by at least 20 per cent per year



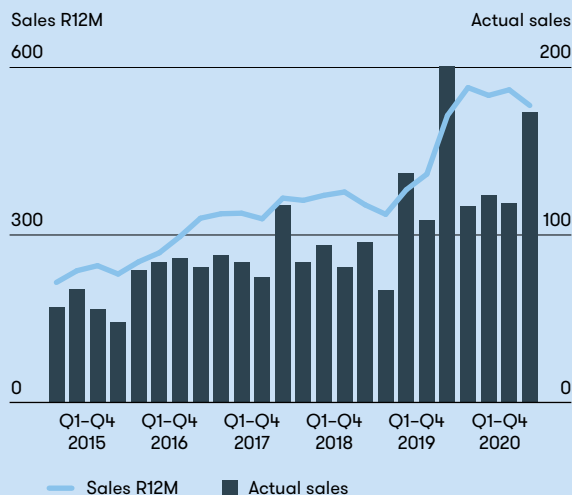
In the last five-year period the average compound annual growth rate (CAGR) was just over 18 per cent. In 2020 sales growth was 4 per cent, but adjusted for exchange rate effects it was 7 per cent.

The operating margin must exceed 15 per cent



In the last five-year period the average annual operating margin was 22 per cent. The operating margin was about 18 per cent for 2020.

## Volatile order intake is managed in close collaboration with customers and suppliers /



INVISIO's order intake and sales are characterized by fluctuation and can vary intensely over time. INVISIO's development should therefore be evaluated in a longer time perspective than an individual quarter or year.

INVISIO manages the volatility in order intake by working closely with customers and by outsourcing manufacture to contract manufacturers. The close customer relations make it possible for INVISIO to forecast new orders, which in turn makes it possible to adapt production starts.

# Strategy for continued profitable growth

INVISIO's strategy aims to ensure continued growth with sound profitability. Central parts of the forward strategy consist of strengthened positions in existing markets, continued broadening of the offer, penetration of new geographical markets and expansion to new user groups.

## 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

*INVISIO has achieved penetration of about 10 per cent for the personal system among military customers in Europe and the USA.*

## 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 2020 INVISIO has broadened its offer through the launch of the INVISIO T7 headset and partnership with the Danish audio company N-ear. The acquisition of Racal Acoustics has also contributed to this development.*

### 3 / Address new user groups



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

#### STRATEGY FOLLOW-UP

*In 2020 INVISIO has continued to address the law enforcement and security market. The acquisition of Racal Acoustics further broadens the offer and customer base.*

### 4 / 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

*In 2020 INVISIO was successful in new geographical markets, especially in Asia. However, sales efforts require a considerable element of long-term perspective and patience.*

### 5 / Sustainable and cost-effective operations



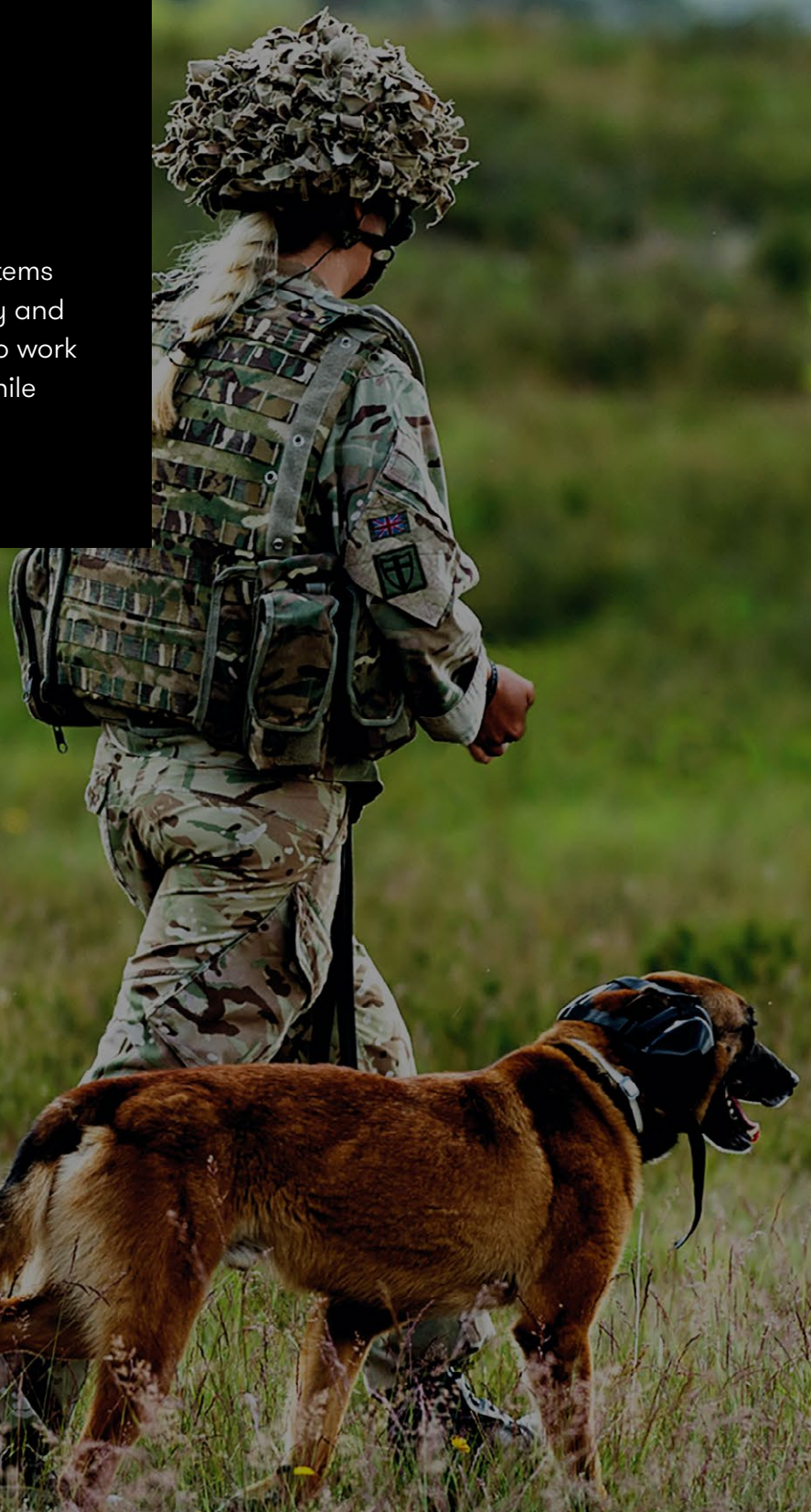
Continued sustainable and profitable growth will be maintained among other things by focusing on costs internally in the company and for manufacture of the company's products. INVISIO and its manufacturing partners collaborate closely to safeguard volume gains and competitive production costs.

#### STRATEGY FOLLOW-UP

*A high level of cost awareness and a long-term sustainable perspective are a natural part of INVISIO's business operations. The work is characterized by constant improvements, where everything is based on the customer's needs.*

# 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.





# Effective communication in difficult conditions

## Personal communication systems /

After the acquisition of Racal Acoustics, INVISIO offers two types of personal system. Both enable effective communication while protecting the user's hearing against noise and loud sounds – without compromising situational awareness.

### INVISIO's system for users in the field

INVISIO's system is primarily developed for users who are mobile and serving in the field. The system includes headsets, cables and control unit. It is compatible with all radio models and other types of sound sources. Connection is via patented INVISIO IntelliCables®, smart special cables, which enable plug-and-play.

### Racal Acoustics system for environments with constant high noise

The acquisition of Racal Acoustics means that INVISIO can also offer systems primarily developed for stationary users operating in environments characterized by constant high noise. These include crews of large military vehicles and land-based air traffic controllers. The systems include headset and cables and are usually mounted in vehicles. In future, the offer will also be marketed under the Racal Acoustics brand.

## Intercom system /

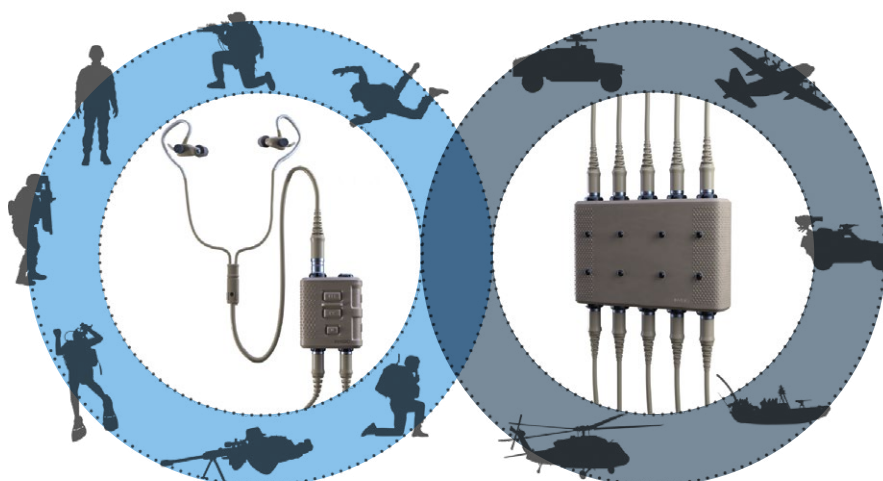
INVISIO's Intercom system developed in-house enables simple and effective internal communication in vehicles, boats and helicopters. The portable Intercom system offers internal communication and connectivity in a vehicle environment that often lacks that functionality. With the help of the Intercom system, users of INVISIO's personal communication equipment can connect to the vehicle's communication network, and also communicate with the vehicle's driver and other passengers, in a far simpler way than has previously been possible.

### > 200,000 USERS OF INVISIO'S SYSTEM

There are currently more than 200,000 users of INVISIO's system. Most are in the American defense forces. However, INVISIO is gaining an increasing number of users in law enforcement and security.

## A PLUG-AND-PLAY ECOSYSTEM

INVISIO's digital ecosystem of products is developed to be continually updated and adapted to meet new needs and environments.



# INVISIO offers smart system solutions

## Personal communication systems /

The main strength of INVISIO's offer is that it is a comprehensive system solution, which means superior function and user-friendliness. The personal system for users in the field is fully compatible with the Intercom system, which means that a user can use one and the same system both in transit and moving in the field. Racal Acoustics solutions for users in and around heavier vehicles will ultimately be fully compatible with INVISIO's other offers.



### INVISIO's system for users in the field

#### Strengths and qualities

- Both INVISIO's headsets, in-ear and new over-the-ear, contain advanced technology that enables crystal clear communication.
- The system provides both passive and active hearing protection.
- Microphones on the outside of the equipment enable heightened situational awareness in all environments
- Offers full integration with other sound sources, such as radios, mobile phones and mine detectors.
- The patented IntelliCable® technology enables plug-and-play integration with all types of equipment.



### Racal Acoustics system for environments with constant high noise

#### Strengths and qualities

- Industry-leading hearing protection for vehicle environments thanks to digital active noise reduction.
- High communication capacity in extreme conditions.
- Robust design that can withstand demanding and damp environments.
- High comfort level allows prolonged use.
- Compatible with all types of sound sources.
- Will be fully compatible with INVISIO's solutions.

## Intercom system /

The Intercom system offers internal communication and connectivity in vehicle environments that otherwise often lack that functionality. The system is either portable or mounted. The portable system can be carried in a backpack and used by groups in transit, for example in land vehicles, helicopters or RIBs. The mounted system offers the same type of functionality, but is mounted in the vehicle, with cables run to each seat.

The Intercom system can be connected in series, which makes it simple to increase the number of users. The power port can be connected to the vehicle's power source or to an external battery.

### Strengths and qualities

- Enables users in vehicles, boats and helicopters to use the personal system to communicate within the group despite challenging radio conditions.
- Gives users access to the vehicle's various radio and communication systems, based on the individual user's permissions.
- Offers safer transition from one mode of transport to another, since the users can retain their radio contact while using hearing protection.
- Is fully compatible with INVISIO IntelliCable® – smart cables with technology that enables seamless integration with all types of new and older communication systems.



## INVISIO IntelliCable® /

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



# Digital headset at the forefront of technology

Racal Acoustics' new RA4000 Magna™ is the market's most advanced digital headset. Apart from a superior capability to protect the user's hearing, it also offers customized functionality for specific environments and sound profiles in individual vehicles.



Racal Acoustics has a broad portfolio of highly advanced and robust hearing protection and communication headsets for environments with a constant high noise level. The systems include headsets and cables. The most recently developed product is the RA4000 Magna™ – a digital headset that, apart from good communication capacities and full situational awareness, also offers the user one of the market's most effective hearing protection solutions.

The RA4000 Magna™ uses digital Active Noise Reduction (ANR) to protect the user's hearing from loud sounds and noise. The headset offers the highest possible comfort and user-friendliness, even when working for long periods. Among the main advantages are modular and upgradeable functions and accessories, which make it possible to customize the solution based on specific needs.





## “Customers’ participation is absolutely crucial.”

Product development is one of the key processes at INVISIO. Seen as a share of total revenue, investments in R&D in the last five years have amounted on average to 14 per cent per year. Jan Larsen is responsible for development operations at INVISIO.

### Where does the strength of INVISIO’s solutions lie?

“The greatest value lies in us having a system in which all products interact to a great extent. The system and the products have also been developed to be adaptable and upgradeable with new functions over time. Another important factor is that our products are based on a common platform, which makes it possible for us to re-use solutions. That facilitates and streamlines the work of development quite significantly.”

### Why is INVISIO so good at product development?

“We have been good at recruiting people who are open to sharing their knowledge and working together in an interdisciplinary team. Everyone’s ideas and thoughts count, regardless of function and background. All development work also takes its cue from a few clear principles. We work with platforms and endeavor to minimize the number of components. All in all, this provides a high level of efficiency and flexibility. We also work closely with our customers. Their participation is absolutely crucial.”

**Jan Larsen** is responsible for development and has been employed in the company since 2007. Jan has many years’ experience of product development within the area of hearing and acoustics.

# Market

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



# A niche market with attractive growth potential and low penetration

Demand on INVISIO’s markets is growing, as requirements concerning police and military communications equipment grow, and as awareness of the consequences of hearing loss become increasingly known. INVISIO has a clear market-leading position in its niche.

INVISIO’s customers are mainly found in the USA, Western Europe and selected countries in Asia. In addition, potential customers are also addressed in South America and the Middle East. However, market maturity in these markets is lower than in the main markets.

