

INVISIO®

Annual report 2018

# INVISIO makes a difference in tough environments

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INVISIO develops and sells advanced communication systems with hearing protection that help professionals in noisy and mission critical environments to communicate and work more effectively.

The systems give operational advantages and increased security for military and security personnel. They also contribute to reducing the costs of hearing loss for individuals and society.

INVISIO's systems are technical leaders. The company combines knowledge of the user's working situation with advanced technologies to develop innovative products that

interact for the great benefit of the user. Manufacturing is done mainly by contract manufacturers.

The company's customers are in defense and security. Sales are primarily via a global network of partners and resellers, as well as from the headquarters in Copenhagen and the sales offices in the USA, France and Italy.

## Important events

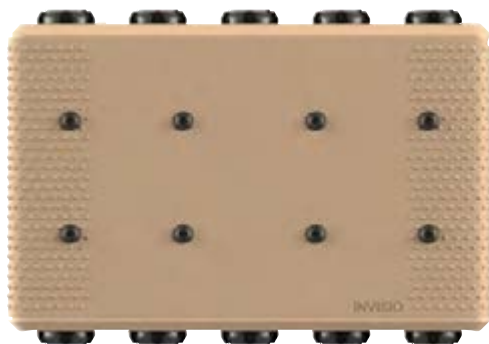
### ■ Investments according to strategy

In 2018 INVISIO carried out the greatest investments in the history of the company, in the form of product development and organizational development, both in R&D and sales. In 2019 these investments will result in several new product launches that are expected to strengthen the company's competitiveness and growth.

### ■ Strengthened market position

The company's own sales teams in the USA, France and Italy are developing well and continuing their establishment in their respective markets, with orders from both existing and new customers during the year.

In the USA INVISIO continued to deliver on the two-year contract with the US Department of Defense the company won in 2017. In 2018 INVISIO also received a number of new orders from the U.S. Security Force Assistance Brigades (SFAB). In the UK the company delivered in the framework of the five-year contract won in 2017. In addition, in 2018 the Danish army showed renewed confidence in INVISIO, resulting in a new five-year framework agreement.



### ■ First order for Intercom

INVISIO's new intercom system was developed for use together with INVISIO's personal communication equipment. At the end of 2018 the company received its first order for a small number of units from a defense force in Europe. Market penetration will be intensified gradually in 2019. Read more on CEO Lars Højgård Hansen's view of the future and market for Intercom on pages 2-3.

### ■ Sustainability at all stages

In 2018 sustainability work continued to focus on the code of conduct and anti-corruption policy for the company's principal suppliers.

## 2018 in brief

### KEY FIGURES

	2018	2017	%
Revenue, SEK million	354.5	365.7	-3
Operating profit/loss, SEK million	63.5	78.6	-19
Net profit/loss for the year, SEK million	48.2	62.3	-23
Cash flow from operating activities, SEK million	-3.0	10.9	-127

### MARGINS

Gross margin, %	56.4	55.3
Operating margin, %	17.9	21.5
Profit margin, %	13.6	17.0

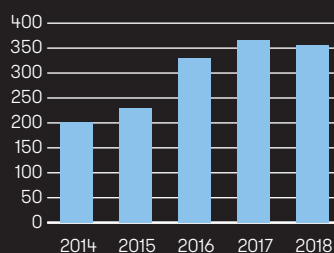
### CAPITAL STRUCTURE

Equity ratio, %	82	76
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### DATA PER SHARE

Earnings per share, SEK	1.09	1.42	-23
Equity per share, SEK	6.62	5.89	12
Share price at close of period, SEK	56.90	79.25	-28

Sales, SEK million

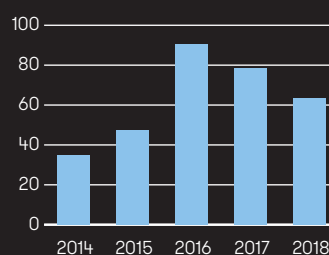


# 354.5 SEK m

in sales

Sales were SEK 354.5 million in 2018. This is a decrease of 3 per cent compared to the previous year (365.7).

Operating profit, SEK million



# 63.5 SEK m

in operating profit

The operating profit was SEK 63.5 million (78.6). The operating margin was 17.9 per cent (21.5)

# INVISIO implements greatest growth initiative in the company's history

In 2018, in accordance with the adopted strategy, INVISIO carried out the greatest investments in the history of the company, in the form of continued product development and organizational development, both in R&D and sales. These investments will have an effect in 2019, through a number of new product launches that are expected to strengthen the company's competitiveness and growth.

Several major expected orders and associated deliveries in the second half of 2018 were postponed to the first half of 2019, affecting the outcome for the full year 2018. Sales for the full year decreased by 3 per cent amounting to SEK 354.5 million (365.7). The gross margin for the full year was 56.4 per cent (55.3). In the short term the growth investments, mainly in product development and sales, will depress operating profit somewhat but will ensure the long-term objectives to increase sales and earnings. The operating profit was SEK 63.5 million (78.6), corresponding to an operating margin of 17.9 per cent (21.5).

## First order of intercom system

The very basis of our global competitiveness is our technical know-how, our understanding of the customer and innovative capacity. Investments during the year in both existing and new product categories are the highest in the company's history and will lead to new product launches in 2019. During the year development proceeded of INVISIO's new intercom system, developed for use together with INVISIO's personal communication equipment. In the fourth quarter we received our first order for a small number of units from a defense force in Europe. Market penetration will be intensified gradually in 2019 and could lead to several orders in the later part of the year.

The new category broadens INVISIO's product offer to the defense and security industry and we consider that it has the potential to make a material contribution to the company's future development.

## Favorable external factors for growth

The share of radio users in the defense and security industries is growing, giving INVISIO excellent opportunities for continued growth. Through our offer we make an active contribution to their ongoing modernization initiatives and gradually increase the industry's requirements concerning performance, functionality and user experience. The potential is great, since at present we have





addressed an estimated 8–10 per cent of the potential target market of SEK 5 billion. At the same time as modernization is in progress in many places, we see clearly that the market is also driven by the increasing awareness of authorities and employers of the importance of preventing hearing impairment. Attention has been drawn to this for example by the U.S. Army's TCAPS program, which during the year won an award for Innovation in Hearing Loss Prevention for its work to prevent hearing loss, in which INVISIO's communication system plays a central role.

### **Good performance in existing markets and GSA contract in the USA**

Our own sales teams in the USA, France and Italy developed well and continued their establishment in their respective markets, with a number of small orders from both existing and new customers. In the USA we continued to deliver on our two-year contract we won with the U.S. Department of Defense in 2017 and during the year we also received a number of new orders from the U.S. Army Security Force Assistance Brigades (SFAB). In the United Kingdom we delivered on orders from the five-year contract we won in 2017 through our partner MCL. Also in 2018, the Danish army showed renewed confidence in INVISIO, resulting in a new five-year framework agreement.

In the USA after the end of the year we won a GSA contract that makes it possible for federal, state and local authorities to rapidly and effectively buy INVISIO equipment directly from us on agreed terms. The agreement runs for five years, with the option of three extensions of five years each, that is a potential total contract period of 20 years. We expect the agreement to be of great significance for our continued development in the American market.

### **Expected breakthrough in new markets in 2019**

Our focus is to further increase our shares in existing markets while we address new geographical markets through resellers in selected growth countries in Asia, the Middle East and South America. During the year these efforts resulted in a number of small initial orders, which in the longer term we believe may lead to larger orders. Already now we can see the same pattern as in the western world, which is that orders from special forces can lead to larger volume orders from other parts of defense forces. We estimate that the first major order should be within the next quarters.

### **Committed employees as a driving force**

At our four offices in the world we have a total of 85 employees, representing twelve different nationalities. In 2018, we added new employees to both the R&D organization and the marketing and sales department to maintain a high innovation rate and to profit from market opportunities. The Management Group was strengthened with heads of Operations and Product management, respectively. INVISIO endeavors to be an attractive employer with committed employees and I consider that our diversity, in combination with specialist skills,

makes us unique. We are good at understanding our customers' needs and at driving the industry forward through our innovative capacity. We take responsibility by developing products that protect the user from hearing loss, which saves the individual and society great cost and suffering. In 2018 our sustainability work continued to focus on the code of conduct and anti-corruption policy for our principal suppliers.

### **Strong belief in the future**

We follow our strategy by increasing our market share in existing markets and expanding to new countries, broadening our offer and running a cost-effective business. With the GSA contract in the USA, renewed five-year contract in Denmark, further orders in existing customer relations and the first order of our new intercom system we have strengthened our position in our main markets.

Finally, I would like to thank our employees for their great commitment and our shareholders that make it possible for us to continue to develop tomorrow's communication systems.

Copenhagen in March 2019

Lars Højgård Hansen,  
President and CEO of INVISIO

**“The share of radio users in the defense and security industries is growing, giving INVISIO excellent opportunities for continued growth.”**

# Communication and safety in tough, demanding environments

For forces within defense and security, hearing and communication play a crucial role in control and operational capacity. Perceiving warning signals, sharing observations and assessing the surroundings are important parts of a mission. INVISIO offers a communication system with many options to suit the needs of professional users during critical operations.

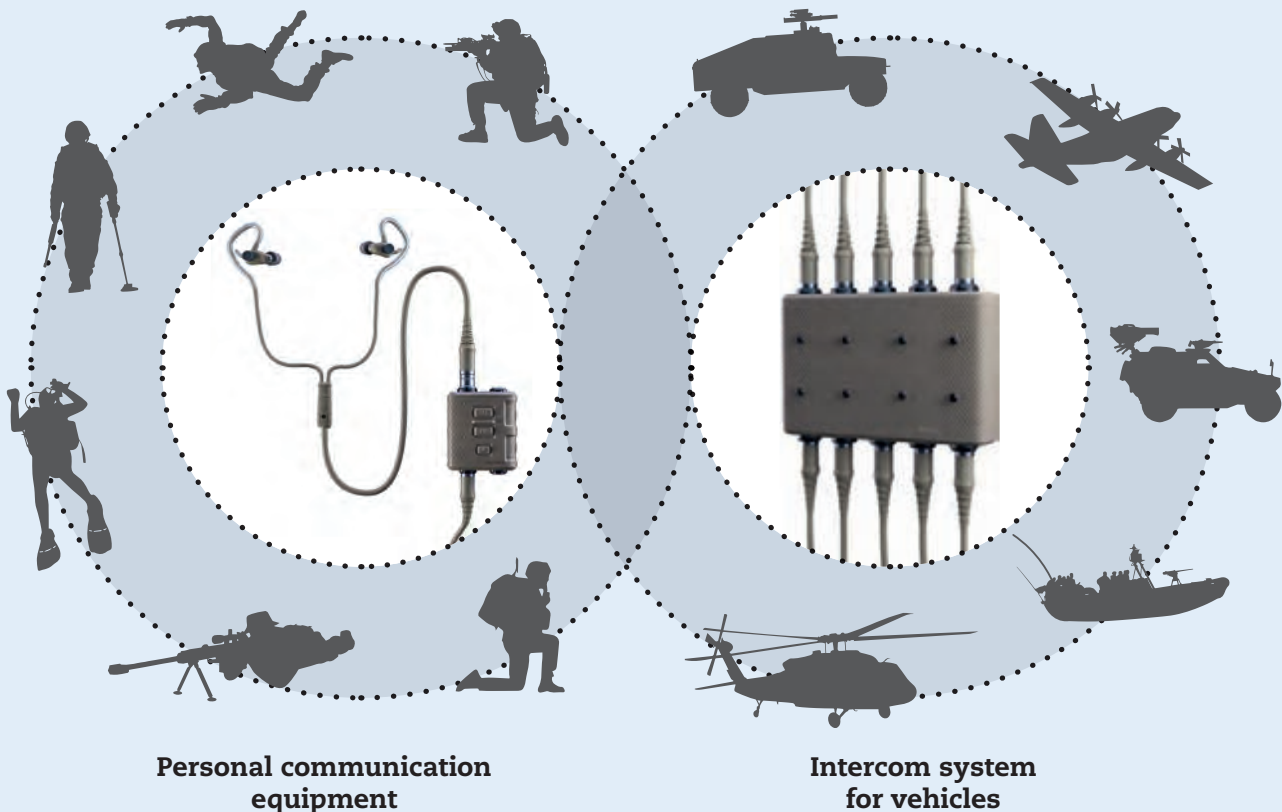
INVISIO's system facilitates and makes communication more effective for military and security forces that move in and out of different vehicles and other forms of light transport, such as boats and helicopters. The system enables the user to take note of all

information and all discussion in one place without having to change equipment. The personal communication equipment protects the user's hearing against noise and high, sharp sounds without compromising situational awareness.

## The world's most flexible communication system

The system consists of two parts that can be combined: Personal communication equipment including headset and control unit and a portable intercom system for vehicles.