## More user groups

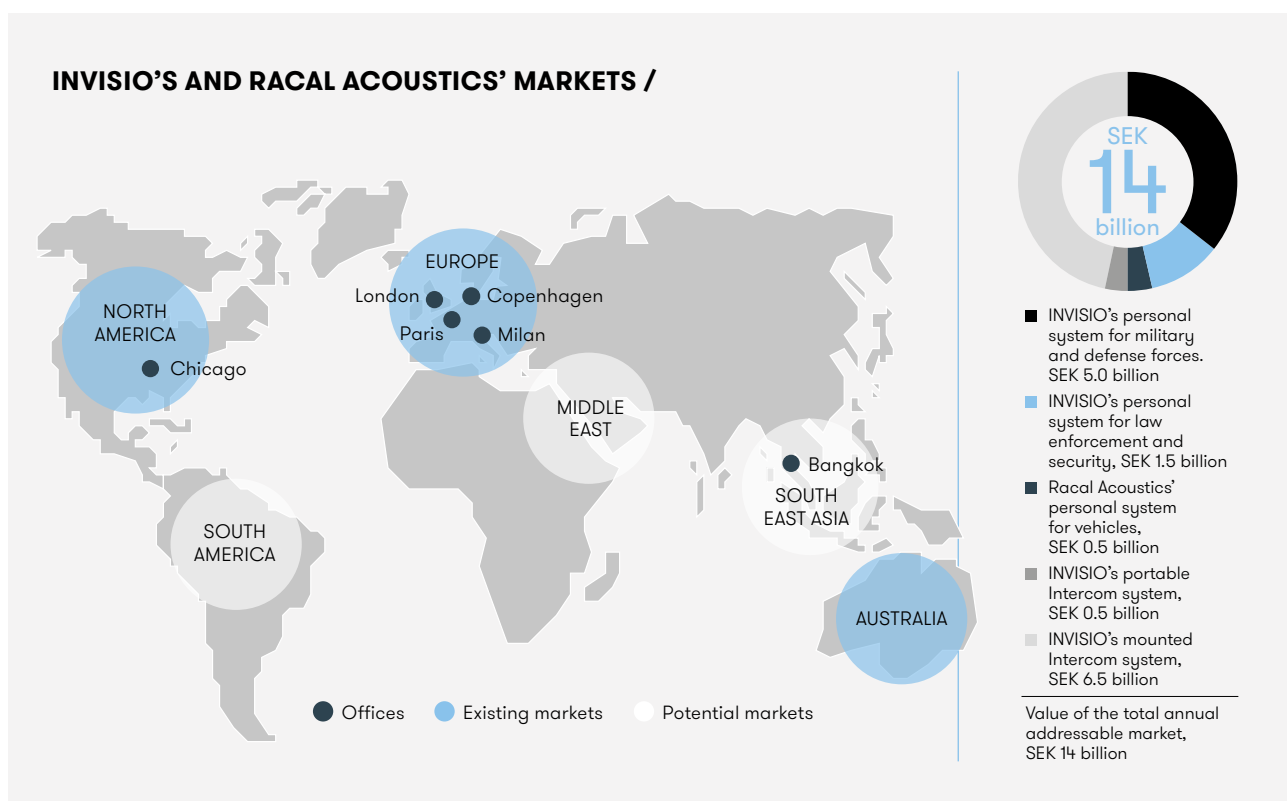
Customers in defense and the military have historically accounted for a predominant part of INVISIO’s revenue. Since 2019, however, even more extensive marketing has taken place to actors in law enforcement and security. The needs of law enforcement regarding effective communication and hearing protection 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 Racal Acoustics, operations were broadened with a complementary product category, consisting of headsets for users in environments characterized by constant high noise.

## Size of the market

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 military and defense and law enforcement and security.



## 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 the military and defense sector. Several of the customers are involved in INVISIO's product development, which apart from contributing to close relations also provides INVISIO with invaluable knowledge about specific needs and wishes.

### Hard-to-beat standard of technology

For several years INVISIO has been investing major resources in product development. Investments in R&D for 2016–2030 amounted to an average of 14 per cent per year of 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.

INVISIO's personal equipment has for several years 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 8–10 years INVISIO has also won most of the major procurements 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.



# 14%

of revenue to R&D

Investments in R&D for 2016–2020 amounted to an average of 14 per cent per year of the company's total revenue.



## Drivers /

Demand for INVISIO's products is driven by several interacting factors. Among the most important are structural growth in demand and greater awareness about hearing loss and its effects.

### Structural growth in demand

Currently in many countries there is ongoing modernization of the communications systems used in the military and law enforcement. The great significance of communication for military 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 continually growing as more soldiers and police officers are provided with radio solutions. In turn, this means a 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 registered in 2019 and qualifying for compensation<sup>1)</sup>. 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, 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.



# 3.5

million hearing injuries

According to the US Department of Veterans' Affairs, the number of cases qualifying for compensation for hearing loss is 3.5 million.

<sup>1)</sup> The 2019 Annual Benefits Report. US Department of Veterans' Affairs, updated in July 2020.

# Market for personal systems

INVISIO addresses a global niche market. The customers are mainly found in defense and military forces as well as in the law enforcement and security market. They want to achieve operative advantages through improved communication – while at the same time protecting the users’ hearing.

## Military and defense market

Industry statistics show that there are about 50 million soldiers in the world, of which 20 million are deemed to be active.<sup>1)</sup> 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 more than 200,000 users of INVISIO’s system, which means a market penetration of about 10 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 700,000 to 900,000 potential users.

The law enforcement and security market is a relatively new market for INVISIO and initial focus will be 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 system 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 has traditionally consisted of an external microphone placed in front of the mouth and noise-reducing muffs 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.

Apart from INVISIO there is a handful of other suppliers on the market, such as manufacturers of helmets offering an integrated communication solution and hearing protection in the form of muffs.

With its innovative solutions INVISIO has here a clear competitive advantage. INVISIO’s system with patented cable technology offers unique system integration. The offer is further enhanced by the Intercom solution for internal communication in vehicles, boats and helicopters.

SEK  
**6.5**  
billion

The annual addressable market for INVISIO’s personal system is worth approximately SEK 6.5 billion.

<sup>1)</sup> Market data on pages 12–16 are based on INVISIO’s internal assessments of industry statistics.

## Broadened market due to acquisition /

The acquisition of the British company Racal Acoustics 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 Racal Acoustics' equipment is that they are often stationed or in transit in a large military vehicle, or operating in another environment characterized by constant high noise, such as aircraft runways. Common to users is also that they are usually less mobile than users of INVISIO's personal system.

Industry statistics 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 Racal Acoustics' system 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.

### Competition

The market for this type of product is relatively mature and dominated by a small number of actors. For many years Racal Acoustics has been the leading actor in its market niche. The company's brand is well-known and strong among customers and the market as a whole.

### Two strong brands

INVISIO believes that the acquisition will further strengthen the position of both brands. INVISIO sees considerable advantages in being able to market the Group's solutions under two strong brands. Development of the Racal Acoustics brand will therefore continue.



# Market for the Intercom system

The market for solutions that enable internal communication in military and law enforcement vehicles 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.

INVISIO's Intercom system addresses communication problems that arise while in transit, where the members of the group want to be able to communicate both among themselves 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 means of transport.

## The portable system

In a first phase INVISIO intends 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's portable Intercom system is worth about SEK 0.5 billion.

## The mounted system

In a second phase INVISIO intends to address the customers' existing fleets of vehicles, as well as vehicle manufacturers and vehicle equipment companies. 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

At the initial stage of market penetration, competition facing the Intercom system is expected to be relatively limited. There are currently no actors offering similar systems for small and ordinary military vehicles.

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.

SEK  
**7.0**  
billion

The total annual addressable market for the Intercom system amounts to about SEK 7.0 billion.



## Special forces show the way /

INVISIO's sales strategy in both customer groups, military and defense and law enforcement and security, is usually to address special forces and specialist units first. They have very high requirements concerning their equipment and usually do not need to carry out major procurements when purchasing. Special forces then serve as the most important reference when broader and larger user categories are addressed.

### Own sales organization and partners

Market penetration activities take place from the headquarters in Copenhagen and through INVISIO's own sales organization in the USA, France, the UK and Italy. Within the company's niche INVISIO has one of the largest sales organizations, which means that the company can offer a unique level of service and training at the customer's site. In countries where INVISIO does not have its own sales personnel, sales take place through a global network of partners and resellers.

The company's large global sales force will represent both brands – INVISIO and Racad Acoustics.

# Sustainability

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 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 environmental impact is deemed to be limited.

INVISIO's products are used by professional users, mainly in the military, law enforcement and security, but also in other sectors and industries. The users are often found in critical and intensive situations. The common denominator for the products is that they enable effective communication, while protecting against hearing loss. Apart from reducing the risk of injury and personal suffering, they also contribute to reducing the costs to society related to care and compensation for hearing loss and physical injury.

The products are classed as personal protective equipment and thus not subject to legislation covering military equipment etc.

## Limited environmental impact

INVISIO's operations are not subject to licensing requirements. The environmental impact that exists mainly arises

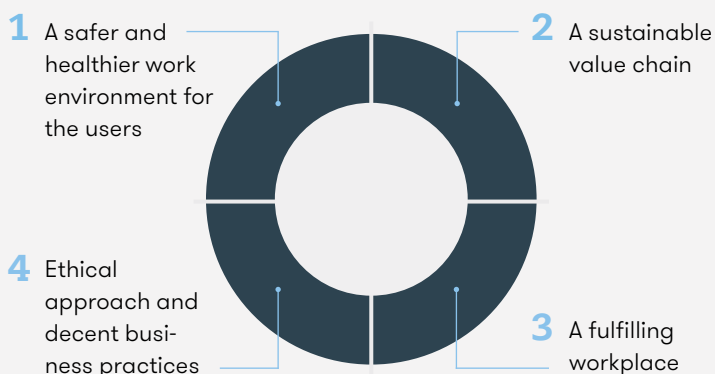
in connection with manufacture (in the form of consumption of resources, mainly plastic and metals) and emissions of CO<sub>2</sub> (in connection with travel). The combined environmental impact is deemed to be limited and not of a significant nature. This does not, however, prevent INVISIO from working continuously 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.

## Ambition for 2021

In 2021 INVISIO intends to continue its long-term work in the area of sustainability. This includes an updated materiality analysis and starting mapping related to the UN Global Goals.

### FOUR FOCUS AREAS



**CLEAR PROCESSES, PROCEDURES AND POLICY FRAMEWORK**

### 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.

# 1 / A safer work environment for users

INVISIO develops and sells communication systems that enable reliable communication in challenging and noisy environments. The 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.

INVISIO's products are used by professional users, mainly military and law enforcement, and often in critical situations. Their advantages mainly consist of:

- **Clear communication, even 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 mean the difference between life and death.
- **Increased situational awareness** Microphones on the outside of the equipment that pick up and amplify surrounding sounds. This enables the user to hear sounds that the human ear cannot otherwise perceive.
- **Improved communication capacities and increased flexibility** Combining the personal system with the Intercom system, primarily used in vehicles, enables communication both in the vehicle and with the outside world in a considerably more effective and efficient way than is otherwise possible.

## Prevents hearing loss

Apart from improved safety in critical situations, INVISIO's system also 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.

INVISIO's personal communication 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 replaceable ear-plugs or cups, reduces all ambient sounds and is mainly intended to protect against hearing loss 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 transient noise from a mortar burst, for example. Harmless noise reaches the ear unchanged, almost as if the wearer were not wearing an in-ear headset.

Hearing impairment and tinnitus are the most common injuries among veterans of the American defense forces. Apart from personal suffering, they also entail major costs to society. According to the US Department of Veterans' Affairs, at the close of 2019 hearing loss and tinnitus together accounted for about 17 per cent of the total number of claims for which American veterans receive compensation.

# 17%

Hearing loss and tinnitus account for about 17 per cent of the total number of claims for which American veterans receive compensation in 2019.



## INVISIO's R&D draws on The Danish Sound /

INVISIO's solutions build on deep understanding of sound and human hearing.

Recruitment of employees with outstanding expertise in sound and acoustics has been facilitated by the proximity to the leading international industry cluster "The Danish Sound". For more than 50 years the Copenhagen region has been home to several world-leading companies in sound technology, whose success was made possible through internationally recognized and close collaboration with Danish universities and institutes of technology, mainly in three areas:

- **Psychoacoustics** – how sound is perceived by humans
- **Acoustics** – the science of sound properties and behavior
- **Signal processing** – how to manipulate sound electronically

## 2 / 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 INVISIO's 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 possible, which minimizes risks related to production, use and scrapping. The elements of drawing up the product specification that have a bearing on production itself take place in collaboration with the intended contract manufacturer. This collaboration ensures both a good final result and an environmentally friendly production method.

#### Close cooperation 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.

### 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 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 REACH<sup>1)</sup>, ROHS<sup>2)</sup> and WEEE<sup>3)</sup>.

INVISIO currently engages four European contract manufacturers, which together account for about 80 per cent of INVISIO's production. The relative proximity to the suppliers facilitates continual and close collaboration on sustainability issues.

#### Regular inspections

All major suppliers have signed INVISIO's Code of Conduct for suppliers and its 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 continually 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 Directive) is an EU Directive for the treatment of electric and electronic waste.



At the last review in 2019, there were no cases of discrimination, lack of right to freedom of association and collective agreements, child labor, forced labor, young workers exposed to hazardous work or other non-compliance with human rights. Due to the pandemic, no regular reviews were carried out in 2020.

### 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.

The Finnish listed company Scanfil is one of INVISIO's major contract manufacturers. 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.

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.

A sustainable value chain, cont.



## 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 probably where INVISIO's main environmental impact lies. At the end of 2020, the company's sales and training unit consisted of 45 people, whose travel is both by air and road. Due to the pandemic, business travel decreased considerably in 2020. Physical meetings were to a great extent replaced by digital meetings. INVISIO predicts that the digital meetings will become more common, even when the pandemic is over.



## 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 INVISIO has undertaken to offer a recycling system.



## Quality and sustainability /

Sustainability requirements for functionality and length of life of INVISIO's products are extremely high. The solutions must function at all times and for many years. They must withstand damp and water and be usable at all temperatures, from intense heat to extreme cold. The products must also be designed for simple and intuitive operation by users at high stress levels.

Clear and well-developed processes throughout the value chain ensure that the products are safe, of high quality and conform to current requirements from customers, public agencies and certifying bodies.

The products are certified by competent authorities. They are compliant with a large number of international standards referring to electro-magnetic radiation (including the EMC Regulation and various national and military standards. In addition, checks are made on compliance with regulations on the use of chemicals and hazardous substances (REACH and RoHS) and European regulations for electronic waste (the WEEE Directive). The company's hearing protection is also checked against most European, Australian and American standards.

## Collaboration with Scanfil /

One of INVISIO's larger contract manufacturers is the Finnish listed group Scanfil, with several production facilities in Europe. Scanfil's sustainability work and objectives are described in the group's annual report, which is available at [www.scanfil.com](http://www.scanfil.com).

## 3 / 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.

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 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 competitive 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 three 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 2020 the figure was 19 per cent (20). 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 better gender balance at the workplace.

The proportion of women on the Board of INVISIO is 66 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.

A major employee survey was scheduled for 2020. However, due to the pandemic it was postponed. Previous employee surveys have given INVISIO high marks overall as an employer. Many appreciate the trust that is shown and the opportunity to plan their work independently.