The solution is used together with one or more radio units and meets a variety of communication needs that improve users' safety and operational capacity.









# Drivers and market

INVISIO operates in a global niche market offering huge potential for growth. Defense and security forces modernize their equipment in order to achieve operative advantages and protect their personnel from hearing loss.

## Drivers

Demand for INVISIO's products is driven by operational, technical, health-related and economic factors. In addition, INVISIO itself drives the market by developing communication solutions that set new standards.

### Increased operational capacity requirements

Countries throughout the world modernize their defense forces and security forces. The growing significance of communication for military operations entails demands for better access to new or modified radio equipment for an increasing number of users.

The number of radio users is growing steadily as more army soldiers are provided with more effective, durable and easily used radio solutions. The increased use of radio equipment drives demand for INVISIO's products. The company's system is compatible with most relevant radio models.

### INVISIO's equipment saves hearing

The effect of hearing loss on individuals and society is a further factor in increasing demand for INVISIO's equipment. Hearing impairment and tinnitus are the most common injuries among veterans of the American defense forces.

According to information from the US Department for Veterans' Affairs the number of individuals receiving state compensation for hearing loss has increased more than threefold in the past ten years, from 0.9 million veterans in 2006 to 3.1 million at the end of 2017. The U.S. defense forces' direct costs for care and support amount to billions of dollars annually. In addition, there is loss of income for the individuals, loss of tax revenue for the public sector and the difficult to measure but significant suffering of those affected.

INVISIO's personal communication equipment is specially designed to protect the user's hearing.

### INVISIO is driving the market

While the percentage of radio users and the need for effective hearing protection is growing, INVISIO is driving market growth by developing communication solutions that are gradually raising the industry's requirements regarding performance, functionality and user experience.

#### Modernization – a global investment

The aim of modernization is to provide qualitatively improved capacity and/or reduce costs. Modernization means that a military technology – normally a platform, or a system – is replaced by an equivalent technology with higher capacity or superior functionality that is often innovative. Modernization is about more than hardware. To achieve a significant increase in military effectiveness, the new item must be married to an appropriate organization, concept of operations, set of tactics, command and control system, and supporting infrastructure.

Source: [www.heritage.org/military-strength/topical-essays/winning-future-wars-modernization-and-21st-century-defense](http://www.heritage.org/military-strength/topical-essays/winning-future-wars-modernization-and-21st-century-defense)



## Market

At present more than 90 per cent of INVISIO's income is from military customers. Industry statistics show that globally there are about 50 million soldiers, of which 20 million are deemed to be active. The largest numbers of soldiers are in countries in Asia, but their defense forces do not yet invest in advanced communication and hearing protection systems.<sup>1</sup>

Technologically mature countries with awareness of hearing protection issues, and whose soldiers have access to advanced radio communication in operations constitute INVISIO's primary target group. About two million potential users are serving in these countries' defense forces.<sup>2</sup>

### Great potential for personal equipment...

The value of the global market for INVISIO's personal equipment is estimated to be about SEK 20 billion. As a rule, our customers carry out procurements at four-year intervals, which means that the average annual target market for INVISIO's products is about SEK 5 billion.

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



### ...and for Intercom

With the new product category for communication in vehicles INVISIO is broadening its offer to the defense and security industry and estimates that the category has potential to make a considerable contribution to the company's continued development. The company estimates that the market for the new intercom system in the long term can be at least as great as the markets the company has addressed to date with existing products.

### INVISIO wins procurement contracts

Most of INVISIO's sales are in accordance with contracts the company wins in public procurements. Since INVISIO delivered its first major order to the Danish defense forces in 2011 INVISIO has won procurements by defense authorities the world over. The breakthrough order for the American defense forces' TCAPS modernization program came in 2013. In 2015 INVISIO won major contracts in the United Kingdom, Australia and Canada. In 2017 the successes in the United Kingdom and the USA were followed up with new contracts with the respective defense forces and in 2018 INVISIO again won an important procurement for the Danish army.

End users are found both in armies and special forces. The favorable experiences of leading special forces of INVISIO's solutions has created market confidence and paved the way for supplying regular army units. Special forces are also a significant partner for product development.

<sup>1</sup> The Military Balance, the International Institute for Strategic Studies. 2017.

<sup>2</sup> Countries Ranked by Military Strength (2017). Global Firepower 2017. The Global Information Technology Report 2015, World Economic Forum. Democracy Index 2016, The Economist Intelligence Unit.

### Barriers to entry

INVISIO's focus on premium products of the highest quality and with unique characteristics has given the company a special status. Competitors wanting to enter the market must make major investments in time and resources and have patience. The customers' purchases are preceded by long selling-in processes, which may take many years from the first contact to a final order via inquiry, customer tests and public procurement tenders. In total these factors have led to the market structure being characterized by a few actors with long-standing relations to their customers.

### INVISIO's competitors

Personal communication systems with hearing protection traditionally consist of noise-reducing cups over the ears and an external microphone placed in front of the mouth. 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 extreme and mission-critical environments. Apart from INVISIO there is a handful of other suppliers in the market.

INVISIO's communications system with patented cable technology offers system integration unique to INVISIO, making the company a leading supplier of advanced communications solutions for extreme environments. The company's offer is further strengthened by the new product category for communication in vehicles, which provides a series of combined functions and needs.

INVISIO considers that the company has an advantage in relation to its competitors as regards innovative capacity, well-established relations with its customers and an understanding of their needs.

# INVISIO's strengths

INVISIO's successes come from being receptive to the users' wishes and the ability to turn them into innovative solutions. Closeness to users and customers is of great importance.

## **An innovation company with deep customer understanding**

INVISIO is a highly innovative company that develops groundbreaking solutions based on deep understanding of customers' needs.

The offer builds on a vision of uninterrupted, simple communication and how it can be realized with advanced technology.

## **Close collaboration with customers and technical expertise**

Behind the ability to transform customer insights into innovative products lies close collaboration between customers and INVISIO's experts in electronics, software, acoustics and mechanics.

## **Corporate culture promotes success**

Shared values is a key to INVISIO's successes. The corporate culture is characterized by the watchwords Customer First, Passion, Innovation and Teamwork.

## **Focusing on the core and partnership in the value chain**

INVISIO safeguards its competitiveness by focusing on R&D as well as marketing and selling. The company has established subsidiaries and sales offices in Europe and the USA. Where appropriate, INVISIO sells through cooperation with specialized partners. A few producers are responsible for manufacture of the products on a contract basis. Contracting out manufacturing gives INVISIO flexibility and the ability to manage variations in order volumes.

## **Global niche strategy in a growing market**

INVISIO combines a focus on innovative premium solutions in a small niche of the market with efforts to achieve geographical breadth.

INVISIO has customers throughout the world and will continue to expand to new geographical markets.

## **Long contracts contribute to a strong market position**

The close relations with customers and collaboration with them has given INVISIO a strong market position. Procurements won refer to contracts of a long duration. Collaboration is developed further within their frameworks.

Competitors who want to assert themselves must devote great resources to overcome these barriers.











# Financial targets

The company's financial targets are to increase sales by an average of 20 per cent per year and that the operating margin should not fall below 15 per cent.

INVISIO's customers are authorities or the equivalent that are responsible for purchasing equipment for defense forces, security forces and police forces. Suppliers are appointed within the framework of time-consuming procurement processes at irregular intervals. There is no guarantee of follow-up orders. Both order intake and sales are therefore characterized by fluctuation. This is the reason for expressing the sales target as an average over time.

INVISIO intends to continue investing in product development and market penetration to maximize its long-term growth potential. In this context the operating margin target must be regarded as a minimum level that must be maintained.

The targets were presented at the time of the company's listing on Nasdaq Stockholm in May 2015.

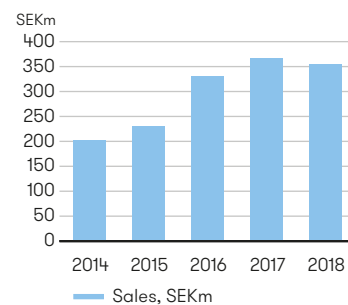
## Increase average sales by at least 20 per cent per year

In the past five-year period, the average annual sales growth was 16 per cent. In 2018 sales growth was -3 per cent. The year's outcome reflects the industry's uneven flow of orders and revenues.

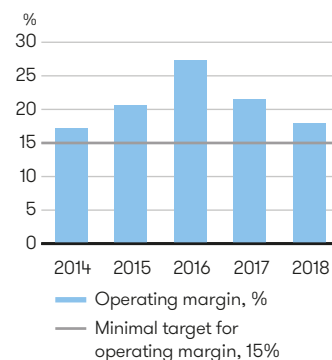
## The operating margin should not fall below 15 per cent

The operating margin was 17.9 per cent for 2018. The change in operating profit compared with previous years is explained by planned investments in growth and thus cost increases for research and development and market penetration.

Sales 2014-2018



Operating margin 2014-2018





# Strategy for profitable growth



INVISIO's offices (red), markets (blue) and potential new markets (green)



INVISIO's overall objective is to create value for shareholders by generating sustainable growth with sound profitability. Achieving the targets requires continued innovative product development, market penetration and expansion, as well as cost focus within the company and in manufacturing among partners. The overall growth strategy is manifested in four areas.

## 1 Increase market share in existing markets

Follow-up orders within the framework of procurement contracts won are of great importance to INVISIO. The company must therefore retain, nurture and further develop business with customers in defense and security in North America, Europe and Oceania.

## 2 Expand to new geographies

INVISIO must continue the preparatory marketing in the countries of Asia, the Middle East and South America with the aim of expanding to new markets with growth potential. This marketing takes place primarily together with selected resellers and partners.

## 3 Broaden the product portfolio through innovative development

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

## 4 Cost-effective business operations

Sound profitability with continued growth will be maintained 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 production costs.



# Security in cities

Unrest in the world creates the need for safety and security in crowds and at major events

## Special police units

The need for effective and flexible communication equipment with hearing protection not only exists in the defense sector, but also in special

units of the police. For example, police groups for anti-terrorism, bomb protection and negotiation work in environments where hearing and communication are a crucial factor for

effectiveness, staying power and the final outcome. The security service also has similar needs. The target group is currently a small but growing customer category at INVISIO.







## The American armed forces

The American armed forces is an important reference for INVISIO in the global ongoing modernization of communication equipment in the defense and security industry. Among the many users in the USA are the Army's TCAPS program and the U.S. Army Security Force Assistance Brigades, SFAB.

### Challenge

The American Department of Defense wanted to reduce costs related to hearing loss and impaired hearing among active military personnel and veterans, both in terms of human suffering and money.

Among war veterans in the USA, tinnitus and noise-induced hearing impairment are the most common occupational injuries. The problems have increased in the 2000s as more soldiers have served abroad and had a greater need for more advanced hearing protection. Statistics from the U.S. Department of Veterans Affairs show that hearing-related injuries cost the American public billions of dollars every year.

### Solution

To increase awareness of hearing loss the American Department of Defense established the Hearing Center of Excellence (HCE). This agency was tasked with coordinating measures to prevent injuries before they occur.

One of the measures was to modernize soldiers' hearing protection and communication equipment. After extensive tests one of the army's major modernization programs, the Tactical Communication and Protective System (TCAPS), decided to invest in INVISIO's system.

### Result

Since 2014 tens of thousands of soldiers at military bases around the USA have been supplied with the INVISIO system via the TCAPS program. Since then more units have been given access to the system, including through a contract signed between INVISIO and the Department of Defense in 2017. In the same year the army's new specialist unit, the Security Force Assistance Brigades (SFAB) was added.

In 2018 the TCAPS program was awarded the Innovation in Hearing Loss Prevention Award for its innovative approach to prevent hearing loss.

With INVISIO's system American troops have received an effective communication solution that ensures hearing protection and retained situational awareness.

# The technology



Developing a communication system that meets the demands of professional users requires expertise in several different disciplines. INVISIO combines insights in acoustics and human hearing with broad engineering know-how of electronics, mechanics and software.

## In-ear headset

### Passive protection

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

### Situational awareness

Humans can perceive where sound is coming from because the sound hits the ears at different times and is reflected by the outer ear.

Therefore, to help the user to hear ambient sounds correctly, INVISIO's headset has external microphones at both ears, placed at the start of the auditory canal. In that way the sound is gathered at the same place it would have reached an unprotected ear. INVISIO's system allows the wearer to determine where the sound comes from and understand what is happening in the environment.

### Disruption free speech

#### – Bone Conduction

Human speech creates sound waves through the air, but also through the

jawbone. INVISIO's Bone Conduction technology conducts the vibrations from the jawbone using a specially developed in-ear microphone. The signals then travel through an advanced filter in the control unit to be converted into clear speech. The construction of the Bone Conduction microphone and its location inside the ear blocks surrounding sounds and only transmits the wearer's voice to the receiver.