### Continued growth in 2020

At year-end the number of employees, restated as full-time equivalents, was 125 (101), of which 103 men (81) and 22 women (20). In recent years the rate of recruitment has been high. In 2020 the number of employees increased by about 24 people, mainly in R&D and sales. In addition the acquisition of Racal Acoustics has increased the number of employees by about another 55 people.

Staff turnover in 2020 was less than 3 per cent (3). Short-term sickness absence in relation to the total number of hours worked was 0.8 per cent (1.5).

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 Thailand.



“INVISIO’s good reputation as an employer is one of the main drivers of recent years’ successful growth and expansion”

Lars Højgård Hansen President and Chief Executive Officer

## A year marked by COVID-19 /

During the year a large number of measures were taken to protect employees, customers and suppliers as much as possible – while at the same time enabling the operations to continue as unaffected as possible. All decisions were based on the precautionary principle, taking into account official recommendations.

Employees within the Group that were able to work remotely during the year were requested to do so. Physical meetings were avoided as far as possible and replaced by digital meetings.

## 4 / 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 2020 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.

- **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.





### **INVISIO's quality management system**

INVISIO'S quality management system is certified under the international standard ISO 9001 and contains policies, processes, work procedures, controls and rules for quality work. The quality management system includes all activities that INVISIO is directly or indirectly involved in, from identifying customer needs, tenders and contracts, to product development, purchasing, suppliers, sales,

customer support and other processes. The CEO and management group are responsible for the quality management system and the quality manager is responsible for monitoring, audit, reporting and further development. The system's appropriateness, efficiency and plans for strategic improvements are regularly reported to the Board.

# The INVISIO share and ownership structure

## Share capital

At the close of 2020, share capital in INVISIO AB (publ) was SEK 44,098,494 divided between 44,098,494 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. There was no change in the share capital during the year. Full development of share capital is presented on INVISIO's website, [www.invisio.com/IR](http://www.invisio.com/IR).

## 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 price paid in 2020 was SEK 250.50 and the lowest was SEK 81.90. The closing price on December 31, 2020, was SEK 250.00, giving a total market value of SEK 11,025 million. In 2020 a total of 31.6 million shares were traded for a total value of SEK 4,551 million, based on an annual average share price.

## Shareholders

The number of registered shareholders at the close of the year was 5,978 (3,050) according to data from Euroclear. The ten largest shareholders accounted for 55.5 per cent of the company's shares on the balance sheet date. Swedish ownership accounted for 42.6 per cent of the votes and capital.

## Proposed dividend

The Board of Directors of INVISIO proposes to the 2021 Annual General Meeting that a dividend of SEK 0.70 per share be distributed for 2020 (0.85). 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 it should constitute 25 to 50 per cent of profit after tax.

## Employee Stock Option Program

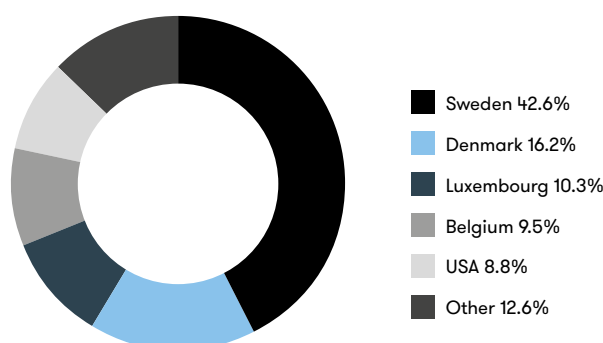
At the 2018, 2019 and 2020 Annual General Meetings it was resolved to offer the staff an incentive program based on stock options, the Employee Stock Option Program 2018/2021, 2019/2022 and 2020/2023. The programs are for all employees of the Group. To ensure availability of shares in INVISIO for transfer within the programs, stock options were issued for the wholly-owned Danish company INVISIO A/S. The stock options entitle the holder to subscribe for a total of no more than 1,800,000 new shares in INVISIO. As shown in Note 7, 1,660,000 stock options were allocated.

## INVISIO's 10 LARGEST SHAREHOLDERS AS AT DECEMBER 31, 2020

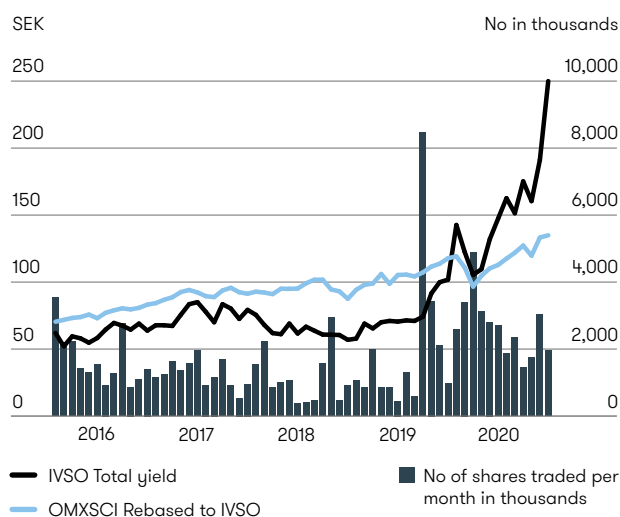
Owner	Number of shares	Percentage of votes and capital, %
Swedbank Robur Fonder	4,317,000	9.8
BNY Mellon SA/NV W8IMY	4,049,802	9.2
Novo Holdings	4,003,470	9.1
SEB Investment Management	3,428,982	7.8
Handelsbanken fonder	2,945,412	6.7
State Street Bank and Trust Co, W9	2,939,643	6.7
JP Morgan Bank Luxembourg S.A.	2,161,648	4.9
Fourth National Pension Fund	1,829,237	4.1
The Northern Trust Company	1,184,922	2.7
SEB AB, Luxembourg Branch W8IMY	1,073,659	2.4
Other	16,120,524	36.6
<b>Total</b>	<b>44,098,494</b>	<b>100.0</b>

Source: Euroclear Sweden

## OWNERSHIP BY COUNTRY, %



## SHARE PRICE AND TRADING 2016-2020





## Equity analyst on INVISIO /

ABG Sundal Collier's equity analyst Jesper Birch-Jensen conducts sponsored analysis of INVISIO. Jesper's analyses are public and can be found at [introduce.se](https://introduce.se).

### How do you estimate the value of a growth company like INVISIO?

"In the case of INVISIO, I think what is most relevant is to estimate the company's potential cash flows over time and calculate their present value via a DCF model. This is all the more relevant in INVISIO's case, as sales and operating profit may be volatile in the short perspective – since the business is driven by large procurements with low visibility. Looking only at valuation multiples for the next year could therefore be misleading."

### Which factors do you look at?

"Given that there is a good deal of public information about the numbers of military, police and vehicles that are in INVISIO's main markets it is possible to make detailed sales assumptions based on your market penetration. Since INVISIO is an R&D-driven company it is also important to keep a check on how much is invested in R&D, and how this affects both the income statement and cash flow, since you capitalize parts of these development costs. These pieces do not of course give the whole picture needed to calculate future potential cash flows, but are nevertheless two important components."

### Do you think anything distinguishes INVISIO from many other companies?

"I like companies that are leaders in a profitable niche of a market driven by structural trends. I think it is clear that INVISIO is a technological leader in communication and

hearing protection solutions in extreme environments. This, along with an experienced company management, means that INVISIO stands out from many other companies in my view."

### How do you see the growth potential?

"INVISIO has several potentially strong growth drivers. If we start with the legacy part of the business, personal communication equipment for special forces and the military, there is underlying growth in the form of modernization programs around the Western world. I believe this will only continue, as the problems of hearing loss and subsequent healthcare costs become better understood. Then INVISIO has also opened up a new market segment in the form of sales to law enforcement and security forces. Today this is only a small part of total sales, but I believe it will change over time. Finally, we can also see a new growth driver in the new Intercom system, which has started to be rolled out despite the pandemic. Over time I believe that may be one of the strongest growth drivers for INVISIO."

### How should the P/E ratio be regarded for a growth company?

"I think that the EV/EBIT is almost always to be preferred over the P/E, regardless of whether it is a growth company or a mature company. This is because it takes into account any indebtedness in the company."

# 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 research collaboration between business and universities.

INVISIO was founded 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.<sup>1)</sup>



<sup>1)</sup> The business was started in 1999 in the Danish company Nextlink.to A/S. On November 11, 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). On June 7, 2004 the parent company's shares were listed on the OTC list of what was then Nordic Growth Markets. On May 29, 2006 trading in the company's shares moved first to First North and then, on July 9, 2009, to First North Premier. On May 29, 2015 the company's share was listed on Nasdaq Small Cap, and trading moved on January 2, 2016 to Nasdaq Mid Cap.

# 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 and Nextlink Patent AB. 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 2020.

## 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 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 documents, is shown in the illustration below.

## Shareholders

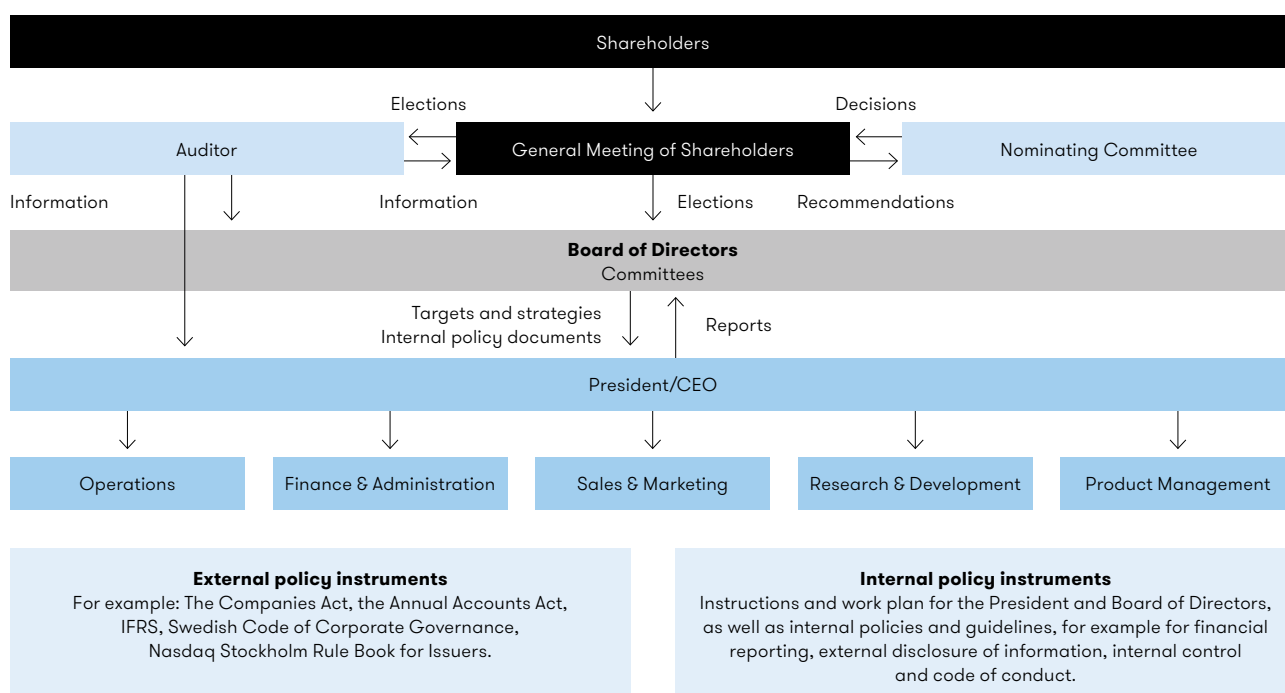
### Voting rights

The INVISIO share has been listed on Nasdaq Stockholm since May 2015. The Company's share capital at December 31, 2020 amounted to SEK 44.1 million (44.1), divided into 44,098,494 shares (44,098,494), 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 a general meeting.

### Ownership structure

As at December 30, 2020, INVISIO had 5,978 shareholders (3,050). No shareholder holds more than 10 per cent of the capital and votes.

## OVERVIEW OF CORPORATE GOVERNANCE AT INVISIO



## General Meeting of Shareholders

The right of shareholders to decide on the affairs of INVISIO is exercised at the general meeting of shareholders, which 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 Annual General Meeting pursuant to the Swedish Companies Act, the Articles of Association or the Swedish Code of Corporate Governance. An extraordinary 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 2020

- The 2020 Annual General Meeting was held in Stockholm on May 5. Participating shareholders and proxies represented 18,476,372 shares, which constitute 41.9 per cent of the number of shares and votes. A number of the resolutions that were passed are set out below.
- The general meeting adopted the income statement and balance sheet in the 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 general meeting re-elected members of the Board Annika Andersson, Charlotta Falvin, Lage Jonason, Ulrika Hagdahl and Martin Krupicka and Charlott Samuelsson in accordance with the Nominating Committee's proposal. Annika Andersson was elected as Chair of the Board of Directors.
- The 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 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 60-61.
- The general meeting resolved to adopt an employee stock option program, to issue stock options and transfer stock options. For more information, please see Note 7.

The minutes of the Annual General Meeting can be found on the INVISIO website [www.invisio.com/IR](http://www.invisio.com/IR).

### NOMINATING COMMITTEE FOR THE ANNUAL GENERAL MEETING IN 2021

Member	Representing	Voting share <sup>1)</sup>
Lennart Franke	Swedbank Robur Fonder	9.8%
Simon Vesterby Kold	Novo Holdings	9.1%
Elisabet Jamal Bergström	SEB Investment Mgmt	7.8%
Annika Andersson	Member by virtue of being Chair of the Board	Not applicable

1) Source: Euroclear Sweden, INVISIO December 31, 2020

## Annual General Meeting 2021

In view of the extraordinary situation due to the COVID-19 pandemic, INVISIO's Annual General Meeting on April 28, 2021 will be conducted through advance voting (postal voting). No meeting will be held allowing attendance in person or by proxy.

## 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

In accordance with a resolution of the 2017 Annual General Meeting, INVISIO's Nominating Committee must be composed of the Chair of the Board and a representative of each of the three largest shareholders in terms of voting rights. The members of the Nominating Committee and the shareholders appointing them are presented in the table below. In 2020 the Nominating Committee held three meetings as well as maintaining contacts between meetings.

Before the end of the third quarter, the Chair of the Board shall contact the three largest shareholders of the company, who then each appoint one member to serve on the Nominating Committee. If any of the major shareholders refrain from appointing a member, 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 shall 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 shall be appointed as chair of the Nominating Committee unless otherwise agreed by the members. However, neither the Chair of the Board nor another Board member shall 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.

As part of the Nominating Committee's work, the Chair of the Board shall report to the Committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be significant to the composition of the Board.

### Remuneration of the Nominating Committee

No remuneration is payable to the members of the Nominating Committee.