### The control unit

#### Active protection

The active electronic protection in the control unit helps against both noise over long periods and sudden acoustic shocks and reduces them immediately. The system can attenuate sound for example from aircraft by more than 40dB or acoustic shocks from a grenade by up to 52 dB(C). Harmless noise reaches the ear unchanged, almost as if the wearer were not wearing an in-ear headset.

### Signal processing

The control unit also makes it possible to amplify sound in the environment up to three times, to be able to hear

things that a human ear does not normally perceive. The headset amplifies sound up to 80 dB(A) in a natural way and reduces harmful acoustic pressure so that the volume from the speakers does not exceed 85 dB(A).

### Intercom system

The Intercom system can connect up to four network radios simultaneously and give five users access to internal voice communication. The system ensures clear communication in the noisiest environments.

### Intelligent cables

Plug-and-play-integration between control units, headsets, intercom and cables is the key to the versatility of the INVISIO system. When new equipment is connected to the control unit identification is automatic via information in the cable, which is helpful as no reprogramming of existing equipment is necessary.

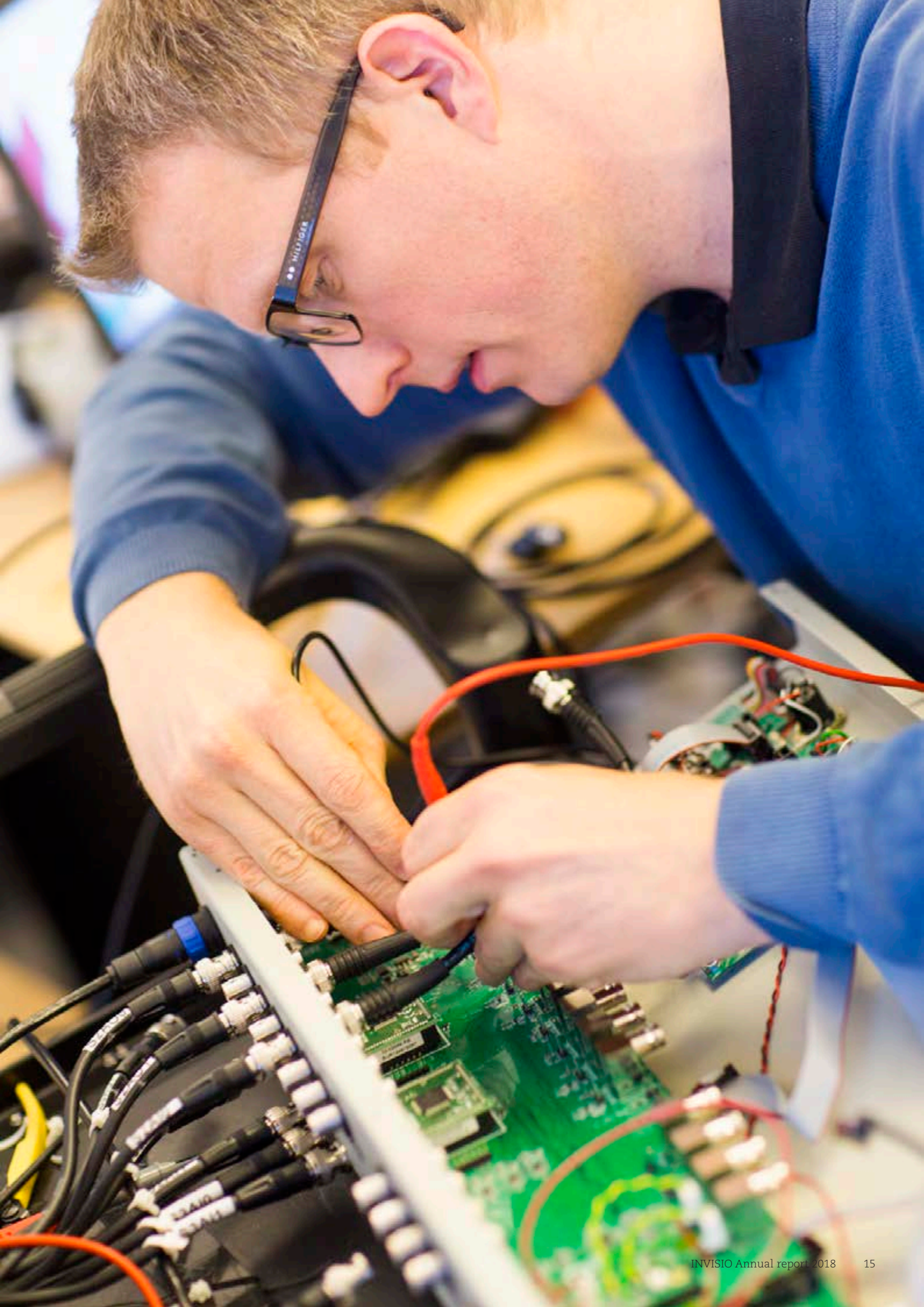
The INVISIO IntelliCable™ technology also detects externally connected units such as radios, intercom systems, mobile phones, computers and wireless PTT. The connection is fast and smooth as necessary sound and system parameters are set automatically.

**dB** Decibel. Unit of measurement of acoustic pressure.

**dB(A)** A-weighted decibel. A measurement of perceived sound level. Used for industrial and ambient noise at moderate levels.

**dB(C)** C-weighted decibel. A measurement of perceived sound level. Used for high sound levels, such as sound shocks and aircraft noise.







# INVISIO's flexible communication system

As an innovative company INVISIO has created an adaptable system that meets the communication needs of users in mission-critical environments, both on foot and in vehicles. Modularity, flexibility and user-friendliness were the guidelines for development.

## Extreme conditions

For forces within defense and security, hearing, communication and situational awareness play a crucial role in control and operational capacity. When defense and security agencies procure communication solutions, they set a number of requirements, both technical and operational. The aim is to enable users to carry out their tasks effectively and safely without being hindered by their equipment.

## Control and safety

INVISIO's communication system lives up to the high requirements of the industry, while the company's innovative capacity, approach and understanding of the customers' needs

raises the quality and creates new opportunities. With genuine customer insight and a clear common thread between customers' needs and the company's own project requirements, INVISIO builds relevance and customer value into the products from the start.

## A complete system

INVISIO's system consists of personal equipment and an intercom unit. The personal equipment, a control unit, a headset and cables, has been used for many years as stand-alone equipment for military or security personnel on foot. It can be connected to one or more radio units, for example. The personal equipment can be used to communicate effectively in extreme

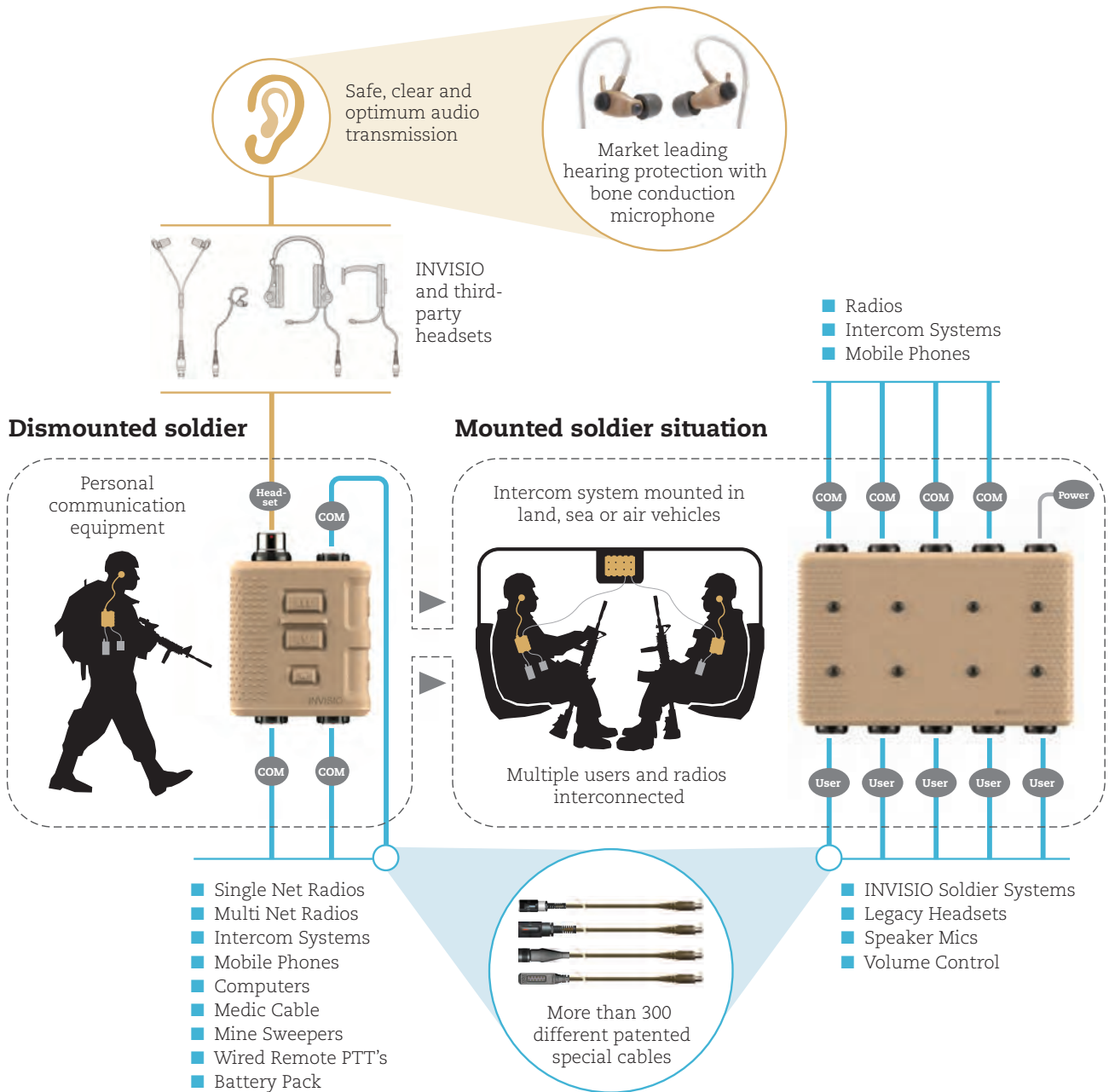
conditions, retaining situational awareness and at the same time protecting the user's hearing against harmful noise.

The intercom unit is an innovative and pioneering product intended for use in vehicles, boats, aircraft and helicopters. Users of INVISIO's personal equipment can connect to the vehicle's communication network. In that way, Intercom can extend the area of use of the personal equipment. The Intercom unit is expected to be commercially available in 2019.

Together the personal equipment and Intercom form a complete system for all operative environments, with retained situational awareness and hearing protection for the individual users.



# How the system works



## Personal system

INVISIO's personal communication system includes headset, cables and a control unit. The system is compatible with most radio and headset models and has ports for connectivity to radio networks and external units, such as intercom systems, computers, mobile phones, medical equipment and minesweepers. Connection of users and units is via special cables ("plug-and-play"), without prior installation or programming. The equipment protects the user's hearing against noise and high, sharp sounds without compromising situational awareness.

## Intercom

Soldiers in vehicles can connect their personal equipment to INVISIO's Intercom. This is a separate unit that is either carried by the individual soldier or is mounted in the vehicle. The Intercom unit is in turn connected to the vehicle's communication system. By connecting to Intercom, up to five users can access the vehicle's internal and external radio communications. Four port connections give access to critical radio communication.

## A complete whole

Using INVISIO's communication system it is possible to move by land, sea and air while retaining contact with other units and headquarters. The result is considerably improved operational capacity.



# A selection of INVISIO's communication and hearing protection systems

The product portfolio includes the control units INVISIO V20, INVISIO V50 and INVISIO V60, with one, two or three port connections. The products interact and can be connected to headsets and various radio and communication devices without changing settings.



## INVISIO V10

For users with one radio unit. Powered via the connected unit.

## INVISIO V20

For users with one radio unit. Powered via the connected unit.

## INVISIO V50

For users with two radio or communication units. Powered via battery or the connected units.

## INVISIO V60

For users with several radio or communication units. Powered via the connected units.



## INVISIO X5

In-ear headset with passive and active hearing protection, situational awareness and jawbone microphone.



## INVISIO T5

Ear-muffs and microphone powered and controlled by a control unit from INVISIO.



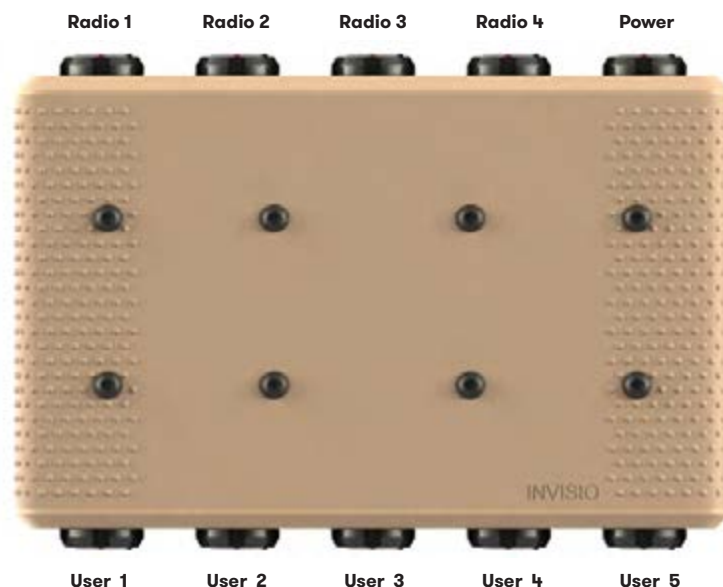
## Third-party products

As a complement to own production portfolio INVISIO also supplies equipment from strategic partners, such as various ear muff models adapted for use with INVISIO's control unit.

### INVISIO Intercom System

By extending personal equipment with INVISIO's intercom system it is possible to quickly and simply integrate with all communication platforms and vehicles. The intercom system is small, light and plug-and-play, allowing troops to move freely in different environments while being able to manage and retain access to their communication.

The system links dismounted and mounted troops and functions as a communication hub completely independent of surrounding conditions. With this system the transition between land, sea and air is flawless, at the same time allowing the user to retain full situational awareness.



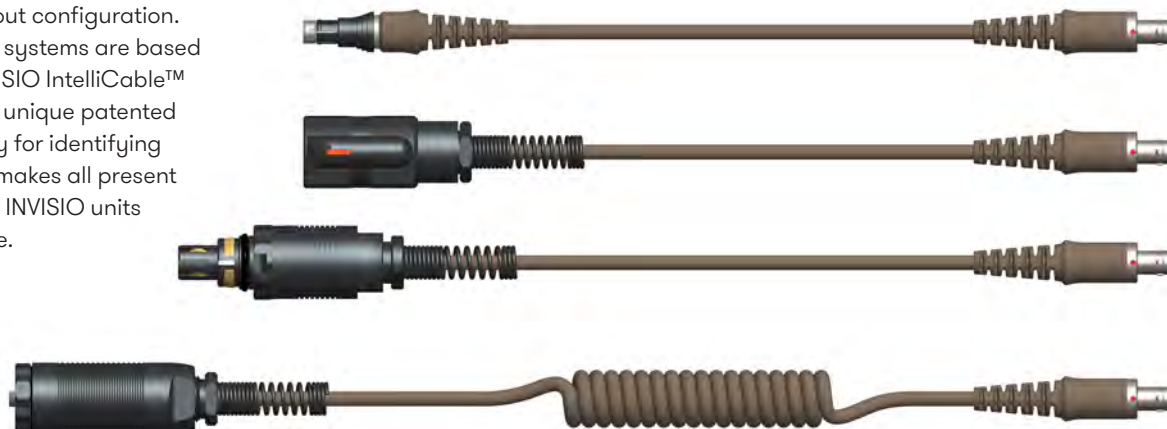
Five user ports give all users access to vehicle communication. Four port connections give access to critical radio communication. The power port can be connected to the vehicle's power source or to an external battery.

The intercom system can be packed easily in a backpack and at 500 grams is light to carry.

Intelligent cables ensure plug-and-play capacity for all external units and radio models.

### INVISIO IntelliCable™

Plug-and-play-integration between control units, intercom, headsets, and cables is the key to the versatility of the INVISIO system, since it enables connection of new INVISIO equipment without configuration. All INVISIO systems are based on the INVISIO IntelliCable™ solution, a unique patented technology for identifying units that makes all present and future INVISIO units compatible.







### **Localizing sound may be crucial**

INVISIO's headset has external microphones at both ears so that the user does not miss information that could be of vital importance.

The sound is gathered just where it would otherwise have reached the auditory canal and gives the user a three-dimensional effect to locate the source of the sound. In acute situations, situational awareness and the ability to determine what is happening around you is of great importance.

## **INVISIO supports and protects natural human hearing**

INVISIO's solutions build on deep understanding of sound and human hearing. Humans are able to determine the direction of a sound in part because it does not hit both ears at exactly the same time and because it is reflected by the outer ear. To retain as much as possible of natural hearing, INVISIO's headset is optimally positioned and is designed to give high sound quality.

Localizing sound is a complicated human process that requires a series of external and internal factors. Sound has physical characteristics that combined with how we are made help us to determine direction and distance.

INVISIO's solutions use insights from this interaction and apply a number of factors in the design phase so that the function of the headset is affected as little as possible.

### **Time and level differences**

To determine the position of the sound source, the sense of hearing mainly analyzes differences between the two ears' sound images in terms of phase (time difference) and level (level difference).

For low frequencies with long sound waves, the time lapse can be utilized; called Interaural Time Difference (ITD). For frequencies below 1,500 Hz the sound waves are so long that they do not quite reach the right and left ears simultaneously. When the wave peaks

at one ear it is already on its way down when it reaches the other ear.

At higher frequencies, where the wavelength is only a few centimeters, the ear detects that the sound is louder in the ear that is closest to the sound source. The difference in sound level between the ears is called Interaural Level Difference (ILD).

### **The shape of the ear**

The shape of the outer ear is also important to allow humans to tell where a sound is coming from. In that the ear is irregularly shaped, sound is refracted differently depending on where it is coming from. The spectrum will change somewhat depending on direction, which can be picked up by the human ear.

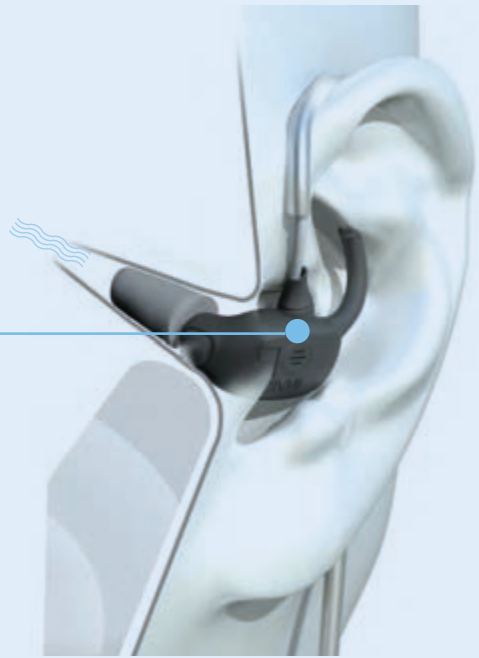
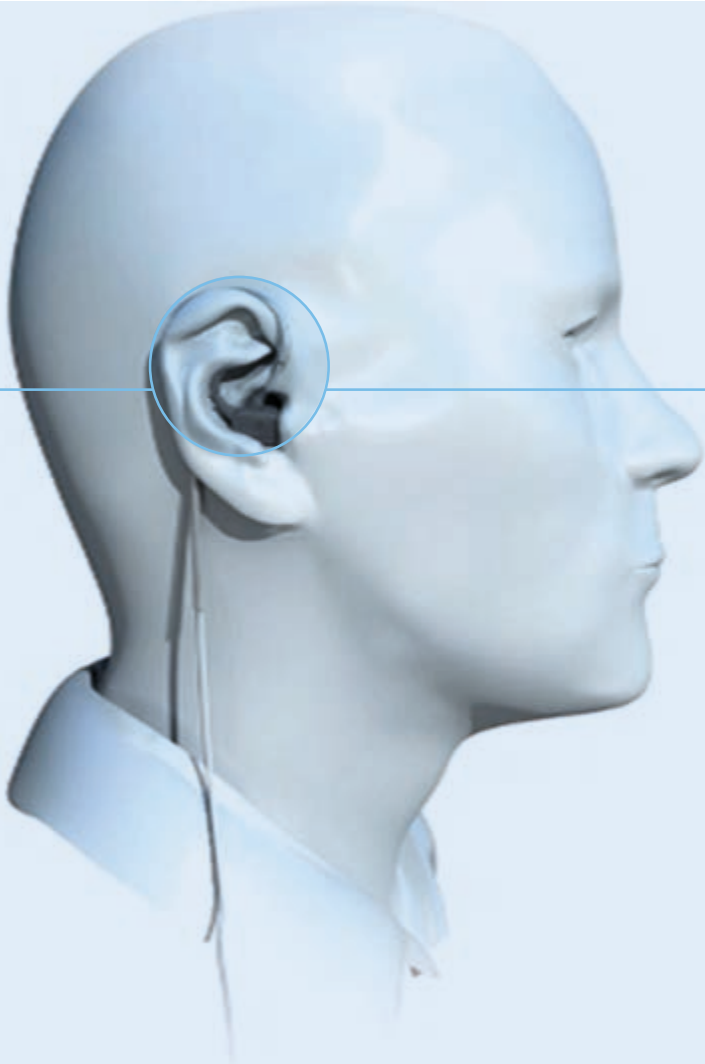
### **Reflecting sound**

Further acoustic factors that help humans to determine direction and distance include the fact that in reality sound is a combination of the original

sound and reflections from surfaces and objects in the vicinity, such as walls, ceilings, floors and other reflecting surfaces. A person's own shoulders and upper body also influence how sound waves reach the ear. Depending on whether a sound source is close or far away, the sound will be reflected differently on its way to the ear.

### **Prevents hearing loss**

INVISIO's personal communication equipment supports the user's hearing by retaining situational awareness and protecting against harmful noise through active, electronic protection and passive protection. Impaired hearing reduces the capacity to sort sounds. Voices mix with the background noise and speech may be difficult to hear. The deterioration is often gradual without being noticed until sound is perceived to be distorted or muffled. But the deterioration may also come suddenly, for example after an explosion, with immediate hearing loss as a consequence.



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

INVISIO's recruitment of R&D employees has been facilitated by the proximity to the leading international industry cluster "The Danish Sound" with its long tradition of acoustics, hearing and mobile communication in production of high-quality and innovative loudspeakers, hearing aids, test equipment, sound systems and other communication equipment.

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 in three related areas:

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

INVISIO's R&D, which is characterized by close collaboration between employees and insights about users and their needs, has been able to successfully recruit engineers with training and experience in these disciplines. The strong corporate culture and basic values of the company will continue to influence and guide



INVISIO's R&D when the number of employees grows and there is space for the company to run more projects without compromising quality or planned time frames.



# Sustainability report

INVISIO develops and sells communication systems that provide reliable communication, protect against hearing loss and help users to work safely and effectively in extreme environments. In this way our operations contribute to better health and safety as well as to a more sustainable society. Apart from reducing the suffering of individuals this also reduces society's costs related to medical care and compensation for hearing loss.

## Framework for sustainability

INVISIO has established four policies to steer INVISIO's approach and actions in the area of sustainability.

### 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. The products are of crucial importance to the users and consequently INVISIO aims for the highest quality.

Quality awareness is a central feature of INVISIO's corporate culture and sets its stamp on the company's sustainability work throughout the value chain.

### Code of conduct

INVISIO's code of conduct sets a high ethical standard and establishes common rules for how

INVISIO's employees are to act towards each other and when representing the company. The guidelines also 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. 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

INVISIO requires that suppliers comply with national laws and regulations concerning human rights, labor law, the environment and anti-corruption. The company's code of conduct for suppliers establishes principles for ethical and responsible conduct in accordance with internationally recognized regulations.