## 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 shall consist of a minimum of three and a maximum of eight members. The Annual General Meeting in 2020 re-elected Annika Andersson, Charlotta Falvin, Lage Jonason, Ulrika Hagdahl, Martin Krupicka and Charlott Samuelsson. Further, Annika Andersson was elected as Chair.

The members of the Board represent a group with technical, commercial and economic knowledge, with experience of business development, growth and internationalization and is well suited and focused on conducting business in all respects in a sustainable way.

The company has applied rule 4.1 in the Code as a diversity policy, which states that the board must have a composition characterized by versatility and breadth regarding the members' competence, experience and background. Furthermore, an even gender distribution shall be sought. The Board consists of four women and two men, which in the Nomination Committee's opinion is compatible with the requirement for an equal gender distribution. 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 of Corporate Governance 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 5, 2020.

### 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 2020 the Board held eleven meetings, including the inaugural meeting. 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. The attendance of the members at the meetings is shown in the table below.

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

### Evaluating 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 2020 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 conducted by Simon Vesterby Kold, representing Novo Holdings A/S, Elisabet Jamal Bergström, representing SEB and Lennart Franke, representing Swedbank Robur Fonder.

## WORK OF THE BOARD OF DIRECTORS IN 2020

### December

- Budget 2021

### October

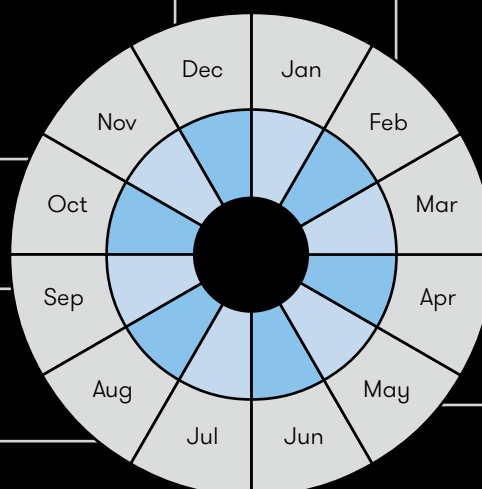
- Interim report
- Audit Committee reporting

### September

- Follow up of strategy meeting
- Focus: Marketing, sales, R&D and product development

### August

- Half-year report
- Policies and instructions



### February

- Auditors' review report
- Year-end report

### March

- Adoption of the annual report

### May

- Interim report
- Policies and instructions
- Strategy meeting
- Focus: Quality assurance

**BOARD MEMBERS' ATTENDANCE AT BOARD MEETINGS**

Member	Attendance
Annika Andersson, chair	11 of 11
Charlotta Falvin	11 of 11
Lage Jonason	11 of 11
Martin Krupicka	11 of 11
Ulrika Hagdahl	11 of 11
Charlott Samuelsson	11 of 11

**Committees**

**Audit Committee**

At the inaugural board meeting after the 2020 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 audits 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 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 2020 the Board appointed a Remuneration Committee consisting of Charlotta Falvin (Committee Chair) and Annika Andersson.

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 management, and following and evaluating programs (both current and those completed during the year) for variable remuneration for management, as well as following and evaluating the application of the guidelines for remuneration of senior executives (which in accordance with the law shall be determined by the Annual General Meeting) and of remuneration structures and remuneration levels at the company.

In 2020 the Remuneration Committee met five times and in addition maintained contact between meetings. All members participated in these meetings.

**Remuneration of the Board and Committees**

Board fees are determined by the shareholders at general meetings. The 2020 Annual General Meeting resolved that board fees totaling SEK 500,000 shall be paid to the Chair of the Board and

SEK 200,000 to each of the other Board members. In addition, a fee of SEK 80,000 is payable to the Chair of the Audit Committee and SEK 60,000 to the Chair of the Remuneration Committee and SEK 40,000 each to a maximum of two members of the Audit Committee and SEK 40,000 to one member of the Remuneration Committee. 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 2020.

The Company's firm of auditors, PricewaterhouseCoopers AB, was re-elected at the 2020 Annual General Meeting for the period until 2021. The auditor in charge is authorized public accountant Mats Åkerlund.

**Remuneration of the auditor**

The Annual General Meeting in 2020 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 5, 2020. 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. After the turn of the year SVP Racial Acoustics is also included in the group management, based in the United Kingdom. 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 of 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.

The company is to 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.

Remuneration of senior executives may consist of fixed salary, short-term variable cash compensation, 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, sustainability-related, 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, including its sustainability. The 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. Any pension benefits shall be through a defined contribution plan.

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

#### Long-term incentive program

The 2018, 2019 and 2020 Annual General Meetings resolved in accordance with a proposal by the Board of Directors, to establish employee stock option programs 2018/2012, 2019/2022 and 2020/2023. 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 consists 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 43.

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 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 provided.

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 2020

During the year INVISIO continued its work of 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 work intensified to increase IT security.

# Board of Directors



## Annika Andersson

Chair of the Board since 2019  
Member since 2014.  
Born: 1958.

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

### Other engagements

Board Chair of Karolinska Institutet Holding AB, Karolinska Institutet Innovations AB and Sequitor Engineering AB, member of the board of Jetty AB

### Education

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

### Holding<sup>1)</sup>

22,000 shares.

### Independence

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

Member of the Audit Committee

Member of the Remuneration Committee



## Charlotta Falvin

Member since 2014.  
Born: 1966.

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

### Other engagements

Board Chair of Skåne Startups and Malmö Ground AB. Board member of Bure Equity AB, Net Insight AB, Boule Diagnostics AB, Tobii AB, Nel ASA and Minc AB.

### Education

MBA, Lund University.

### Holding<sup>1)</sup>

0 shares

### Independence

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

Chair of the Remuneration Committee



## Lage Jonason

Member since 2012.  
Born: 1951.

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

### Other engagements

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

### Education

Master of Laws and M.Sc. in Business Administration, Lund University.

### Holding<sup>1)</sup>

152,266 shares.

### Independence

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

Member of the Audit Committee

<sup>1)</sup> Source: Euroclear Sweden, INVISIO December 31, 2020



### Ulrika Hagdahl

Member since 2018.  
Born: 1962.

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

#### Other engagements

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

#### Education

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

#### Holding<sup>1)</sup>

3,400 shares.

#### Independence

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

Chair of the Audit Committee



### Martin Krupicka

Member since 2018.  
Born: 1973.

Since 2009 Martin 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.

#### Holding<sup>1)</sup>

0 shares

#### Independence

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



### Charlott Samuelsson

Member since 2019.  
Born: 1963.

Charlott 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

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#### Education

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

#### Holding<sup>1)</sup>

1,005 shares

#### Independence

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

### Auditor

PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized Public Accountant  
INVISIO's auditor since 2017.

1) Source: Euroclear Sweden, INVISIO December 31, 2020

# 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 Store Nord.

### Education

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

### Holding<sup>1)</sup>

526,233 shares and 105,000 options.



## Thomas Larsson

Chief Financial Officer.  
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. (Engineering), Växjö University.

### Holding<sup>1)</sup>

240,560 shares and 51,000 options.



## Sigge Frolov

SVP Product Management and Product Marketing.  
Employed: 2018.  
Born: 1963.

Sigge Frolov has wide experience from different industries of commercializing high-tech products. He has previously held managerial positions in product management and marketing, most recently as VP Product Planning and Marketing at GN Resund A/S and before that in telecoms (Sony Ericsson), as well as the defense industry (SAAB/Kockums).

### Education

M.Sc. Engineering physics, Lund Technical University and Department of Business Administration, Lund University.

### Holding<sup>1)</sup>

3,000 shares and 51,000 options.



## 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.

### Holding<sup>1)</sup>

12,000 shares and 34,000 options.

<sup>1)</sup> Source: Euroclear Sweden, INVISIO December 31, 2020



### 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 Netcom A/S and Apple, among others. Previous experience includes marketing director at GN Netcom'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.

#### Holding<sup>1)</sup>

3,058 shares and 51,000 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 Store Nord, Netcom A/S, UnoMedical A/S and Oticon A/S.

#### Education

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

#### Holding<sup>1)</sup>

55,921 shares and 51,000 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.

#### Holding<sup>1)</sup>

1,400 shares and 37,000 options.



### James Ewing

SVP Racial Acoustics.  
Employed: 2021.  
Born: 1962.

James Ewing has many years' international experience of leading teams in various countries in the electronics, aviation and defense industries. He has held leading positions in development, program management, law, IT and business development.

#### Education

B Sc (Hons) in electronic engineering from the University of Southampton, United Kingdom

#### Holding<sup>1)</sup>

0 shares and 0 options.

<sup>1)</sup> Source: Euroclear Sweden, INVISIO December 31, 2020

This is a literal translation of the Swedish original report included in RevR 16.

# Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in 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 2020 on pages 43-47 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.

## Opinions

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, March 30, 2021

PricewaterhouseCoopers AB

Mats Åkerlund  
*Authorized Public  
Accountant  
Auditor in charge*

Åsa Markefors  
*Authorized Public  
Accountant*

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This is a literal translation of the Swedish original report

# Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in 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 2020 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, March 30, 2021

PricewaterhouseCoopers AB

Mats Åkerlund  
*Authorized Public  
Accountant  
Auditor in charge*

Åsa Markefors  
*Authorized Public  
Accountant*

# Remuneration report 2020

## 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 2020. 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 2020 please refer to the Corporate Governance Report on pages 43–47.

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

## Development of the company

The development of the company and significant events for the year are described in for example the CEO's presentation on pages 4–5.

## INVISIO's remuneration principles and application of guidelines in 2020

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 60–61. 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 2018, 2019 and 2020 Annual General Meetings resolved in accordance with a proposal by the Board of Directors, to establish an employee stock option program 2018/2012, an employee stock option program 2019/2022 and an employee stock option program 2020/2023. 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.

To enable all employee stock options to entitle the CEO to acquire INVISIO shares it is a requirement, apart from employment throughout the vesting period, that the

## TOTAL REMUNERATION TO THE PRESIDENT/CEO

2020, SEK million	Fixed salary	Other benefits <sup>1)</sup>	Variable remuneration <sup>2)</sup>	Multi-year variable remuneration <sup>2)</sup>	Pension	Total remuneration	Percentage fixed/variable remuneration
Lars H. Hansen, President/CEO Group	2.7	0.0	0.5	–	0.2	3.5	85/15
<b>Total</b>	<b>2.7</b>	<b>0.0</b>	<b>0.5</b>	<b>–</b>	<b>0.2</b>	<b>3.5</b>	

1) Refers to health insurance and mobile telephony.

2) Multi-year variable remuneration consists of option programs. No option programs were redeemed during the year.

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.

### Performance criteria

The CEO's 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 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 2020 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 Board of Directors decided for 2020 to regard the order intake threshold as met and consequently pay variable remuneration based on the operating margin criterion. A 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. The decision was justified by INVISIO's good performance, bearing in mind the prevailing circumstances of a global pandemic.

For details of performance criteria and outcomes please refer to the table below.

### 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 <sup>1</sup> )	Exercised options for the year (Number/ Value)	Opening balance options (Number)
2018/2021	61.10	61.10	May 1 2018	May 1 2018 – April 30 2021	May 15 2021 – June 30 2021	35,000	-	-	35,000
2019/2022	69.60	70.70	May 7 2019	May 7 2019 – May 9, 2022	May 15 2022 – June 30 2022	35,000	-	-	35,000
2020/2023	108.00	108.00	May 7 2020	May 7 2020 – May 9, 2023	May 15 2023 – June 30 2023	0	35,000 / 0,0	-	35,000
<b>Total</b>						<b>70,000</b>	<b>35,000 / 0,0</b>	<b>-</b>	<b>105,000</b>

1) The value of allocated options is calculated through the difference between share price of the underlying share at the allocation date 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 565 million	SEK 690 million	SEK 526 million	-
	Operating margin	30%	16%	20%	19.3% <sup>1</sup>	SEK 0.5 million

1) Non-recurring acquisition costs of SEK 7.2 million have been excluded from the operating margin.

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

	2016 vs 2015 <sup>1)</sup>	2017 vs 2016 <sup>2)</sup>	2018 vs 2017	2019 vs 2018	2020 vs 2019	2020 (SEKm)
Group's operating profit	91%	-13%	-19%	109%	-28%	95.4
Order intake	1%	20%	-31%	132%	-17%	525.7
Remuneration of President/CEO	420%	-17%	-79%	31%	-24%	3.5
Average remuneration to employees in the Group	187%	-15%	-62%	22%	-6%	1.1

1) In 2016 a total of 1,208,345 options were exercised, of which 233,334 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 decreased by 5 per cent and 21 per cent respectively in relation to the previous year.

2) In 2017 a total of 649,988 options were exercised, of which 116,667 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 14 per cent and 14 per cent respectively in relation to the previous year.





# Financial statements

## Contents

57	Administration report
62	Consolidated income statement and statement of comprehensive income
63	Consolidated statement of financial position
64	Consolidated statement of changes in equity
65	Consolidated cash flow statement
66	Parent Company income statement
67	Parent Company balance sheet
68	Parent Company changes in equity
69	Parent Company cash flow statement
70	Notes
85	Auditor's report
88	Key financial figures and ratios
89	Reconciliation of alternative performance measures and Financial calendar
90	Five-year review



# 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 2020 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. Sales are via the headquarters in Copenhagen and sales offices in the USA, France, the United Kingdom and Italy and via a global network of partners. The business is normally conducted via procurements.

## Sales and profit

- Sales for 2020 amounted to SEK 532.0 million (513.8), an increase of 4 per cent in comparison with the previous year. Sales on international markets are mainly in USD, EUR and GBP. In comparable currencies sales increased by 7 per cent.
- The order book totaled SEK 123.2 million (145.0) at the close of the year. Gross profit was SEK 309.0 million (313.3) and the gross margin was 58.1 per cent (61.0).
- Operating expenses were SEK 213.6 million (180.7). The increase refers to the larger organization and increased activities in accordance with INVISIO's growth strategy.
- Development costs of SEK 19.1 million (39.6) were activated during the year. Depreciation of capitalized development costs of SEK 6.4 million (4.0) were included in operating expenses.
- Operating profit was SEK 95.4 million (132.6) and the operating margin was 17.9 per cent (25.8).
- Net financial income was SEK -10.5 million (1.5). Due to the uncertain delivery situation caused by COVID-19 there has been a conscious build-up of inventory value in the USA. The dollar rate trend during the period contributed to the negative net financial income.
- Profit before tax amounted to SEK 84.9 million (134.1) and profit for the year was SEK 61.2 million (101.6). Earnings per share were SEK 1.39 (2.30).

## Uneven order flow and sales over the year

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

## Cash flow and investments

The Group's cash flow for 2020 was SEK 20.7 million (83.4), of which cash flow from operating activities was SEK 85.6 million (158.4). Cash flow from investment activities was SEK -25.4 million (-40.8), of which SEK -19.1 million (-39.6) was capitalized development costs and SEK -6.2 million (-0.6) was net investment in property, plant and equipment. Cash flow from financing activities was SEK -39.5 million (-34.2), of which SEK -37.5 million (-30.9) was dividend paid.

At year-end, inventories were SEK 115.7 million (95.6).

## Cash and cash equivalents and financial position

The Group's cash and cash equivalents at the year end amounted to SEK 157.7 million (145.1). INVISIO has sound financial strength and the Group had no loans at year-end. Group equity at year-end amounted to SEK 378.9 million (366.0), which gave an equity/assets ratio of 73 per cent (76).

## Significant events during the year

2020 was characterized by stable sales growth. The forward-looking investments in product development and organizational development continued in R&D, sales and marketing. As a result of a broadening customer base, during the year the order intake of smaller orders continued to increase. At the same time, the pandemic brought some delays in major customer projects. However, the company does not believe that it has lost business due to the pandemic, but rather it is a matter of delayed inflow of orders.

Despite COVID-19, during the year several strategically important business transactions took place, which further strengthened INVISIO's market position:

### Acquisition of Racal Acoustics

At the end of 2020, the acquisition was initiated of Racal Acoustics, a world-leading brand with a history of more than a hundred years in the design, development and manufacture of advanced and robust hearing protection and communication headsets for environments with constant high noise. Customers are mainly in defense, rescue services and aviation.

The acquisition means that INVISIO is broadening its offer with a new complementary product category. In addition, the acquisition also gives INVISIO access to customers that are relevant for the company's Intercom system. The transaction was completed in January 2021 and Racal Acoustics is part of the INVISIO Group as of January 29, 2021.

### Orders of strategic or material significance:

- The Security Force Assistance Brigades (SFAB), a specialist unit in the American army, put in another order. The value was about SEK 36 million.
- Through the previously won GSA contract, INVISIO received an order worth SEK 44 million from an existing customer in the US Department of Defense.
- During the year the INVISIO T7 was launched – a new and innovative over-the-ear headset developed in-house, which sets a new standard and offers industry-leading hearing protection and situational awareness.
- During the year INVISIO received the exclusive and global sales and distribution rights to the Danish audio company N-ears' 360 audio products, which further broadens the company's offer.

### Great interest in the Intercom system

Interest in the Intercom system continued to be considerable during the year. Despite COVID-19 and travel restrictions, marketing of the system is largely going to plan. In the second half-year around ten small orders from specialist units in the USA and Europe were received. INVISIO has also seen growing interest from the police special forces.

### Continued focus on law enforcement and security

The efforts to strengthen the sales organization and increase the number of distribution partners in the USA and Europe, with special focus on law enforcement and security went well in 2020.

### Sound growth in new markets

In line with the strategy, during the year INVISIO addressed new geographical markets in Asia, the Middle East and South America. In 2020 a number of new, small orders were received, which the company believes can lead to larger orders later. INVISIO sees the same pattern here as in more established markets, where orders from military and police special forces pave the way for more business with other parts of the respective organization.

### Name change

During the year the Board of Directors decided that the company would undergo a name change, by removing "Communication" from the company name. The full name of the Group and the Parent Company is now INVISIO AB.

# Risks and risk handling

## 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 military 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 and the USA mean better opportunities to monitor and assess local events and developments 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 long-term and short-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.

### Competition

The market for communications equipment to defense customers is characterized by competition and innovation. If INVISIO cannot adapt its 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. INVISIO is receptive to its customers' wishes and needs. The close relationship to its customers and multi-year contracts entered into constitute an important competitive advantage. The company monitors its competitors closely.

## OPERATIONAL RISKS

### Ability to manage growth

INVISIO meets increased demand for its 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, processes and 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, experience and creativity.

**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 developments in the market 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. Two customers accounted for more than 10 per cent of total net sales in 2020. Net sales related to these two customers constituted 12 per cent and 12 per cent respectively of the total. The loss of one or both of these 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. New subsidiaries in INVISIO's important markets are also expected to contribute to more customers for INVISIO and thus reduced customer concentration.

### Niche product portfolio

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

**Treatment:** The company endeavors to continually broaden the product portfolio by development or acquisition of complementary products in related areas.

### 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 supplies 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 existing suppliers, aimed at minimizing quality shortcomings.

## SUSTAINABILITY RISKS

### Risks related to sustainability and climate change

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 thought to have any significant impact on climate change. 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 the ISO 9001-certified quality management system.

To minimize the risk of non-compliance with the above-mentioned policies and rules, 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 expectations 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 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 the annual report, work in 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.

### More employees

To maintain a high rate of innovation and utilize market opportunities, both the development organization and the marketing and sales department were augmented with a number of new employees. At the beginning of 2021 the management group was augmented with the head of the Racal Acoustics operations.

### Organization and employees

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 and Nextlink Patent AB. INVISIO AB is a holding company with no operations. The main operations are in the subsidiary INVISIO A/S in Copenhagen, where the headquarters are also located. The function of the subsidiaries is mainly direct sales and market support to partners and resellers.

The number of employees in the Group, restated as full time positions, was 125 (101) at the close of the year. Of the employees, 103 were men (81) and 22 women (20). One employee (1) was employed in the parent company. More information can be found on page 36.

### Research and development

Product development and technical innovation are important parts of INVISIO's growth strategy. Development is internal and based on knowledge of acoustics, electronics, mechanics and software as well as experience from Denmark's hearing industry. The Copenhagen region is considered to be one of the world's leading clusters in acoustics and hearing. Strong customer relations and understanding of user needs are success factors when developing the portfolio.

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 will have two development centers, where Racal Acoustics will constitute the Group's development center for solutions focused on environments with constant high noise.

### Production

INVISIO'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 and at the Racal Acoustics office in London.

### 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.

### Parent company

Net sales in 2020 amounted to SEK 0.1 million (0.1). The operating result was SEK -8.6 million (-7.7). The net profit for the year was 151.6 million (-6.8). At year-end the parent company's cash and bank balances amounted to SEK 38.9 million (34.1). Equity amounted to SEK 232.3 million (114.6), which gave an equity/assets ratio of 98 per cent (96).

### Corporate Governance Report

The corporate governance report is prepared as a separate document from the formal annual report. The Corporate Governance Report is on 43-47.

### 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 can be found on pages 28-39. Risk and risk handling relating to sustainability can be found on page 59.

### Risks and risk management

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

### Structured process for risk management

Risk management is an important part of the 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. The most significant risks (without ranking) and how they are handled are presented on the previous page. Detailed information about INVISIO's financial risks can be found in Note 2.

### Guidelines for remuneration of senior executives

The last adopted guidelines for remuneration of senior executives are described in Note 8 and the remuneration report, 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 the company's sales are to increase by an average of 20 per cent per year and that the operating margin should exceed 15 per cent.

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

tive, 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 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 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.

The 2018, 2019 and 2020 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.

#### 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 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 for 2020. The Board's evaluation and the auditor's review have resulted in the conclusion that in 2020 INVISIO has complied with the guidelines adopted by the Annual General Meeting.

#### Significant post year-end events

The acquisition of Racal Acoustics was completed and INVISIO's group management was expanded to include James Ewing, Managing Director Racal Acoustics from January 29, 2021.

See Note 23 for an acquisition analysis and further information on the acquisition.

Another elite force in the US Department of Defense chose INVISIO's system. The order value was less than SEK 20 million but the order is of strategic significance as a reference in work with other elite forces.

#### Outlook for 2021

INVISIO is following closely the development of the pandemic and recommendations from the authorities. INVISIO's assessment is that the pandemic will impact operations to some extent at least in the first half of 2021.

The company's focus in the current year is on the integration of Racal Acoustics.

INVISIO will also continue the long-term investments, both in the new Intercom system and in addressing the law enforcement and security market.

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 be at least 15 per cent.

#### Proposed appropriation of earnings

The Board of Directors proposes to the 2021 Annual General Meeting that a dividend of SEK 0.70 per share (0.85) be distributed for 2020. The Board's proposed dividend corresponds to 50 per cent (37) of the Group's profit after tax. According to INVISIO's dividend policy the target is that dividend is to constitute 25 to 50 per cent of profit after tax. It is proposed that the remaining amount be carried forward.

#### Parent company (SEK)

##### At the disposal of the Annual General Meeting:

Retained earnings	15,001,282
Profit/loss for the year	151,639,530
	<b>166,640,812</b>

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

Dividend to shareholders, SEK 0.70 per share	30,868,946
To be carried forward	135,771,867
	<b>166,640,812</b>

#### 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 97.6 per cent and 71.8 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.

# Consolidated income statement and statement of comprehensive income

January-December (SEK million)	Note	2020	2019
	1, 2		
Revenue	3	532.0	513.8
Cost of goods sold	4, 13	-222.9	-200.5
<b>Gross profit</b>		<b>309.0</b>	<b>313.3</b>
<b>Operating expenses</b>			
Selling and marketing costs	4, 6, 7, 8	-107.0	-95.2
Administrative expenses	4, 6, 7, 8	-50.5	-37.4
Research and development costs	4, 6, 7, 8	-56.1	-48.1
<b>Operating profit</b>		<b>95.4</b>	<b>132.6</b>
<b>Financial items</b>			
Financial income		1.7	2.1
Financial expenses		-12.2	-0.5
<b>Net financial items</b>		<b>-10.5</b>	<b>1.5</b>
<b>Profit/loss before tax</b>		<b>84.9</b>	<b>134.1</b>
Income tax	9	-23.7	-32.5
<b>Profit/loss for the year</b>		<b>61.2</b>	<b>101.6</b>
(Attributable to parent company shareholders)			
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Translation differences from foreign operations for the period		-14.4	1.8
<b>Total comprehensive income for the year</b>		<b>46.8</b>	<b>103.4</b>

(Attributable to parent company shareholders)

January-December (SEK million)	Note	2020	2019
Earnings per share, SEK	19	1.39	2.30
Earnings per share after dilution, SEK	19	1.37	2.30
Gross margin, %		58.1	61.0
Operating margin, %		17.9	25.8
Profit margin, %		11.5	19.8
Depreciation incl. in operating expenses	10, 11, 12	-12.7	-10.0



# Consolidated statement of financial position

December 31 (SEK million)	Note	2020	2019
	1, 2		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capitalized development costs	10	94.8	85.6
Equipment	11	4.1	3.1
Rights of use, leases	12	24.0	25.3
Deferred tax assets	9	2.8	1.8
Long-term deposits for rent		2.3	2.3
<b>Total non-current assets</b>		<b>128.0</b>	<b>118.0</b>
<b>Current assets</b>			
Inventories	13	115.7	95.6
Trade receivables	14	100.4	111.0
Other receivables	15	7.4	5.4
Prepaid expenses and accrued income	16	6.6	4.5
Cash and cash equivalents		157.7	145.1
<b>Total current assets</b>		<b>387.8</b>	<b>361.7</b>
<b>TOTAL ASSETS</b>		<b>515.8</b>	<b>479.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	17	44.1	44.1
Other contributed capital		272.3	272.3
Translation difference		7.8	22.2
Retained earnings including profit/loss for the year		54.7	27.5
<b>Total shareholders' equity</b>		<b>378.9</b>	<b>366.0</b>
<b>Long-term liabilities</b>			
Lease liabilities	12	19.6	22.0
Deferred tax liabilities	9	20.5	6.5
<b>Total long-term liabilities</b>		<b>40.1</b>	<b>28.5</b>
<b>Current liabilities</b>			
Trade payables <sup>1)</sup>		35.3	29.8
Lease liabilities	12	4.2	3.9
Current tax liabilities	9	5.7	9.2
Other liabilities		9.9	0.5
Accrued expenses and deferred income	18	36.8	36.7
Warranty provision		4.9	5.1
<b>Total current liabilities</b>		<b>96.8</b>	<b>85.2</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>515.8</b>	<b>479.7</b>

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 <sup>1)</sup>
	1, 2, 17					
<b>OPENING BALANCE AT JANUARY 1, 2019</b>		<b>44.1</b>	<b>272.3</b>	<b>20.4</b>	<b>-44.8</b>	<b>292.0</b>
Profit/loss for the year		-	-	-	101.6	101.6
Translation differences from foreign operations for the period		-	-	1.8	-	1.8
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>1.8</b>	<b>101.6</b>	<b>103.4</b>
<b>Transactions with shareholders</b>						
Employee Stock Option Program	7	-	-	-	1.5	1.5
Dividend		-	-	-	-30.9	-30.9
<b>Total transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-29.4</b>	<b>-29.4</b>
<b>CLOSING BALANCE AT DECEMBER 31, 2019</b>		<b>44.1</b>	<b>272.3</b>	<b>22.2</b>	<b>27.5</b>	<b>366.0</b>
Profit/loss for the year		-	-	-	61.2	61.2
Translation differences from foreign operations for the period		-	-	-14.4	-	-14.4
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-14.4</b>	<b>61.2</b>	<b>46.8</b>
<b>Transactions with shareholders</b>						
Employee Stock Option Program	7	-	-	-	3.5	3.5
Dividend		-	-	-	-37.5	-37.5
<b>Total transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-33.9</b>	<b>-33.9</b>
<b>CLOSING BALANCE AT DECEMBER 31, 2020</b>		<b>44.1</b>	<b>272.3</b>	<b>7.8</b>	<b>54.7</b>	<b>378.9</b>

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

# Consolidated cash flow statement

January-December (SEK million)	Note	2020	2019
	1, 2		
<b>Operating activities</b>			
Profit/loss before tax		84.9	134.1
Adjustments for non-cash items	20	24.0	8.7
Income tax paid		-12.3	-2.8
<b>Cash flow from operating activities before changes in working capital</b>		<b>96.7</b>	<b>140.0</b>
Change in inventories		-27.1	7.5
Change in trade receivables		3.6	-4.0
Change in other operating receivables		-5.2	6.3
Change in trade payables		6.7	-10.6
Change in other operating liabilities		10.8	19.1
<i>Cash flow from changes in working capital</i>		<i>-11.1</i>	<i>18.4</i>
<b>Cash flow from operating activities</b>		<b>85.6</b>	<b>158.4</b>
<b>Investing activities</b>			
Capitalization of development costs	10	-19.1	-39.6
Purchases of property, plant, and equipment	11, 12	-6.2	-0.6
Acquisition of financial assets		-0.1	-0.5
<b>Cash flow from investing activities</b>		<b>-25.4</b>	<b>-40.8</b>
<b>Financing activities</b>			
Changes in lease liabilities	12	-2.1	-3.4
Dividend paid		-37.5	-30.9
<b>Cash flow from financing activities</b>		<b>-39.5</b>	<b>-34.2</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>20.7</b>	<b>83.4</b>
Cash and cash equivalents at start of year		145.1	62.2
Translation differences in cash and cash equivalents		-8.1	-0.5
<b>Cash and cash equivalents at year-end</b>		<b>157.7</b>	<b>145.1</b>
<b>Supplementary disclosures to the cash flow statement</b>			
Interest received from operating activities during the year		0.1	0.0
Interest paid from operating activities during the year		-0.5	-0.5