### Anti-corruption policy

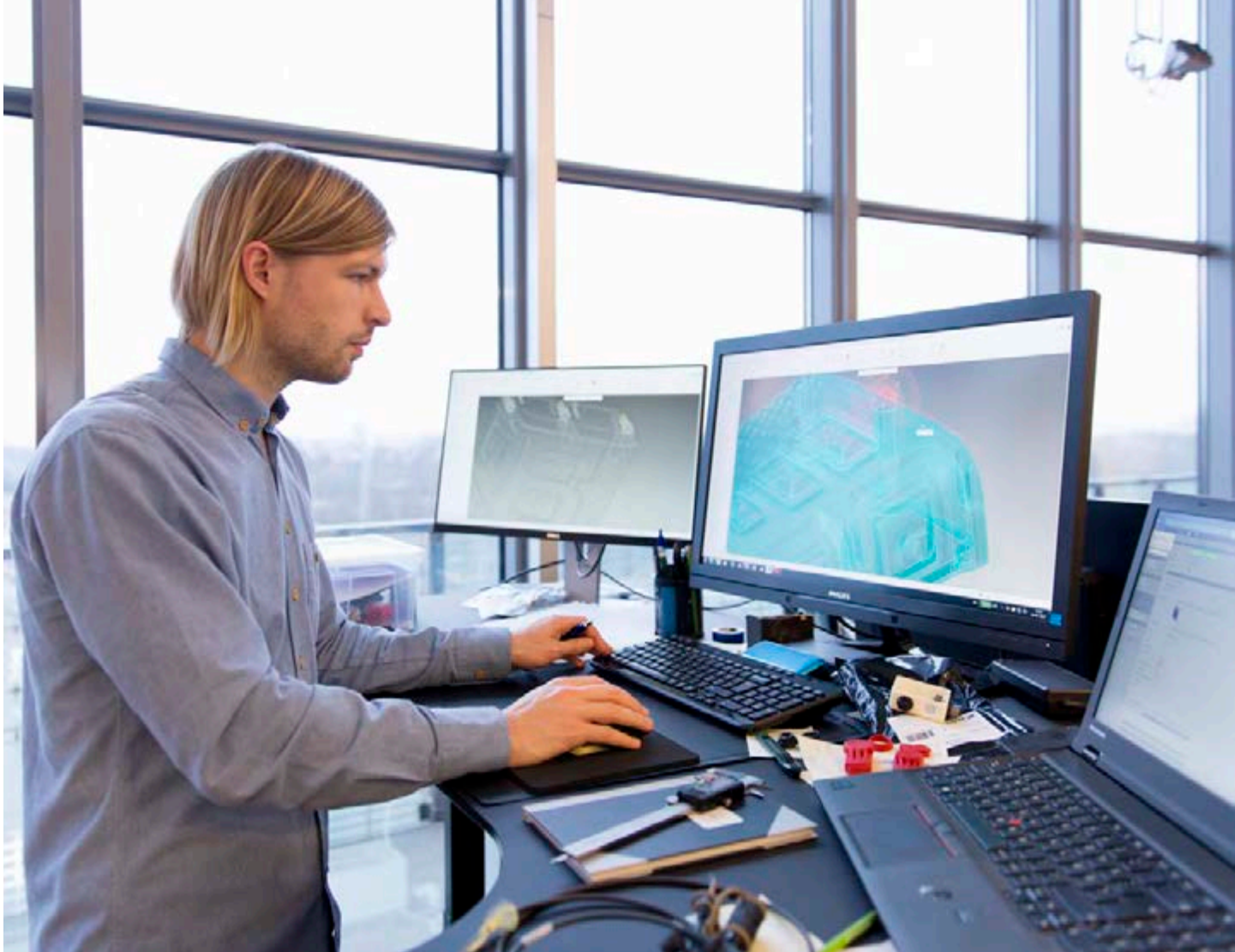
INVISIO considers that all forms of corrupt procedures, such as bribes, improper pressure, fraud, money laundering or cartel formation are harmful. To ensure that employees and INVISIO's existing and potential counterparties comply with laws as well as good practice in the area, the company has established an anti-corruption policy.

### 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.

## Overview of the value chain

	Product development	Suppliers	Partners	Management and headquarters
Risks	<p>Deficient design relating to safety, reliability and user-friendliness.</p> <p>Non-compliance with requirements.</p> <p>Use of harmful materials.</p>	<p>Inferior products.</p> <p>Insufficient compliance with INVISIO's requirements concerning human rights, working conditions, environment and anti-corruption.</p>	<p>Bribery.</p> <p>Insufficient compliance with INVISIO's requirements concerning anti-corruption.</p>	<p>Risks related to the employer-employee relationship and the relationship between employees.</p>
Policies and action	<p>General policies (Code of conduct, Code of conduct for suppliers, Quality policy, Anti-corruption policy etc).</p>			
	<p>Standardized product development and design processes.</p> <p>Extensive tests.</p> <p>Choice of material compliant with directives and standards.</p>	<p>Selection of suppliers that meet INVISIO's requirements</p> <p>Carry out regular inspections.</p>	<p>Selection of partners and resellers that meet INVISIO's requirements.</p>	<p>Employees are responsible for reading, signing and complying with the code of conduct.</p>
Our goals	<p>Successful continued implementation and maintenance of INVISIO's code of conduct and anti-corruption policy for the company's main suppliers and partners.</p> <p>Be an attractive employer with satisfied employees and a good work environment.</p>			



### **Operations and business model**

INVISIO's sustainability work should be seen in the light of the company's operations and business model. The company develops and sells communication and hearing protection equipment for professional users. Included in the value chain, apart from our own operations, component suppliers and contract manufacturers ("suppliers") and distributors and resellers ("partners").

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

The quality policy is part of INVISIO's quality management system, which is certified under the international standard ISO 9001 and contains work procedures, controls and rules for quality work.

The quality management system includes all activities in which INVISIO is directly or indirectly involved in, from identifying customer needs 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 follow-up and development.

Regular reports are made to the Board on how the system is functioning.

### **Product development**

Product development is a key process at INVISIO. The company combines know-how in various technologies in user-friendly solutions that are compatible with different types of communication equipment. The solutions are based on technically advanced sound and signal processing, among other things. The products' environmental aspects are taken into consideration early in the development process, in connection with the design and specification phase.

### **Extensive tests**

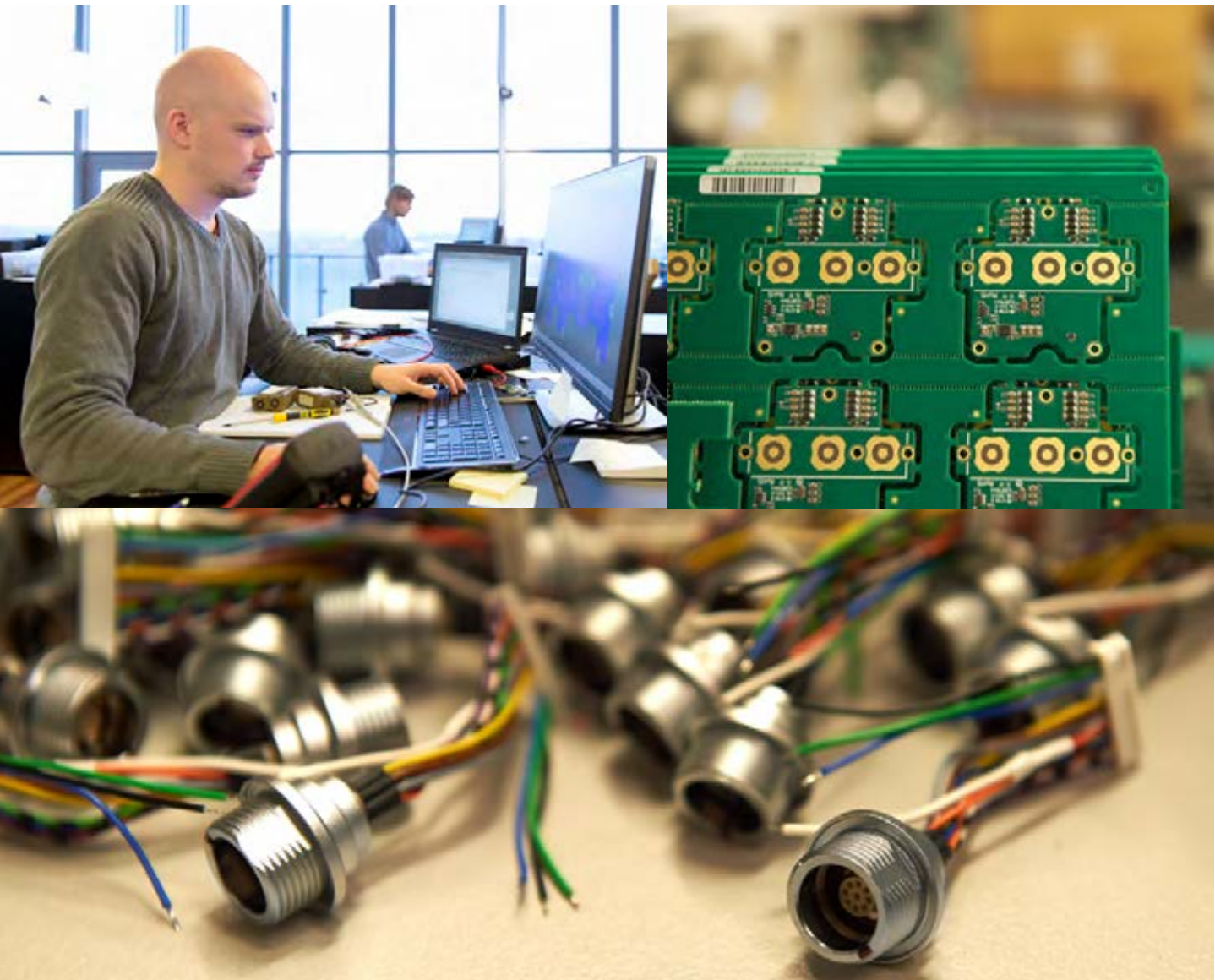
INVISIO's products are used in critical and sometimes vital situations. The products' functionality and performance are therefore of crucial impor-

tance to the user. The solutions must meet high functional requirements and tolerate heat, cold and damp, for example. Deficient products may be harmful to the user and entail major costs for the individual and society.

To verify that the products are safe, of high quality and meet the requirements of customers, authorities and certifying bodies INVISIO conducts extensive tests. For example, investigations are made to ensure that the products comply with EU regulations for the use of chemicals and hazardous substances (REACH and RoHS), electronic waste (the WEEE Directive), electromagnetic radiation (the EMC Regulation) as well as various national and military standards. The company's hearing protection is checked against European, American and Australian standards.

Field tests are carried out in the company's customer feedback process. Evaluation of the results is part of the work of constant improvement, both of product design and processes, including the test procedure itself.





## Suppliers

INVISIO's products are manufactured on contract using semi-finished products as components. Together, four of them account for about 80 per cent of INVISIO's purchases.

INVISIO checks that the largest suppliers comply with relevant rules through a process for evaluating supplier quality (SQMP, Supplier Quality Management Process). A working group with representatives from the company's R&D, Supply Chain and Quality Assurance functions is responsible for assessing, approving and monitoring the suppliers. The group holds regular meetings to evaluate existing and potential suppliers.

Since 2013 INVISIO has entered into separate Supplier Quality Agreements with its major suppliers. In early 2017

these suppliers were asked to also sign INVISIO's code of conduct for suppliers and the anti-corruption policy, which all of them did.

INVISIO regularly visits its contract manufacturers' facilities to ensure compliance. Written reports are drawn up and any non-compliance with agreements and codes of conduct are discussed with the manufacturer, and where necessary a period of grace is granted to take corrective measures.

Since implementation of sustainability policies was at the forefront for INVISIO in 2017, the discussions with suppliers during the year to a great extent have concerned implementation and where necessary adaptation of various approaches with regard to sustainability work.

## Partners and resellers

INVISIO's sales are mainly through partners but also directly through INVISIO from the headquarters in Copenhagen, as well as through the sales offices in the USA, France and Italy. The partner may also be a specialized reseller, integrator or radio manufacturer.

INVISIO requires that good business practices are maintained throughout the value chain. As of 2017 partners are requested to confirm compliance with the principles of INVISIO's anti-corruption policy.

# A values-based culture

INVISIO has about 85 employees at four offices representing twelve different nationalities. Diversity makes the company better at understanding and meeting customers' needs. In addition, diversity furthers new ideas and challenges norms, which increases the company's power of innovation.

Outstanding expertise and top-level skills are the hallmark of INVISIO employees. Almost half the staff work on research and development. The engineers specialize in fields such as acoustics, electronics, mechanics, and software. In addition, INVISIO's employees have experience of sales and marketing, quality work and all the steps of supply chain management.

People who start work at INVISIO usually feel at home. The company's low staff turnover testifies to this. Apart from a challenging and stimulating job in an international environment, INVISIO also offers health insurance and health promotion benefits to promote its employees' health.

INVISIO's headquarters are located in Copenhagen. Since the end of 2016 INVISIO also has sales offices in France and the USA and from 2017 in Italy.

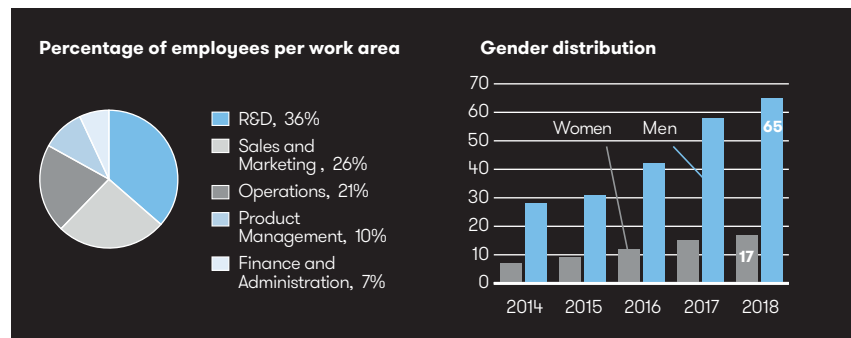
## A sound workplace that promotes mutual respect

In its own operations INVISIO lays the foundation for integrating sustainability in the rest of the value chain.