# Parent Company income statement

January-December (SEK million)	Note	2020	2019
	1, 2		
Revenue	5	0.1	0.1
Administrative expenses	4, 5, 6, 7, 8	-8.7	-7.7
<b>Operating profit</b>		<b>-8.6</b>	<b>-7.7</b>
<b>Financial items</b>			
Profit/loss from participation in Group companies	21	160.0	-
Financial income		0.2	1.2
Financial expenses		0.0	-0.4
<b>Net financial items</b>		<b>160.3</b>	<b>0.8</b>
<b>Profit/loss before tax</b>		<b>151.6</b>	<b>-6.8</b>
Income tax	9	-	-
<b>Profit/loss for the year<sup>1)</sup></b>		<b>151.6</b>	<b>-6.8</b>

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

# Parent Company balance sheet

December 31 (SEK million)	Note	2020	2019
	1, 2		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Participations in Group companies	21	88.9	85.4
<b>Total non-current assets</b>		<b>88.9</b>	<b>85.4</b>
<b>Current assets</b>			
Receivables from Group companies	21	108.7	-
Other receivables		0.5	0.3
Prepaid expenses and accrued income		0.3	0.1
Cash and bank balances		38.9	34.1
<b>Total current assets</b>		<b>148.4</b>	<b>34.4</b>
<b>TOTAL ASSETS</b>		<b>237.3</b>	<b>119.8</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital	17	44.1	44.1
Statutory reserve		21.6	21.6
<b>Total restricted shareholders' equity</b>		<b>65.7</b>	<b>65.7</b>
<b>Non-restricted equity</b>			
Retained earnings		15.0	55.8
Profit/loss for the year		151.6	-6.8
<b>Total unrestricted shareholders' equity</b>		<b>166.6</b>	<b>48.9</b>
<b>Total shareholders' equity</b>		<b>232.3</b>	<b>114.6</b>
<b>Current liabilities</b>			
Trade payables <sup>1)</sup>		0.6	0.3
Liabilities to Group companies	21	2.7	3.4
Other liabilities		0.3	0.1
Accrued expenses and deferred income	18	1.4	1.5
<b>Total current liabilities</b>		<b>5.0</b>	<b>5.2</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>237.3</b>	<b>119.8</b>

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	
	1, 2, 17					
<b>OPENING BALANCE AT JANUARY 1, 2019</b>		<b>44.1</b>	<b>21.6</b>	<b>0.0</b>	<b>85.1</b>	<b>150.8</b>
Previous year's appropriation of earnings						
Profit/loss for the year <sup>1)</sup>		-	-	-	-6.8	-6.8
Employee Stock Option Program	7	-	-	-	1.5	1.5
Dividend		-	-	-	-30.9	-30.9
<b>CLOSING BALANCE AT DECEMBER 31, 2019</b>		<b>44.1</b>	<b>21.6</b>	<b>0.0</b>	<b>48.9</b>	<b>114.6</b>
Profit/loss for the year <sup>1)</sup>		-	-	-	151.6	151.6
Employee Stock Option Program	7	-	-	-	3.5	3.5
Dividend		-	-	-	-37.5	-37.5
<b>CLOSING BALANCE AT DECEMBER 31, 2020</b>		<b>44.1</b>	<b>21.6</b>	<b>0.0</b>	<b>166.6</b>	<b>232.3</b>

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

# Parent Company cash flow statement

January-December (SEK million)	Note	2020	2019
	1, 2		
<b>Operating activities</b>			
Profit/loss before tax		151.6	-6.8
Adjustments for non-cash items	20	-110.0	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>41.6</b>	<b>-6.8</b>
Changes in operating receivables		-49.1	45.3
Changes in operating liabilities		-0.2	0.8
<i>Cash flow from changes in working capital</i>		<i>-49.4</i>	<i>46.1</i>
<b>Cash flow from operating activities</b>		<b>-7.7</b>	<b>39.3</b>
<b>Financing activities</b>			
Dividends from subsidiaries		50.0	-
Dividend paid		-37.5	-30.9
<b>Cash flow from financing activities</b>		<b>12.5</b>	<b>-30.9</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>4.8</b>	<b>8.4</b>
Cash and cash equivalents at start of year		34.1	25.6
<b>Cash and cash equivalents at year-end</b>		<b>38.9</b>	<b>34.1</b>
Interest received during the year		0.1	0.0
Interest paid during the year		-0.0	-0.1

# 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 and Nextlink Patent AB.

### 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, 2020 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, 2020 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 as regards available for sale financial assets and financial assets and liabilities (including derivative instruments). All inter-company business transactions, revenue, expenses, earnings 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 propor-

tional 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	1.4068 (1.4183)	1.3492 (1.3968)
USD	9.2037 (9.4604)	8.1886 (9.3171)
EUR	10.4867 (10.5892)	10.0375 (10.4336)

### 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 testing for capitalized development costs

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 that the costs can be reliably measured. This is ensured in that all capitalized development projects are run in accordance with the company's well-documented development process. As soon as there is any indication, capitalized development costs are impairment tested in accordance with the accounting policy described. The recoverable amount has been determined through calculation of the value in use. Certain estimates must be made for these calculations, which are shown in Note 10. At December 31, 2020 total intangible assets amounted to SEK 94.8 million (85.6). See Note 10 for a sensitivity analysis.

### Deferred tax referring to tax loss carry-forwards

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, based on multi-year forecasts. Note 9 includes a description of tax loss carry forwards. At December 31, 2020 deferred tax assets referring to tax loss carry-forwards were SEK 0.0 million (11.9).



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

### 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, 2020, warranty provision was SEK 4.9 million (5.1). If the historical outcome had been 5 per cent lower/ higher than the actual outcome, all other variables being constant, the warranty provision at December 31, 2020, would have been SEK 0.2 million (0.3) 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 where INVISIO can either extend the lease one month at a time (after the original lease term has expired at the end of 2026) or decide to terminate the lease prematurely (though including a break-up fee). The assessment as at December 31, 2020 is that the Group will not exercise the option to terminate the lease 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 passes when INVISIO makes the goods available to the customer (Ex Works).

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 compensation 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 three 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 the income statement over the rest of the vesting period and corresponding adjustments are 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.

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, derivatives, trade payables, lease liabilities 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.

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

**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 re-measurement 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 and accrued expenses.

**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'.

**Intangible assets**

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.

**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 economic life, 3–5 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

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

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 stated 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 of assets in the categories of loan receivables and trade receivables carried at amortized cost is calculated as the present value of future cash flows discounted using the effective interest rate applicable on initial recognition of the asset. Assets with a short duration are not discounted. The recoverable amount on other assets is the higher of fair value less selling expenses and value in use. When calculating value in use, future cash flows are discounted using a discount factor that takes into account risk-free rates and the risk connected with the specific asset. For an asset that does not generate cash flows that are largely independent of other assets, a common recoverable amount is calculated for the cash-generating unit to which the asset belongs.

### 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, lease contract 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,
- 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 on a straight-line basis 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 22.

### 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 entities. The same accounting policies apply as for the Group.

## 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 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 interest-bearing financial assets consist of bank balances. The Group has no interest-bearing financial liabilities and thus is not exposed to any material interest rate risk.

### Currency risk

Currency risk is defined as the risk of a reduction in earnings and/or a reduction in cash flow due to changes in currency exchange rates.

Changes in foreign exchange rates impact the Group's earnings and equity in different ways:

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

### Transaction exposure

INVISIO has a strong international profile, with most of its sales being made in EUR, 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 2020 were USD 30.0 million (35.1), EUR 17.2 million (12.7) and GBP 1.8 million (1.6). Components are primarily purchased in SEK, DKK and EUR. 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 5 per cent against EUR, all other variables remaining constant, revenues and earnings after tax for 2020 would have been SEK 9.0 million (6.7) and SEK 4.1 million (3.2) lower/higher. If the average exchange rate for the Swedish krona had strengthened/weakened by 5 per cent against USD, all other variables remaining constant, revenues and earnings after tax for 2020 would have been SEK 13.8 million (13.7) and SEK 7.0 million (6.7) lower/higher. If the average exchange rate for the Swedish krona had strengthened/weakened by 5 per cent against GBP, all other variables remaining constant, revenues and earnings after tax for 2020 would have been SEK 1.0 million (0.9) and SEK 0.4 million (0.4) 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, 2020 the net exposure in USD against SEK was SEK 97.5 million (109.2), in EUR against SEK, SEK 38.5 million (62.6) and in GBP against SEK, SEK 19.8 million (4.3) for these items. If the exchange rate for USD had been 5 per cent higher/lower compared with that on December 31, 2020, the Group's earnings after tax would have been positively/negatively affected by SEK 3.8 million (4.3). If the exchange rate for EUR had been 5 per cent higher/lower compared with that on December 31, 2020, the Group's earnings after tax would have been positively/negatively affected by SEK 1.5 million (2.5). If the exchange rate for GBP had been 5 per cent higher/lower compared with that on December 31, 2020, the Group's earnings after tax would have been positively/negatively affected by SEK 0.8 million (0.2). 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 Danish kronor. If the exchange rate for DKK had been 5 per cent higher/lower compared with that on December 31, 2020, the Group's equity would have been positively/negatively affected by SEK 12.8 million (12.8).

### 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 14.

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 with SEB, SBAB, Société Générale, BPM Banco 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, 2020 cash and cash equivalents amounted to SEK 157.7 million (145.1). The company had no borrowings as at December 31, 2020. All trade and other payables mature within three months. See Note 12 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.

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

### Financial instruments, December 31

Financial assets	2020	2019
Measured at amortized cost:		
– Trade receivables	100.4	111.0
– Deposits for rent	2.3	2.3
– Other receivables	9.1	5.4
– Cash and cash equivalents	157.7	145.1
<b>Total financial assets</b>	<b>269.5</b>	<b>263.8</b>

Financial liabilities	2020	2019
Measured at amortized cost:		
– Trade and other payables	69.5	65.7
Lease liabilities	23.8	25.9
<b>Total financial liabilities</b>	<b>93.3</b>	<b>91.6</b>

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	2020	2019
Sweden	26.0	32.3
Europe	181.0	108.9
North America	280.1	357.9
Rest of the world	44.9	14.6
<b>Total</b>	<b>532.0</b>	<b>513.8</b>

Two customers account for more than 10 per cent of total net sales for the year. Net sales to these two customers constitute 12 per cent and 12 per cent respectively of the total. In the previous year two customers accounted for more than 10 per cent of the total sales for the year. Net sales to these two customers constituted 34 per cent and 22 per cent respectively of the total. 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

### Note 4 / Costs by nature of expense

Group	2020	2019
Cost of goods sold	222.9	200.5
Costs of employee benefits (Note 7)	127.4	110.1
Depreciation and impairment losses (Notes 10, 11 & 12)	12.7	10.0
Other costs	73.6	60.6
<b>Total</b>	<b>436.5</b>	<b>381.2</b>

Parent Company	2020	2019
Costs of employee benefits (Note 7)	2.6	2.6
Other costs	6.0	5.1
<b>Total</b>	<b>8.7</b>	<b>7.7</b>

### 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	
	2020	2019	2020	2019
PwC				
Auditing assignments <sup>1)</sup>	0.7	0.7	0.3	0.2
Audit business in addition to audit engagement	0.1	0.0	0.1	0.1
Other services <sup>2)</sup>	1.2	0.1	1.2	0.1
<b>Total</b>	<b>2.0</b>	<b>0.8</b>	<b>1.6</b>	<b>0.4</b>

1) Audit engagement 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 engagement.

2) Other services for 2020 primarily refers to Due Diligence in connection with the acquisition of Racal Acoustics. Other services for 2019 primarily refers to consulting on accounting and tax matters.

## Note 7 / Personnel

Average number of employees	2020		2019	
	Number	Of which men	Number	Of which men
Parent company	1	100%	1	100%
Subsidiaries	114	81%	91	80%
<b>Total</b>	<b>115</b>	<b>81%</b>	<b>92</b>	<b>80%</b>

Gender breakdown, senior executives	2020		2019	
	Number	Of which men	Number	Of which men
Board of Directors	6	33%	6	33%
Remuneration to the President/CEO and other senior executives	7	100%	7	100%

Salaries and other remuneration	2020	2019
Parent company	2.4	2.3
Subsidiaries	129.6	116.3
Capitalized salaries for research and development	-9.6	-12.3
<b>Group total</b>	<b>122.4</b>	<b>106.3</b>

Social security costs excl. pension costs	2020	2019
Parent company	0.0	0.1
Subsidiaries	3.2	2.2
<b>Group total</b>	<b>3.3</b>	<b>2.3</b>

Pension costs	2020	2019
Parent company	0.2	0.2
Subsidiaries	1.5	1.3
<b>Group total</b>	<b>1.7</b>	<b>1.5</b>

Total personnel costs	2020	2019
	<b>127.4</b>	<b>110.1</b>

### Pensions

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

### Employee Stock Option Program

The 2018, 2019 and 2020 Annual General Meetings of Shareholders resolved in accordance with the Board's proposal, to establish employee stock option programs comprising a decision to issue stock options, plus approval of the transfer of stock options, Employee Stock Option Programs 2018/2021, 2019/2022 and 2020/2023. A total of 1,660,000 employee stock options have been allocated, of which 35,000 from the 2018/2021 Employee Stock Option Program, 35,000 from the 2019/2022 Employee Stock Option Program and 35,000 from the Employee Stock Option Program 2020/2023 to the CEO and 68,000, 97,000 and 102,000 respectively to other senior executives. Employee stock options are not transferable.

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 the INVISIO share price exceeds SIXPRX by 10 percentage points half of the participant's stock options will entitle the participant 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 to 100 per cent. If the INVISIO share price does not exceed SIXPRX by 10 percentage points, all stock options will lapse.

The market value was calculated on the basis of the Black & Scholes valuation model with the following inputs:

	2018/2021	2019/2022	2020/2023
Share price, SEK	61.10	69.60	108.0
Expected dividend per share, SEK	0.60	0.70	0.85
Volatility, %	30	35	40
Risk-free interest rate, %	-0.43	-0.45	-0.37
Expected number of earned options, %	43	41	45
Value per employee stock option, SEK	4.87	5.90	12.28

Employee stock option program	Allotment date	Vesting period	Maximum allocation	Actual allocation	Exercise date	Expensed during the year (SEK million) <sup>1)</sup>
2018/2021	May 1 2018	May 1 2018–April 30 2021	500,000	442,000	May 15 2021–June 30 2021	1.9 (0.7)
2019/2022	May 7 2019	May 7 2019– May 9, 2022	600,000	569,000	May 15 2021–June 30 2021	2.1 (0.8)
2020/2023	7 May 2020	May 7 2020– May 9, 2023	700,000	649,000	May 15 2023–June 30 2023	2.1 (-)
<b>Total</b>			<b>1,800,000</b>	<b>1,660,000</b>		<b>6.1 (1.5)</b>

1) Social security contributions were 2.6 (0.0).

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

Board of Directors <sup>1)</sup>	2020				2019			
	Fee/Salary	Pension	Other remuneration	Total	Fee/Salary	Pension	Other remuneration	Total
Annika Andersson, Chair of the Board <sup>2)</sup>	0.6	-	-	0.6	0.4	-	-	0.4
Lage Jonason <sup>3)</sup>	0.2	-	-	0.2	0.2	-	-	0.2
Charlotta Falvin <sup>4)</sup>	0.3	-	-	0.3	0.2	-	-	0.2
Ulrika Hagdahl <sup>5)</sup>	0.3	-	-	0.3	0.2	-	-	0.2
Martin Krupicka	0.2	-	-	0.2	0.2	-	-	0.2
Charlott Samuelsson	0.2	-	-	0.2	0.1	-	-	0.1
Lars Röckert <sup>6)</sup>	-	-	-	-	0.1	-	-	0.1
<b>Total</b>	<b>1.7</b>	<b>-</b>	<b>-</b>	<b>1.7</b>	<b>1.4</b>	<b>-</b>	<b>-</b>	<b>1.4</b>
<b>Management</b>								
Lars H. Hansen, President/CEO <sup>7)</sup>	3.2	0.2	0.0	3.5	4.3	0.2	0.0	4.6
Other management <sup>8)</sup>	12.3	0.2	0.2	12.7	14.1	0.2	0.2	14.5
<b>Total</b>	<b>15.6</b>	<b>0.5</b>	<b>0.2</b>	<b>16.2</b>	<b>18.4</b>	<b>0.4</b>	<b>0.3</b>	<b>19.2</b>

1) The 2020 Annual General Meeting resolved that board fees totaling SEK 500,000 shall be paid to the Chair of the Board and SEK 200,000 to each of the other Board members. In addition, a total fee of SEK 80,000 shall be payable to the Chair of the Audit Committee and SEK 60,000 to the Chair of the Remuneration Committee and SEK 40,000 each to a maximum of three committee members.

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

3) Includes fee for work as member of the Audit Committee.

4) Includes fee for work as Chair of the Remuneration Committee.

5) Includes fee for work as Chair of the Audit Committee.

6) Lars Röckert resigned at the 2019 Annual General Meeting

7) Variable salary may be a maximum of 60 per cent of the fixed salary. Variable salary of SEK 0.5 million (1.5) was paid in 2020.

8) Variable salary may be a maximum of 40 per cent of the fixed salary. Variable salary of SEK 1.3 million (3.3) was paid in 2020.

### 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 earnings 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 compensation, 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 compensation 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.

#### 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 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 to senior executives for 2020. The Board's evaluation and the auditor's review have resulted in the conclusion that in 2020 INVISIO has complied with the guidelines adopted by the Annual General Meeting.

#### Employee Stock Option Program

In 2020 the President/CEO was allocated 35,000 options (35,000) and other management executives 102,000 (97,000). For more information on the employee stock option programs, see Note 7.

## Note 9 / Income tax

	Group		Parent Company	
	2020	2019	2020	2019
<b>Tax on profit for the year</b>				
Current tax on profit for the year	-9.9	-11.7	-	-
Deferred tax	-13.8	-20.8	-	-
<b>Total current tax</b>	<b>-23.7</b>	<b>-32.5</b>	<b>-</b>	<b>-</b>
<b>Differences between reported tax expense and tax expense based on current tax rate</b>				
Profit/loss before tax	84.9	134.1	151.6	-6.8
Tax 21.4%	-18.2	-28.7	-32.5	-
Tax effect of;				
- Foreign tax rates	-1.1	-1.1	-	-
- Non-taxable revenue	-	-	34.3	-
- Expenses not deductible for tax purposes	-3.7	-0.8	-	-
- Other deductible costs	1.2	-	-	-
- Tax attributable to previous years	0.1	-	-	-
- Tax losses for which no deferred tax asset is recognized	-1.8	-1.9	-1.8	-
<b>Tax on profit for the year according to income statement</b>	<b>-23.7</b>	<b>-32.5</b>	<b>-</b>	<b>-</b>
Effective tax rate, %	28.0	24.2	-	-
<b>Deferred tax assets</b>				
Deferred tax asset attributable to other temporary differences	2.8	1.8	-	-
<b>Closing balance</b>	<b>2.8</b>	<b>1.8</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>				
Deferred tax asset attributable to tax losses in Denmark	-	11.9	-	-
Deferred tax liability attributable to capitalized development costs in Denmark	-20.9	-18.8	-	-
Deferred tax asset attributable to other temporary differences in Denmark	0.3	0.4	-	-
<b>Closing balance</b>	<b>-20.5</b>	<b>-6.5</b>	<b>-</b>	<b>-</b>

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 subsidiary with reference to historical performance and possibilities of utilizing the loss carry-forwards. Danish legislation limits the annual utilization of loss carry-forwards in terms of amount, which means that the Danish subsidiary will pay SEK 6.9 million (7.9) in tax for 2020. Capitalized tax loss carry forwards in Denmark have been utilized fully in 2020.

All tax loss carry-forwards, in total SEK 123.7 million (169.5), of which SEK 0.0 million (54.3) were capitalized at December 31, 2020, have an unlimited life.

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

	Group		Parent Company	
	2020	2019	2020	2019
<b>Unutilized loss carry forwards</b>				
Unutilized loss carry-forwards for which no deferred tax asset has been recognized	123.7	115.2	120.9	112.5
Potential tax asset	25.5	23.7	24.9	23.2



## Note 10 / Capitalized development costs

Group, December 31	2020	2019
<b>Opening acquisition value</b>	<b>141.7</b>	<b>101.2</b>
Internally developed assets	19.1	39.6
Foreign exchange differences for the year	-5.6	0.9
<b>Closing accumulated acquisition value</b>	<b>155.2</b>	<b>141.7</b>
<b>Opening depreciation</b>	<b>-56.2</b>	<b>-51.5</b>
Depreciation for the year	-6.4	-4.0
Foreign exchange differences for the year	2.2	-0.7
<b>Closing accumulated depreciation</b>	<b>-60.4</b>	<b>-56.2</b>
<b>Closing carrying amount</b>	<b>94.8</b>	<b>85.6</b>

### 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 up by the Board, market reports concerning future growth and technological trends. From time to time, in exceptional cases, the company uses a period other than five years to reflect the long-term nature of customers' purchasing decisions. Cash flows beyond the five-year period are extrapolated using an estimated rate of growth. The final growth rate used is 2 per cent (2). The discount rate after tax used is 10 per cent (10). 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 an impairment loss. Based on the above, it is not deemed necessary to recognize any impairment losses.

Expenditure recognized in the income statement for research and development, excluding depreciation, amounted to SEK 49.2 million (43.7) for the year.

## Note 11 / Equipment

Group, December 31	2020	2019
<b>Opening acquisition value</b>	<b>18.8</b>	<b>18.2</b>
Purchases	3.1	0.4
Sales and disposals for the year	-	-
Foreign exchange differences for the year	-0.8	0.3
<b>Closing accumulated acquisition value</b>	<b>21.1</b>	<b>18.8</b>
<b>Opening depreciation</b>	<b>-15.8</b>	<b>-13.8</b>
Depreciation for the year	-1.9	-1.8
Sales and disposals for the year	-	-
Foreign exchange differences for the year	0.6	-0.2
<b>Closing accumulated depreciation</b>	<b>-17.0</b>	<b>-15.8</b>
<b>Closing carrying amount</b>	<b>4.1</b>	<b>3.1</b>

## Note 12 / Leases

Group, December 31	2020	2019
<b>Opening acquisition value</b>	<b>29.5</b>	<b>29.2</b>
Additional rights-of-use	3.1	0.3
<b>Closing accumulated acquisition value</b>	<b>32.6</b>	<b>29.5</b>
<b>Opening depreciation</b>	<b>-4.2</b>	<b>0.0</b>
Depreciation for the year	-4.4	-4.2
<b>Closing accumulated depreciation</b>	<b>-8.6</b>	<b>-4.2</b>
<b>Closing carrying amount</b>	<b>24.0</b>	<b>25.3</b>

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 have been expensed directly during the year and had an impact on earnings of SEK 0.0 million (0.4) and SEK 0.1 million (0.1).

Maturity analysis of lease liabilities, Dec. 31	2020	2019
Year 1	4.5	4.7
Year 2	4.2	4.3
Year 3	3.9	4.1
Year 4	3.8	3.9
Year 5	3.8	3.8
After 5 years	4.8	8.3
<b>Total lease liabilities</b>	<b>25.1</b>	<b>29.1</b>
Effect of discounting	-1.3	-3.2
<b>Total according to the balance sheet</b>	<b>23.8</b>	<b>25.9</b>
Of which short-term debt	4.2	3.9
Of which long-term debt	19.6	22.0

Total cash flow for leases during the year amounted to SEK 5.0 million (5.2).

The parent company had no leases in 2020. Leases in 2019 amounted to SEK 0.1 million at an annual cost of SEK 0.1 million.

Group, December 31	2020	2019
<b>Opening lease liability</b>	<b>25.9</b>	<b>29.2</b>
Additional lease liability	3.1	0.3
Amortization	-4.1	-3.2
Foreign exchange differences	-1.1	-0.5
<b>Closing lease liability</b>	<b>23.8</b>	<b>25.9</b>

Note 12 (cont.) Leases

	2020 Jan-Dec Excl. IFRS 16	2020 Jan-Dec Incl. IFRS 16	2019 Jan-Dec Excl. IFRS 16	2019 Jan-Dec Incl. IFRS 16
<b>Effects on profit for the year</b>				
<b>Gross profit</b>	<b>309.0</b>	<b>309.0</b>	<b>313.3</b>	<b>313.3</b>
Operating expenses, excluding depreciation	-205.5	-200.9	-175.3	-170.7
Depreciation/amortization	-8.3	-12.7	-5.8	-10.0
<b>Operating profit</b>	<b>95.3</b>	<b>95.4</b>	<b>132.2</b>	<b>132.6</b>
Net financial items	-11.2	-10.5	2.5	1.5
<b>Profit/loss before tax</b>	<b>84.1</b>	<b>84.9</b>	<b>134.7</b>	<b>134.1</b>

	2020 Jan-Dec Excl. IFRS 16	2020 Jan-Dec Incl. IFRS 16	2019 Jan-Dec Excl. IFRS 16	2019 Jan-Dec Incl. IFRS 16
<b>Effects on cash flow for the year</b>				
<b>Operating activities</b>				
Profit/loss before tax	84.1	84.9	134.7	134.1
Adjustments for non-cash items:				
– Depreciation/amortization	8.3	12.7	5.8	10.0
– Other items	11.4	11.4	-4.1	-4.1
Cash flow from changes in working capital	-23.4	-23.4	18.4	18.4
<b>Cash flow from operating activities</b>	<b>80.4</b>	<b>85.6</b>	<b>154.7</b>	<b>158.4</b>
<b>Investing activities</b>				
Purchases of property, plant, and equipment	-3.1	-6.2	-0.4	-0.6
Other items in investing activities	-19.2	-19.2	-40.1	-40.1
<b>Cash flow from investing activities</b>	<b>-22.2</b>	<b>-25.4</b>	<b>-40.5</b>	<b>-40.8</b>
<b>Financing activities</b>				
Changes in lease liabilities	-	-2.1	-	-3.4
Dividend paid	-37.5	-37.5	-30.9	-30.9
<b>Cash flow from financing activities</b>	<b>-37.5</b>	<b>-39.5</b>	<b>-30.9</b>	<b>-34.2</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>20.7</b>	<b>20.7</b>	<b>83.4</b>	<b>83.4</b>

	2020 Jan-Dec Excl. IFRS 16	2020 Jan-Dec Incl. IFRS 16	2019 Jan-Dec Excl. IFRS 16	2019 Jan-Dec Incl. IFRS 16
<b>Effects on selected key figures</b>				
EBITDA	103.6	108.1	138.0	142.6
Operating profit	95.3	95.4	132.2	132.6
Operating margin, %	17.9	17.9	25.7	25.8
Profit/loss for the period	60.4	61.2	102.2	101.6
Earnings per share for the period, SEK	1.37	1.39	2.32	2.30

**Note 13 / Inventories**

Group, December 31	2020	2019
Finished products	106.8	83.6
Goods in progress	8.9	12.0
<b>Total</b>	<b>115.7</b>	<b>95.6</b>

During the year product costs of SEK 213.1 million (203.3) were recognized as cost of goods sold. The year's impairment of inventories amounts to SEK 0.2 (1.0) and is recognized in cost of goods sold. No impairment of inventories to net realizable value took place during the year, nor during the previous year.

**Note 14 / Trade receivables**

Group, Age analysis of trade receivables, Dec 31	2020	2019
Not past due	83.3	74.9
Past due 0-30 days	9.8	35.3
Past due 31-60 days	7.4	0.5
Past due >60 days	1.1	1.5
<b>Total past due</b>	<b>18.2</b>	<b>37.2</b>
<b>Total receivables</b>	<b>101.5</b>	<b>112.2</b>
Anticipated bad debt losses	-1.1	-1.2
<b>Trade receivables in the accounts</b>	<b>100.4</b>	<b>111.0</b>

Doubtful trade receivables	2020	2019
<b>Opening balance</b>	<b>-1.2</b>	<b>0.0</b>
Anticipated bad debt losses	-0.5	-1.2
Reversed amounts	0.5	-
Foreign exchange differences	0.1	0.0
<b>Closing balance</b>	<b>-1.1</b>	<b>-1.2</b>

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, 2020. 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 0.5 million (1.2).

**Note 15 / Other receivables**

Group, December 31	2020	2019
VAT	4.9	4.6
Receivables from supplier	1.8	0.7
Other	0.7	0.1
<b>Total</b>	<b>7.4</b>	<b>5.4</b>

**Note 16 / Prepaid expenses and accrued income**

Group, December 31	2020	2019
Advances to suppliers	5.1	2.5
Insurance	0.5	1.0
Exhibition expenses	0.5	0.7
IT expenses	0.2	0.2
Other prepaid expenses	0.3	0.1
<b>Total</b>	<b>6.6</b>	<b>4.5</b>

**Note 17 / Share capital**

At December 31, 2020 share capital amounted to SEK 44.1 million (44.1), allocated among 44,098,494 shares (44,098,494) with a quotient value of SEK 1.00.

The number of outstanding stock options amounts to 1,660,000 (1,039,000), which entitle the holder to subscribe for 1,660,000 (1,039,000) shares, distributed over three (two) programs.