In the day-to-day office work the organization endeavors to promote measures to improve the environment. The staff are encouraged to save energy and other resources in day-to-day business operations.

Questions concerning work environment, health and safety are regulated in the company's staff manual. The work environment is marked by respect and trust for every individual employee. Insulting behavior and any forms of discrimination are unacceptable, and employees are expected to treat each other as they wish to be treated themselves.

At year-end the number of employees, restated as full-time equivalents,



was 82 (73), of which 65 men (58) and 17 women (15). During the year staff turnover was 8.7 per cent (1.5) and the aggregate short-term sickness absence in relation to total number of hours worked was 1.4 per cent (1.5).

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 for each new employee, a procedure for follow-up is integrated into the company's quality management system. Approval is registered in the document management system.

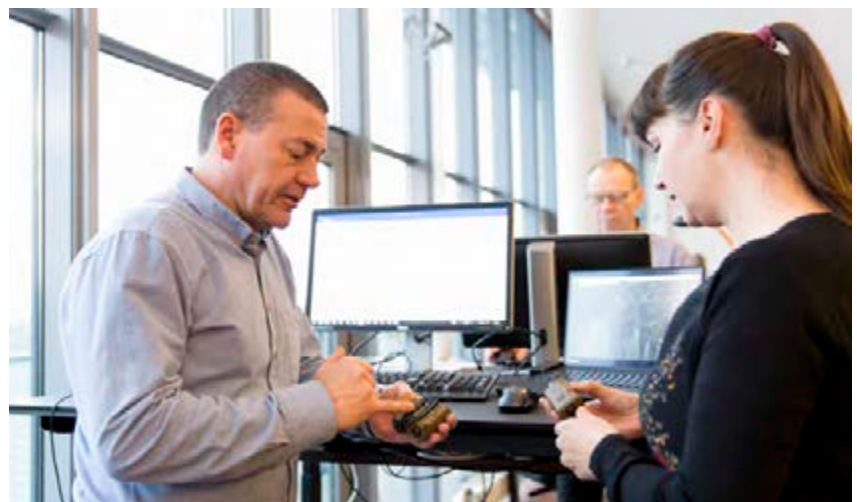
## Social commitment

INVISIO has supported the Danish network initiative Velkommen Hjem since 2017. The aim is to make veter-

ans' transition from military to civilian working life as smooth as possible. A person with experience of military service can contribute skills and knowledge of teamwork and leadership. Utilizing these resources in the civilian labor market not only benefits the individual but also employers and the entire national economy.

At Velkommen Hjem the soldier passes through an HR process and prepares to seek work. Mentors from the private business sector open up their networks and help to match experience and skills with suitable job opportunities.

Read more about Velkommen Hjem: <http://velkommenhjem.net/>





# History

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. The operations started in 1999 and until 2008 INVISIO marketed its products to both the consumer market and professional users, but then streamlined the business to focus on communication solutions for professional users.<sup>1</sup>

## 2018

Continued focus on building a larger company with a broader product portfolio, more markets and stronger customer relations. The collaboration with the Danish Ministry of Defence was extended through a 5-year agreement. Launch of control unit INVISIO V10 for special units.

## 2017

Own sales team in place in the USA, France and Italy. Launch of the control unit INVISIO V50 and presentation of a new product category for communication in vehicles.

## 2016

Strengthened market position through follow-up orders from modernization programs in the USA, UK and Australia, as well as defense customers in France and other Nato countries. Sales exceed SEK 300 million. R&D in focus with investments for the future. Launch of control unit INVISIO V20.

## 2015

Broader customer base through contracts with three new army modernization programs in the UK, Canada and Australia, as well as important orders from the Swedish army. Increased resources for R&D.

## 2014

Several large follow-up orders from the American TCAPS and several volume orders from special forces in other Nato countries. Sales more than doubled and profit for the first time. Launch of the second product generation headset, INVISIO X5.

## 2013

Breakthrough order worth SEK 40 million from the U.S. Army through the TCAPS modernization program. Continued orders from special forces in Nato. Full year sales more than doubled to SEK 85 million.

## 2012

Increased technical advances through launch of INVISIO V60, the industry's most advanced control unit. Subsequent reference order from an army customer in Nato.

## 2011

Launch of hearing protection and communication system INVISIO S10 for a directly connected radio unit. Important reference order in the domestic market from the Danish army.

## 2010

A number of reference orders from American and European defense customers. Through partners the company starts to participate in procurements for modernization programs. Launch of customized personal headset, INVISIO X6.

## 2009

Launch of the first hearing protection and communication system, the INVISIO X50 control unit with the INVISIO X5 headset. First volume order from special forces in individual Nato countries.

## 2008

INVISIO leaves the consumer market to focus on communication solutions for professional users.

<sup>1</sup> Operations 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.

# The INVISIO share

## Share capital

At the close of 2018, share capital in INVISIO Communications AB (publ) ("INVISIO") 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.

## Share capital development for the year

No change in the share capital has taken place 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

INVISIO's share has been listed on Nasdaq Stockholm since May 29, 2015 and since 2016 belongs to the Mid Cap segment. The highest price paid during the year was SEK 84.00 and the lowest was SEK 55.90. The closing price on December 28, 2018, was SEK 56.90, giving a total market value of approximately SEK 2,509 million. In 2018 a total of 13.8 million shares were traded, worth SEK 899 million.

## Shareholders

The number of shareholders at the close of the year was 3,278 (4,113) according to data from Euroclear. The ten largest shareholders controlled 67.1 per cent of the company's shares on the balance sheet date. Swedish ownership accounted for 53 per cent of the votes. The Board of Directors and management owned privately and through companies 16.8 per cent of the shares.

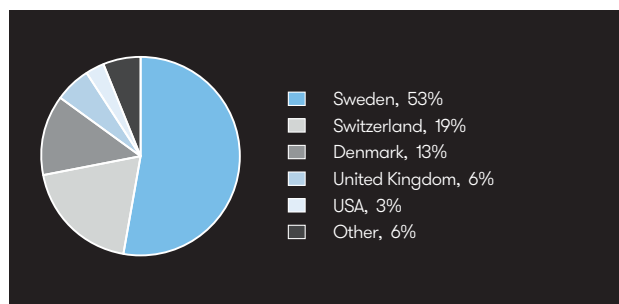
## Dividend distribution

The Board of Directors of INVISIO proposes to the 2019 Annual General Meeting that a dividend of SEK 0.70 per share be distributed for 2018 (0.60). 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.

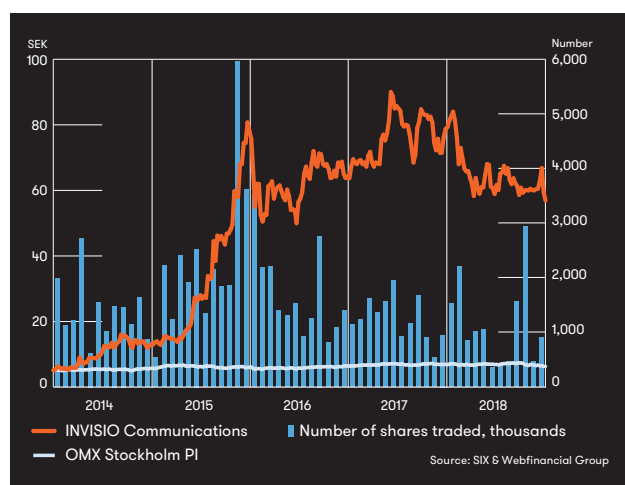
## Employee Stock Option Program

The Annual General Meeting held on April 26, 2018 resolved to offer the staff an incentive program based on stock options, the Employee Stock Option Program 2018/2021. The program is for all employees of the Group. To ensure availability of shares in INVISIO for transfer within the program, stock options were issued for the wholly-owned Danish company INVISIO Communications A/S. The stock options entitled the holder to subscribe for a total of no more than 500,000 new shares in INVISIO. As shown in Note 8, 456,000 stock options were allocated.

## Ownership by country, %



## Share price and trading 2014-2018



Ticker symbol: IVSO  
Sector: Technology  
Share's ISIN code: SE0001200015

## INVISIO's 10 largest shareholders

Shareholder	Number of shares	Voting share and capital, %
SIX SIS AG, on behalf of clients	7,992,831	18.1
Lage Jonason with family and companies	6,362,599	14.4
Swedbank Robur Fonder	2,722,599	6.2
Handelsbanken Fonder	2,350,000	5.3
Arbetsmarketedts Tillaegspension	2,345,838	5.3
Aidani AB	2,075,889	4.7
Fjärde AP-fonden	1,822,207	4.1
JP Morgan Bank Luxembourg S.A.	1,812,734	4.1
State Street Bank & Trust com., Boston	1,251,858	2.8
Försäkringsaktiebolaget, Avanza Pension	837,665	1.9
Other	14,524,274	32.9
<b>Total</b>	<b>44,098,494</b>	<b>100.0</b>

Source: Euroclear Sweden, INVISIO December 28, 2018



# Corporate Governance Report

INVISIO Communications AB (publ) (“INVISIO”) is a Swedish limited liability company with its registered office in Stockholm. Apart from the parent company, the Group consists of the wholly-owned subsidiaries INVISIO Communications A/S (Denmark), INVISIO Communications SAS (France), INVISIO Communications Inc (USA), INVISIO Communications Srl (Italy), Nextlink IPR AB and Nextlink Patent AB. The Group’s headquarters are in Copenhagen. INVISIO has applied The Swedish Corporate Governance Code (“the Code”) since the shares started to be traded in May 2015 and reports no deviations from the Code for 2018.

## 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’s Rule Book for Issuers and The Swedish Corporate Governance Code, (“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

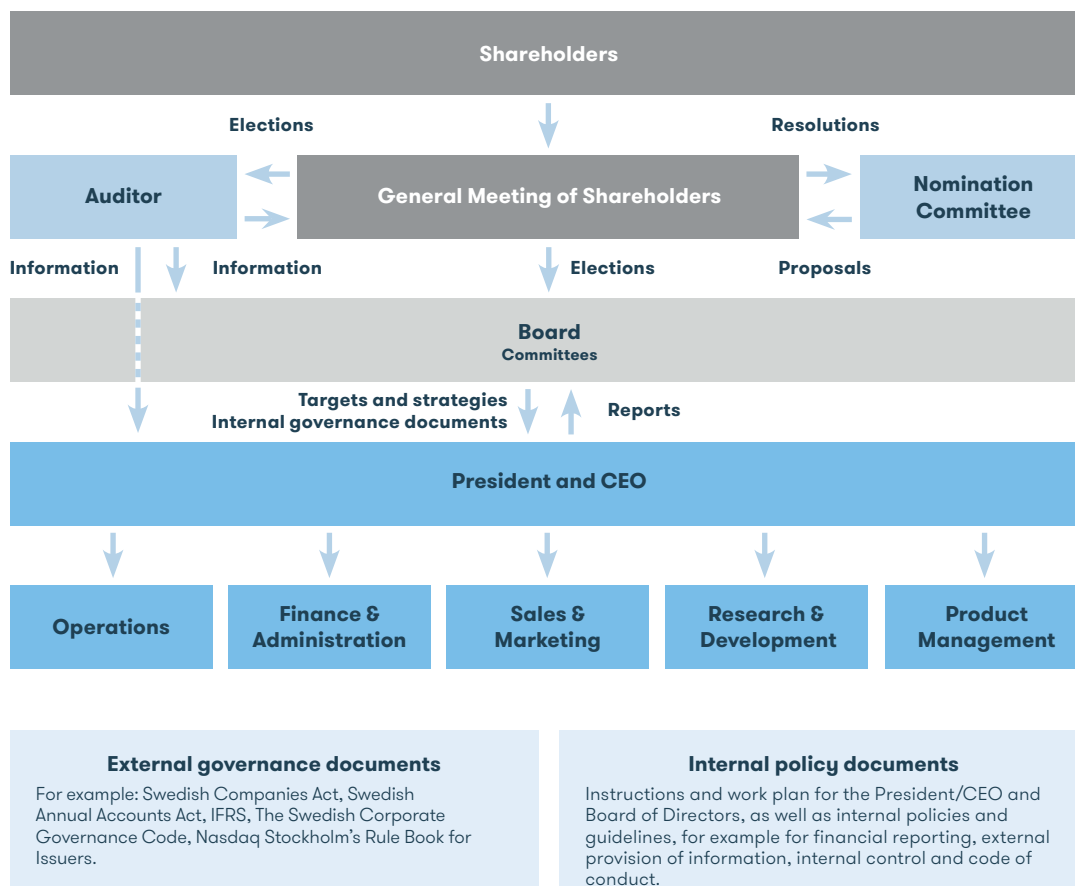
control, including external and internal policy documents, is shown in the illustration below.