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

**Note 18 / Accrued expenses and prepaid income**

Group, December 31	2020	2019
Holiday pay liability	16.6	12.7
Salary and other remuneration	7.7	17.5
Social security contributions	3.2	0.8
Prepaid income	-	3.6
Audit fees	0.6	0.6
Rental of premises	-	0.2
Board fee	-	0.1
Other accrued expenses	8.7	1.3
<b>Total</b>	<b>36.8</b>	<b>36.7</b>

Parent company, December 31	2020	2019
Social security contributions	0.1	0.3
Audit fees	0.2	0.2
Board fee	-	0.1
Salary and other remuneration	0.1	0.3
Other accrued expenses	0.9	0.6
<b>Total</b>	<b>1.4</b>	<b>1.5</b>

## Note 19 / Earnings per share

### Earnings per share before dilution

Group	2020	2019
Profit after tax	61.2	101.6
Average number of shares outstanding, thousands	44,098	44,098
<b>Earnings per share before dilution</b>	<b>1.39</b>	<b>2.30</b>

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

### Earnings per share after dilution

Group	2020	2019
Profit after tax	61.2	101.6
Average number of outstanding shares after dilution, thousands	44,781	44,189
<b>Earnings per share after dilution</b>	<b>1.37</b>	<b>2.30</b>

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 2020 was SEK 150.94 (74.40).

## Note 20 / Non-cash items

Group	2020	2019
Depreciation/amortization	12.7	10.0
Change in warranty provision	0.0	-0.3
Employee Stock Option Program	3.5	1.5
Foreign exchange differences	7.8	-2.5
<b>Total</b>	<b>24.0</b>	<b>8.7</b>
Parent company	2020	2019
Anticipated dividend	-110.0	-
<b>Total</b>	<b>-110.0</b>	<b>-</b>

## Note 21 / 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	85.4
INVISIO Communications Inc.	38-4018124	Delaware, USA	100	100	0.6
INVISIO Communications SAS	820 683 654	Paris, France	100	100	0.2
INVISIO Srl	MI - 2128807	Milan, Italy	10,000	100	0.1
Nextlink IPR AB	556691-0385	in Stockholm	1,000	100	2.5
Nextlink Patent AB	556680-1774	in Stockholm	1,000	100	0.1

Parent company, December 31	2020	2019
<b>Opening reported value</b>	<b>85.4</b>	<b>83.9</b>
Employee Stock Option Program	3.5	1.5
<b>Closing carrying amount</b>	<b>88.9</b>	<b>85.4</b>

## Note 22 / Related party disclosures

Inter-company transactions are with the parent company's wholly-owned subsidiaries, which is presented in Notes 5 and 21.

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 23 / Events after the close of the financial year

On January 29, 2021 INVISIO acquired 100 per cent of the shares in Racal Acoustics Ltd. The company has 54 employees and sales of about SEK 130 million, of which SEK 25 million is intercompany. The purchase price was about SEK 195 million and financing included an acquisition credit of SEK 100 million. Acquisition-related costs in 2020 amounted to SEK 7.2 million and have been recognized as other operating expenses in the income statement.

In connection with the acquisition of Racal Acoustics LTD on January 29, 2021, 100 per cent of the shares in its sister company, Racal Acoustics Inc., was acquired. The company has sales of about SEK 25 million and 2 employees. The purchase price was about SEK 5 million.

Racal develops systems for communication and hearing protection intended for users in defense, rescue services and the aviation sector. The companies will strengthen INVISIO's market-leading position in systems for communication and hearing protection.

Goodwill at the time of acquisition is the excess of the cost of an acquisition over the fair value of the acquired net assets. The reasons for goodwill are expected future sales growth and profitability, as well as the personnel included in the acquired companies.

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, trademarks are amortized over a period of 8 years and technology are amortized over a period of 15 years. Annual estimated amortization of intangible assets for the year's acquisition amount to about SEK 12.2 million.

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

<b>SEK MILLION</b>	
<b>Acquisition price</b>	
Purchase price, cash	200.8
<b>Total</b>	<b>200.8</b>
<b>Fair value of acquired assets and liabilities</b>	
Intangible assets	106.4
Other non-current assets	24.8
Inventories	17.6
Other current assets	37.9
Cash and cash equivalents	16.5
Deferred tax liability	-20.1
Other liabilities	-36.9
<b>Total</b>	<b>146.1</b>
<b>Goodwill</b>	<b>54.7</b>
<b>Change in the Group's cash and cash equivalents</b>	
Purchase price paid in cash	200.8
Less cash and cash equivalents in the acquired operations	-16.5
<b>Impact on the Group's cash and cash equivalents</b>	<b>184.3</b>

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on April 28, 2021 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, March 25, 2021

Annika Andersson  
Chair of the Board

Charlott Samuelsson  
Board member

Charlotta Falvin  
Board member

Lage Jonason  
Board member

Martin Krupicka  
Board member

Ulrika Hagdahl  
Board member

Lars Højgård Hansen  
President/CEO

Our audit report was submitted on March 30, 2021

PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized Public Accountant  
Auditor in charge

Åsa Markefors  
Authorized Public Accountant

# Auditor's report

Unofficial translation

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 2020. The annual accounts and consolidated accounts of the company are included on pages 56–84 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 2020 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 2020 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 Board of Directors 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.

### 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 1–55. 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.

**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.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<b>Capitalised development expenditure</b>	

The group reports SEK 95 million in capitalised development expenditure, classified as fixed assets in the balance sheet.

Expenses in development projects are reported as assets when it is probable that the project will be successful on the starting point of commercial and technical possibilities applying and when the costs can be measured in a reliable manner.

The capitalized development expenditures have a limited useful life and written off linearly from the time the commercial production of the product begins. Depreciation is done over the expected useful life, 3-7 years. A recoverable amount is calculated when there is an indication that the asset has decreased in value.

Intangible assets under construction are tested annually for impairment. The impairment testing is based on evaluations and assumptions which are complex and which involve a large degree of significant judgments on behalf of company management. In Notes 1 and 10, there is a description of the manner in which company management has made its evaluations.

Our audit activities included assessment of depreciation period, a review of the calculation model applied and the challenging of significant assumptions which company management has used in the impairment testing, primarily as regards estimated future cash flows based on financial forecasts and strategies approved by company management. The assumptions reflect the financial goals established by the Board of Directors, market reports regarding future growth and technology trends.

We have also assessed the reasonability of the budget which the company management presented and which was approved by the Board of Directors, by evaluating the historical outcome against the adopted budgets.

We have evaluated the impact of changes in significant assumptions such as operating income and the discount rate on the margin of safety, and on the basis of these tests we have assessed the risk that an impairment requirement might exist.

We also evaluated company management's assessment as to how the group's calculation models are impacted by changes in assumptions, and have compared this with the information presented in the annual accounts related to the impairment tests.

We share company management's assessment regarding the reporting of capitalised development expenditure.

**Revenues**

The group's net sales amounted, for the year, to SEK 532 million and were comprised of the sale of goods.

Revenue comprises an identified risk area based on its importance in the financial reporting. Sales take place primarily via a global network of partners and retailers but the company also sells via its own companies in Denmark, US France and Italy. The large number of transactions implies an increased risk as regards the completeness and correctness of the revenue recognition.

There is also a risk that revenues are reported in incorrect amounts and that all revenues for a given financial year are not reported in that year. Likewise, the general risk of improprieties in the revenue recognition also impacts our assessment.

Our audit activities have included substantive procedures applied to net sales with the help of data analyses and furthermore sample tests of customer contracts. Furthermore, we have also undertaken an analysis of revenues based on consideration of the underlying contracts and the clients' possibility to make returns.

We have undertaken an examination of the allocation of sales and costs of goods sold to ensure that sales and costs of goods sold have been correctly reported during the financial year.

The audit was executed with satisfactory results.



### 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/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of INVISIO AB (publ) for the year 2020 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 Director's 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's equity, consolidation requirements, liquidity and position in general.

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](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

PricewaterhouseCoopers AB, [address], was appointed auditor of INVISIO AB (publ) by the general meeting of the shareholders on the 5 May 2020 and has been the company's auditor since 11 April 2008.

Malmö, March 30, 2021  
PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized Public Accountant  
Partner in charge

Åsa Markefors  
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 (performance measures) 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

<b>January-December (SEK million)</b>		<b>2020</b>	<b>2019</b>
Gross profit	A	309.0	313.3
Operating expenses	B	213.6	180.7
<b>EBIT (Operating profit)</b>	<b>A-B</b>	<b>95.4</b>	<b>132.6</b>
EBIT (Operating profit)	A	95.4	132.6
Depreciation/amortization and impairment, intangible assets and property, plant and equipment	B	12.7	10.0
<b>EBITDA</b>	<b>A+B</b>	<b>108.1</b>	<b>142.6</b>
Research and development costs	A	56.1	48.1
Amortization of intangible assets	B	6.4	4.0
Capitalized development costs	C	19.1	39.6
<b>Investments in R&amp;D</b>	<b>A-B+C</b>	<b>68.8</b>	<b>83.7</b>
EBIT (operating profit)	A	95.4	132.6
Acquisition-related non-recurring costs	B	7.2	-
<b>EBIT excluding acquisition costs</b>	<b>A+B</b>	<b>102.6</b>	<b>132.6</b>
<b>31 December</b>		<b>2020</b>	<b>2019</b>
Equity, SEK million	A	378.9	366.0
Number of shares, thousands	B	44,098	44,098
<b>Equity per share, SEK</b>	<b>A/B</b>	<b>8.59</b>	<b>8.30</b>
Equity, SEK million	A	378.9	366.0
Number of shares after dilution, thousands	B	45,758	45,137
<b>Shareholders' equity per share after dilution, SEK</b>	<b>A/B</b>	<b>8.28</b>	<b>8.11</b>

## Financial calendar

Interim report January–March 2021	April 28, 2021
Annual General Meeting of Shareholders 2021	April 28, 2021
Interim report January–June 2021	July 22, 2021
Interim report January–September 2021	October 28, 2021

The Annual General Meeting in 2021 will be conducted through advance voting (postal voting). No meeting will be held allowing attendance in person or by proxy.

The notice to attend can be found at [www.invisio.com/IR](http://www.invisio.com/IR).

# Five-year review

<b>Income statements, January-December (SEK million)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total revenue	532.0	513.8	354.5	365.7	330.0
Cost of goods sold	-222.9	-200.5	-154.7	-163.4	-159.0
<b>Gross profit</b>	<b>309.0</b>	<b>313.3</b>	<b>199.7</b>	<b>202.3</b>	<b>171.0</b>
Operating expenses	-200.9	-170.7	-132.0	-119.4	-73.2
Depreciation/amortization and impairment losses	-12.7	-10.0	-4.3	-4.4	-7.5
<b>Operating profit</b>	<b>95.4</b>	<b>132.6</b>	<b>63.5</b>	<b>78.5</b>	<b>90.4</b>
Net financial items	-10.5	1.5	0.7	-5.1	-0.1
<b>Profit/loss before tax</b>	<b>84.9</b>	<b>134.1</b>	<b>64.2</b>	<b>73.5</b>	<b>90.3</b>
Income tax	-23.7	-32.5	-16.0	-11.2	1.5
<b>Profit/loss for the year</b>	<b>61.2</b>	<b>101.6</b>	<b>48.2</b>	<b>62.3</b>	<b>91.8</b>

<b>Balance sheets, December 31 (SEK million)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	94.8	85.6	49.7	27.7	17.5
Property, plant and equipment	4.1	3.1	4.4	4.5	3.3
Rights of use, leases	24.0	25.3	-	-	-
Financial assets	5.1	4.1	17.3	27.4	35.7
<b>Total non-current assets</b>	<b>128.0</b>	<b>118.0</b>	<b>71.4</b>	<b>59.6</b>	<b>56.5</b>
<b>Current assets</b>					
Inventories	115.7	95.6	101.3	36.3	25.9
Trade receivables	100.4	111.0	104.6	121.1	39.4
Other current receivables	14.0	10.0	16.2	12.1	5.9
Cash and cash equivalents	157.7	145.1	62.2	113.2	133.2
<b>Total current assets</b>	<b>387.8</b>	<b>361.7</b>	<b>284.3</b>	<b>282.6</b>	<b>204.4</b>
<b>TOTAL ASSETS</b>	<b>515.8</b>	<b>479.7</b>	<b>355.7</b>	<b>342.2</b>	<b>260.9</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>	<b>378.9</b>	<b>366.0</b>	<b>292.0</b>	<b>259.9</b>	<b>209.5</b>
<b>Long-term liabilities</b>					
Lease liabilities	19.6	22.0	-	-	-
Deferred tax liabilities	20.5	6.5	-	-	-
<b>Total long-term liabilities</b>	<b>40.1</b>	<b>28.5</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Trade payables	35.3	29.8	39.6	49.7	26.0
Lease liabilities	4.2	3.9	-	-	-
Other current liabilities	57.3	51.5	24.1	32.7	25.4
<b>Total current liabilities</b>	<b>96.8</b>	<b>85.2</b>	<b>63.7</b>	<b>82.3</b>	<b>51.4</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>515.8</b>	<b>479.7</b>	<b>355.7</b>	<b>342.2</b>	<b>260.9</b>

<b>Cash flow statement, January–December (SEK million)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Profit/loss before tax	84.9	134.1	64.2	73.5	90.3
Adjustments for non-cash items	24.0	8.7	2.0	7.3	13.2
Income tax paid	-12.3	-2.8	-4.8	-2.7	-5.1
<b>Cash flow from operating activities before changes in working capital</b>	<b>96.7</b>	<b>140.0</b>	<b>61.4</b>	<b>78.1</b>	<b>98.4</b>
Cash flow from changes in working capital	-11.1	18.4	-64.3	-67.2	7.5
<b>Cash flow from operating activities</b>	<b>85.6</b>	<b>158.4</b>	<b>-3.0</b>	<b>10.9</b>	<b>105.8</b>
<b>Cash flow from investing activities</b>	<b>-25.4</b>	<b>-40.8</b>	<b>-25.1</b>	<b>-15.0</b>	<b>-10.5</b>
<b>Cash flow from financing activities</b>	<b>-39.5</b>	<b>-34.2</b>	<b>-26.5</b>	<b>-18.3</b>	<b>6.2</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>20.7</b>	<b>83.4</b>	<b>-54.6</b>	<b>-22.4</b>	<b>101.5</b>
<b>Key figures</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Margins</b>					
Gross margin, %	58.1	61.0	56.4	55.3	51.8
Operating margin, %	17.9	25.8	17.9	21.5	27.4
Profit margin, %	11.5	19.8	13.6	17.0	27.8
<b>Capital structure</b>					
Equity ratio, %	73.5	76.3	82.1	75.9	80.3
<b>Other</b>					
Number of employees at close of year	125	101	82	73	52
<b>The Invisio share</b>					
Number of shares at close of period, thousands	44,098	44,098	44,098	44,098	43,449
Earnings per share, SEK	1.39	2.30	1.09	1.42	2.14
Earnings per share after dilution, SEK	1.37	2.30	1.09	1.41	2.08
Equity per share, SEK	8.59	8.30	6.62	5.89	4.82
Shareholders' equity per share after dilution, SEK	8.28	8.11	6.62	5.89	4.75
Share price at close of period, SEK	250.00	101.80	56.90	79.25	63.75

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