## Shareholders

### Voting rights

The INVISIO share has been listed on Nasdaq Stockholm since May 2015. The Company’s share capital at December 31, 2018 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.

## Overview of corporate governance in INVISIO Communications



### Ownership structure

As at December 28, 2018, INVISIO had 3,278 shareholders (4,113). Major shareholders, representing at least 10 per cent of the votes, are SIX SIS AG, on behalf of clients, holding 18.1 per cent of the capital and votes and Lage Jonason with family and companies, holding 14.4 per cent of the capital and votes.

### 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, in Stockholm. At the Annual General Meeting, resolutions are adopted concerning adoption of the company's income statement and balance sheet, disposition of the Company's profit or loss, discharge of the board members and CEO from liability to the Company, election of members of the Board, the Chair of the Board, and auditor, the setting of board and auditors' fees, and other items of business that are incumbent upon the AGM pursuant to the Swedish Companies Act, the Articles of Association or The Swedish Corporate Governance Code. 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 2018

The 2018 Annual General Meeting was held in Stockholm on April 26. A total of 25 shareholders or their proxies were present, representing 41 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 and Lars Röckert, in accordance with the Nominating Committee's proposal. Ulrika Hagdahl and Martin Krupicka were elected as new members of the Board. Lars Röckert was re-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 Compensation of the Board and Committees presented below.
- The general meeting resolved in accordance with the Board's proposal on guidelines for compensation to the President/CEO and other senior executives as presented on page 31.

- 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 8.

The minutes of the Annual General Meeting can be found on the INVISIO website, <http://www.invisio.com/IR>

### Annual General Meeting 2019

The 2019 Annual General Meeting will be held on May 2, 2019, at 14.00. The notice to attend can be found at [www.invisio.com/IR](http://www.invisio.com/IR).

### Nominating Committee

The main function of the Nominating Committee is to present proposals to the Annual General Meeting for the composition of the Board, which are then approved 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 compensation 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 representative of the largest shareholder has declined a seat on the Nominating Committee. The members of the Nominating Committee and the shareholders appointing them are presented in the table below. The Nominating Committee held 6 minutes meetings in 2018, one of which was by correspondence.

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 largest 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. If 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 there are changes in the company's ownership structure 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

### Nominating Committee for the Annual General Meeting in 2019

Member	Representing	Voting share <sup>1</sup>
Lage Jonason	Lage Jonason with family and companies	14.4%
Lennart Francke	Swedbank Robur Fonder	6.2%
Lilian Fossum Biner, chair	Handelsbanken Fonder	5.3%
Lars Röckert	Member by virtue of being Chair of the Board	Not applicable

<sup>1</sup> Source: Euroclear Sweden, INVISIO 2018-12-28

## Corporate Governance Report

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.

### Compensation of the Nominating Committee

No compensation 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 2018 re-elected Lars Röckert, Annika Andersson, Charlotta Falvin and Lage Jonason. Ulrika Hagdahl and Martin Krupicka were elected as new members of the Board. Further, Lars Röckert was re-elected as Chair.

The members of the Board have extensive experience of the industry as well as skills within both technology and international business. For further information on the Board members, please refer to pages 32-33.

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 32-33.

### 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 the current work plan was adopted on 26 April 2018.

### 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 2018 the Board held eight 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. The attendance of the members at the meetings is shown in the table below.

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

### Evaluating the work of the Board

According to the Board's Work Plan, the 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 procedures and efficiency.

For 2018 evaluation took place partly through a questionnaire that was then compiled and commented on by an independent party, and partly through separate interviews with each member of the Board conducted by the Nominating Committee. These interviews were conducted by Lillian Fossum Biner, representing Handelsbanken Fonder, and Lennart Francke, representing Swedbank Robur fonder.

### Board members' attendance at Board meetings

Lars Röckert, Chair	8 out of 8
Annika Andersson	8 out of 8
Charlotta Falvin	8 out of 8
Lage Jonason	8 out of 8
Martin Krupicka <sup>1</sup>	5 out of 5
Ulrika Hagdahl <sup>1</sup>	5 out of 5
Anders Persson <sup>2</sup>	3 out of 3
Mats Warstedt <sup>2</sup>	2 out of 3

<sup>1</sup> Ulrika Hagdahl and Martin Krupicka were elected in April 2018

<sup>2</sup> Anders Persson and Mats Warstedt resigned in April 2018.

### Work of the Board of Directors in 2018

#### December

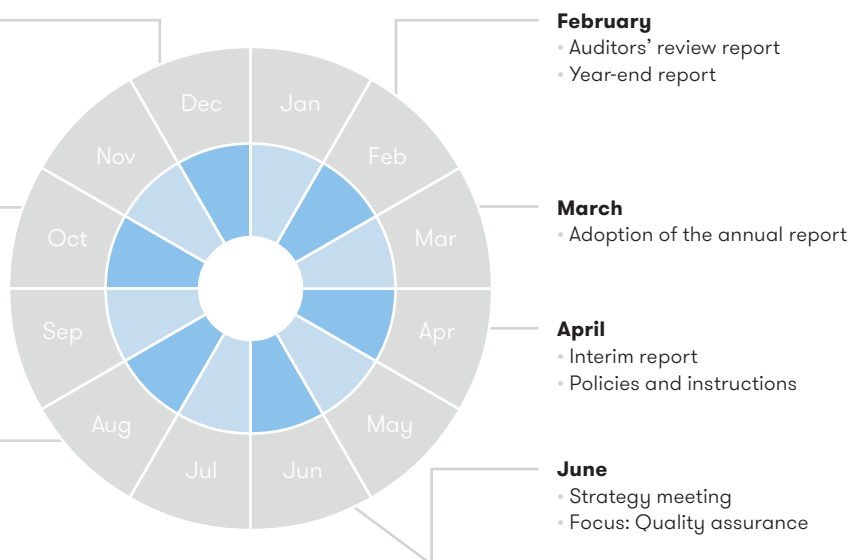
- Budget 2019
- Focus: R&D

#### October

- Interim report
- Audit Committee reporting
- Focus: Internal control

#### August

- Half-year report
- Follow up of strategy meeting
- Focus: Marketing & Sales





## Committees

### Audit Committee

The entire Board carries out the tasks of the Audit Committee. Thus, the composition of the Committee consists of all members of the Board and it is chaired by the Board 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.

### Compensation Committee

In connection with the inaugural Board meeting after the Annual General Meeting in 2018 the Board appointed a Compensation Committee consisting of Charlotta Falvin (chair), Lars Röckert and Annika Andersson.

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

In 2018 the Compensation Committee held three meetings. All members participated in these meetings.

### Compensation of the Board and Committees

Board fees are determined by the shareholders at general meetings. The 2018 Annual General Meeting resolved that board fees totaling SEK 430,000 shall be paid to the Chair of the Board and SEK 170,000 to each of the other Board members. In addition, a fee of SEK 60,000 is payable to the chair of the Compensation Committee and SEK 40,000 to each of the other members of the Compensation Committee. Compensation of the Board is described in more detail in Note 9.

### 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 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 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 2018.

The Company's auditor firm, PricewaterhouseCoopers AB, was re-elected at the 2018 Annual General Meeting for the period until 2019. The auditor in charge is authorized public accountant Mats Åkerlund.

### Compensation of the auditor

The Annual General Meeting in 2018 resolved that the fee to the auditor shall be payable in accordance with an approved invoice. Compensation 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 April 26, 2018. 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, Sales & Marketing, Research & Development, Product Management and Operations. All members of the management group are located at INVISIO's headquarters in Copenhagen. The management group holds weekly meetings at which operational issues are discussed. A more detailed presentation of the President/CEO and the management group is given on page 34.

### Compensation to the President/CEO and other senior executives

The 2018 Annual General Meeting resolved in accordance with the Board's proposal to adopt the following guidelines for compensation to the President/CEO and other senior executives, valid until the Annual General Meeting in 2019.

The company is to endeavor to offer total compensation that enables the Group to attract and retain senior executives.

Compensation to 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 Communications and its subsidiaries and it must link the interests and rewards of the senior executives with those of the shareholders.

Compensation 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. 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 compensation is to be based on how well the targets set for the respective areas of responsibility and for INVISIO Communications 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 Communications, both in the short and long term. The variable compensation shall not exceed 50 percent of the fixed salary and shall not be used as a basis for calculation of pension or vacation pay, to the extent permitted by applicable law. Any pension benefits shall be through a defined contribution plan.

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

A new proposal for guidelines will be presented at the 2019 Annual General Meeting.

### Long-term incentive programs

The Annual General Meeting held on April 26, 2018, resolved in accordance with a proposal by the Board of Directors, to establish an employee stock option program; The Employee Stock Option Program 2018/2021. The program is described more in Note 8.

### 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.

# Board of Directors



## Lars Röckert

Chair since 2011.  
Member since 2010.  
Born: 1950.

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

### Other engagements

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

### Education

Officer program at Karlberg, and Higher Course at the Swedish Armed Forces Staff College [equivalent to today's National Defence College Higher Staff Officer Training].

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

30,336 shares (via company).

### Independence

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



## Annika Andersson

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 Innovations AB, member of the boards of Karolinska Institutet Holding AB, Clavister Holding AB and Jetty AB

### Education

M.Sc. Econ., Stockholm School of Economics.

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

13,000 shares.

### Independence

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



## Charlotta Falvin

Member since 2014.  
Born: 1966.

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

### Other engagements

Board Chair of Faculty of Engineering LTH at Lund University, Skåne Startups and Regional Board of Handelsbanken South. Member of the boards of Bure Equity AB, Net Insight AB, Boule Diagnostics AB, Tobii AB, Sydsvenska Handelskammaren and sits on the Advisory Board of the SKJ Center for Entrepreneurship at Lund University.

### Education

MBA, Lund University.

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

0 shares

### Independence

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

<sup>1</sup> Source: Euroclear Sweden, INVISIO 2018-12-28



### Lage Jonason

Member since 2012.  
Born: 1951.

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

#### Other engagements

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

#### Education

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

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

6,362,599 shares (with family and companies).

#### Independence

Not independent of major shareholders and independent of the company and its management.



### Ulrika Hagdahl

Member since 2018.  
Born: 1962.

Ulrika Hagdahl previously built up and successfully ran Orc Software, where she was CEO from 1990 to 2000.

#### Other engagements

Member of the boards of Sectra AB, Haldex AB, HiQ International AB, Beijer Electronics Group AB and AB Idre Golf Ski & Spa.

#### Education

M.Sc. in Engineering, the Royal Institute of Technology, Stockholm.

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

0 shares

#### Independence

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



### 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. in Engineering, the Institute of Technology at Linköping University, MBA from Harvard Business School.

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

0 shares

#### Independence

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

### Auditor

#### PricewaterhouseCoopers AB

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

<sup>1</sup> Source: Euroclear Sweden, INVISIO 2018-12-28



# Management group



## 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 the telecom industry and has held several leading marketing positions in SonyEricsson and GN Store Nord.

### Education

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

### Holding

600,055 shares<sup>1</sup> and 35,000 options.



## Thomas Larsson

CFO.  
Employed: 2012. Born: 1964.

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

### Education

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

### Holding

240,560 shares<sup>1</sup> and 17,000 options.



## Carsten Aagesen

SVP Global Sales & Marketing.  
Employed: 2007. Born: 1968.

Carsten Aagesen has long experience of international sales and marketing from leading positions at GN Netcom 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

36,813 shares<sup>1</sup> and 17,000 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, UnoMedical and Oticon.

### Education

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

### Holding

105,921 shares<sup>1</sup> and 17,000 options.



## Sigge Frolov

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

Sigge Frolov has many years' experience of various management positions in product management and marketing, focusing on commercialization of high-tech products, including as VP Product Planning and Marketing at GN Resound, as well as various positions at Sony Ericsson and SAAB/Kockums.

### Education

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

### Holding

2,000 shares<sup>1</sup> and 17,000 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

0 shares and 0 options.

<sup>1</sup> Source: Euroclear Sweden, INVISIO 2018-12-28

### 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 28.

The Board of Directors has the overall responsibility for internal control and reporting and acts in its entirety as an Audit Committee with the task of and responsibility for monitoring INVISIO's financial reporting and monitoring the effectiveness of this process. See page 31 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 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 2018

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.

## Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in INVISIO Communications 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 2018 on pages 28-35 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 RevU 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 29, 2019

PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized Public Accountant  
Partner in charge

Åsa Markefors  
Authorized Public Accountant



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# Administration report

The Board of Directors and President of INVISIO Communications AB (publ) ("INVISIO"), corporate identity number 556651-0987, hereby submit the annual report and consolidated accounts for the 2018 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 with hearing protection that enable professionals in noisy and mission critical environments to communicate and work effectively. By combining different technologies and skills in acoustics, electronics, mechanics and software, the company creates innovative and customized solutions that replace traditional methods. The company's customers are in defense and security. Sales are primarily via a global network of partners and resellers, as well as from the headquarters in Copenhagen and the sales offices in the USA, France and Italy. The business is normally conducted via procurements.

## Sales and profit

Sales for 2018 were SEK 354.5 million (365.7), a decrease of 3 per cent in comparison with the previous year. Sales on international markets are mainly in USD, EUR and GBP. In comparable currencies sales decreased by 7 per cent.

At year-end, the order book totaled SEK 56.1 million (153.4). Gross profit was SEK 199.7 million (202.3) and the gross margin was 56.4 per cent (55.3).

Operating expenses were SEK 136.3 million (123.7). The increase refers to the larger organization and increased activities in accordance with INVISIO's growth strategy. Non-recurring costs of SEK 11.7 million were included in 2017. These referred to the discontinuation of the main distributor relationship in the USA.

Development costs of SEK 23.4 million (12.6) were capitalized during the year. Depreciation of capitalized development costs of SEK 2.5 million (3.1) were included in operating expenses.

Operating profit was SEK 63.5 million (78.6) and the operating margin was 17.9 per cent (21.5).

Net financial income was SEK 0.7 million (-5.1).

Profit before tax amounted to SEK 64.2 million (73.5) and profit for the year was SEK 48.2 million (62.3). Earnings per share were SEK 1.09 (1.42).

## 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 2018 was SEK -54.6 million (-22.5), of which cash flow from operating activities was SEK -3.0 million (10.9). Cash flow from investment activities amounted to SEK -25.1 million (-15.0). Cash flow from financing activities was SEK -26.5 million (-18.3), of which SEK -26.5 million (-21.7) was dividend paid.

During the period the Group's investments amounted to SEK 25.1 million (15.0), of which SEK 23.4 million (12.6) was capitalized development costs and SEK 1.6 million (2.4) was net investment in property, plant and equipment.

In the latter part of the year the inventory value increased temporarily to SEK 101.3 million (36.3). The build-up of inventories was to ensure faster delivery of expected orders.

## Cash and cash equivalents and financial position

The Group's cash and cash equivalents at year-end amounted to SEK 62.2 million (113.2). INVISIO has sound financial strength and the Group had no loans at year-end.

Group equity at year-end amounted to SEK 292.0 million (259.9), which gave an equity/assets ratio of 82 per cent (76).

## Significant events during the year

### Good performance in existing markets

An important part of INVISIO's growth strategy is to increase penetration of existing markets, both through our own sales offices in selected markets and also through well-established partners. INVISIO's own sales teams in the USA, France and Italy are developing well and continuing their establishment in their respective markets, with a number of orders from both existing and new customers during the year. In the USA the company continued to deliver on the two-year contract with the US Department of Defense won in 2017. During the year a number of new orders from the U.S. Security Force Assistance Brigades (SFAB) were also received. In the United Kingdom deliveries were made on orders within the framework of the five-year contract won in 2017 through our partner MCL. The five-year framework agreement with the Danish army was renewed during the year.

### New product category

INVISIO continued to focus on extending its product portfolio, both in existing and new product categories. The company received its first order for a small number of units of the completely new product category for in-vehicle communication (Intercom).

### More employees

With the aim of maintaining a high rate of innovation and utilizing market opportunities, both the development organization and the marketing and sales department were augmented with a number of new employees. The Management Group was strengthened with heads of Operations and Product management, respectively.

## Organization and employees

The Group consists of the parent company INVISIO Communications AB and the wholly-owned subsidiaries INVISIO Communications A/S [Denmark], INVISIO Communications SAS [France], INVISIO Communications Inc. [USA], INVISIO Communications Srl [Italy], Nextlink IPR AB and Nextlink Patent AB.

INVISIO Communications AB is a holding company with no operations. The main operations are in the subsidiary INVISIO Communications 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 82 (73) at the close of the year. Of the employees, 65 were men (58) and 17 women (15). One employee (1) was employed in the parent company. More information can be found in the section on sustainability on pages 22-25.

## 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 now 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 case. This is done as an integrated part of the product development process. The company balances its costs, efforts and opportunities with a focus on patents of high quality.

In the fourth quarter the company received its first order for a small number of units from a defense force in Europe in the new product category for in-vehicle communication. Product development is in close cooperation with selected customers, which has led to increased functionality in the finished solution.

In addition, a number of parallel development projects were run, aimed at strengthening the offer to customers in defense and security.

### 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.

### The share and shareholders

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

### 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 2018 amounted to SEK 0.1 million (0.1). The operating result was SEK -7.6 million (-5.4). Profit for the year was SEK -6.1 million (88.9), of which dividends from subsidiaries amounted to SEK 0.0 million (95.0).

At year-end the parent company's cash and bank balances amounted to SEK 25.6 million (28.3). Equity amounted to SEK 150.8 million (182.9), which gave an equity/assets ratio of 97 per cent (97).

### Corporate Governance Report

The corporate governance report is prepared as a separate document for the formal annual report. The Corporate Governance Report is on pages 28-35.

### Risks and risk management

INVISIO is a leading supplier of technically advanced communication equipment to professional users in a global and competitive market. 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 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 group 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 below. Detailed information about INVISIO's financial risks can be found in Note 2.

## Market risk

### Legislation and political decisions

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

INVISIO's operations are subject to fluctuations and volatility between quarters, which may impact the full year as the influx of orders is affected by long decision 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 inflow 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, which leads to 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 constitutes 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 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. 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. The company's three largest customers accounted for 51 per cent (76) of the company's net sales in 2018. The loss of one or more 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 has a product strategy aimed at launching new products in associated areas, which means a broadening of the product portfolio.

#### Dependence on suppliers

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

**Treatment:** In 2016 INVISIO broadened its base of contract manufacturers. 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.

### 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 currency risk arising from major orders is hedged in the short term.

#### Guidelines on compensation of senior executives

The last adopted guidelines for compensation of senior executives are described in Note 9 and will remain in force until the Annual General Meeting to be held on May 2, 2019. The following guidelines on compensation of senior executives will be proposed to the Annual General Meeting in 2019:

#### The Board's proposed resolution concerning guidelines for compensation of senior executives

The Board proposes the following guidelines for compensation of senior executives in the INVISIO Communications Group and members of the Board of the parent company, to the extent they receive compensation outside their board assignment.

#### Guidelines for compensation

INVISIO Communications is to endeavor to offer total compensation that enables the Group to attract and retain senior executives. Compensation to senior executives in INVISIO Communications, both in the short and long term, must be based on the individual's performance and responsibility, as well as the earnings of INVISIO Communications and its subsidiaries and it must link the interests and rewards of the senior executives with those of the shareholders.

Compensation 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 compensation**

The variable cash compensation of senior executives is to be based on how well the targets set for their respective areas of responsibility and for INVISIO Communications 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 Communications, both in the short and long term. The variable compensation shall not exceed 50 percent of the fixed salary and shall not be used as a basis for calculation of pension or vacation pay, to the extent permitted by applicable law.

**Employee Stock Option Program**

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

The Annual General Meeting 2018 resolved on adopting a stock option program. The board proposes a similar stock option program, to be resolved by this Annual General Meeting. The objective of the stock option programs is to link a portion of the employees' remuneration to the long-term performance of INVISIO Communications, and thereby align their interests with those of the shareholders.

**Pension**

Any pension benefits shall be through a defined contribution plan.

**Period of notice**

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

**Compensation of the Board of Directors**

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 compensation of 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 compensation of senior executives for 2018. The Board's evaluation and the auditor's review has resulted in the conclusion that in 2018 INVISIO Communications has complied with the guidelines adopted by the Annual General Meeting.

**Significant post year-end events**

In the USA on January 25, 2019 INVISIO was awarded a GSA contract by the General Services Administration (GSA), the US federal procurement organization.

The contract means that federal, state and local agencies can quickly and effectively buy INVISIO equipment directly from the company on agreed terms. The agreement runs for five years, with the option of three extensions of five years each, i.e. a potential total contract period of 20 years.

**Outlook for 2019**

INVISIO intends to continue its focus on selling to modernization programs in defense and security. At the same time the company will continue to invest in research and development. The initiative is part of increasing the company's product portfolio with new, related products that are estimated to have great potential. Through profitable growth INVISIO is endeavoring to achieve the company's financial targets of average growth of more than 20 per cent and an annual operating margin of at least 15 per cent.

**Proposed appropriation of earnings**

The Board of Directors proposes to the 2019 Annual General Meeting that a dividend of SEK 0.70 per share (0.60) be distributed for 2018. The Board's proposed dividend corresponds to 64 per cent (42) 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	91,247,212
Profit/loss for the year	-6,116,816
	<b>85,130,396</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	54,261,450
	<b>85,130,396</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 96.4 per cent and 80.4 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	2018	2017
Revenue	1,2 3	354.5	365.7
Cost of goods sold	4, 13	-154.7	-163.4
<b>Gross profit</b>		<b>199.7</b>	<b>202.3</b>
<b>Operating expenses</b>			
Sales and marketing expenses	4,6,7,8,9	-64.5	-55.3
Administrative expenses	4,6,7,8,9	-33.3	-31.8
Research and development costs	4,6,7,8,9	-38.4	-36.6
<b>Operating profit</b>		<b>63.5</b>	<b>78.5</b>
<b>Financial items</b>			
Financial income		0.8	0.1
Financial expenses		-0.1	-5.2
<b>Net financial items</b>		<b>0.7</b>	<b>-5.1</b>
<b>Profit/loss before tax</b>		<b>64.2</b>	<b>73.5</b>
Income tax	10	-16.0	-11.2
<b>Profit/loss for the year</b>		<b>48.2</b>	<b>62.3</b>
(Attributable to equity holders of the parent)			
<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		9.9	6.3
<b>Total comprehensive income for the year</b>		<b>58.1</b>	<b>68.6</b>
(Attributable to equity holders of the parent)			
Earnings per share, SEK	20	1.09	1.42
Earnings per share after dilution, SEK	20	1.09	1.41
Gross margin, %		56.4	55.3
Operating margin, %		17.9	21.5
Profit margin, %		13.6	17.0
Depreciation incl. in operating expenses	11,12	-4.3	-4.4



# Consolidated statement of financial position

December 31 (SEK million)	Note	2018	2017
	1,2		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capitalized development costs	11	49.7	27.7
Equipment	12	4.4	4.5
Deferred tax assets	10	15.6	25.9
Long-term deposits for rent		1.7	1.5
<b>Total non-current assets</b>		<b>71.4</b>	<b>59.6</b>
<b>Current assets</b>			
Inventories	13	101.3	36.3
Trade receivables	14	104.6	121.1
Derivative instruments	15	0.1	
Other receivables	16	9.8	10.1
Prepaid expenses and accrued income	17	6.3	1.9
Cash and cash equivalents		62.2	113.2
<b>Total current assets</b>		<b>284.3</b>	<b>282.6</b>
<b>TOTAL ASSETS</b>		<b>355.7</b>	<b>342.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	18	44.1	44.1
Other contributed capital		272.3	272.3
Translation difference		20.4	10.5
Retained earnings including profit/loss for the year		-44.8	-67.0
<b>Total shareholders' equity</b>		<b>292.0</b>	<b>259.9</b>
<b>Current liabilities</b>			
Trade payables <sup>1</sup>		39.6	49.7
Current tax liabilities	10	0.4	0.4
Other liabilities		0.2	0.1
Accrued expenses and deferred income	19	18.1	26.5
Warranty provision		5.3	5.6
<b>Total current liabilities</b>		<b>63.7</b>	<b>82.3</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>355.7</b>	<b>342.2</b>

<sup>1</sup> All trade payables mature within three 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>
	1,2,18					
<b>OPENING BALANCE AT JANUARY 1, 2017</b>		<b>43.4</b>	<b>269.5</b>	<b>4.2</b>	<b>-107.6</b>	<b>209.5</b>
Profit/loss for the year					62.3	62.3
Translation differences from foreign operations for the period				6.3		6.3
<b>Total comprehensive income</b>		<b>0.0</b>	<b>0.0</b>	<b>6.3</b>	<b>62.3</b>	<b>68.6</b>
<b>Transactions with shareholders</b>						
New issue through exercising employee stock options	8	0.6	2.8			3.4
Employee Stock Option Program	8				0.1	0.1
Dividend					-21.7	-21.7
<b>Total transactions with shareholders</b>		<b>0.6</b>	<b>2.8</b>	<b>0.0</b>	<b>-21.7</b>	<b>-18.2</b>
<b>CLOSING BALANCE AT DECEMBER 31, 2017</b>		<b>44.1</b>	<b>272.3</b>	<b>10.5</b>	<b>-67.0</b>	<b>259.9</b>
Profit/loss for the year					48.2	48.2
Translation differences from foreign operations for the period				9.9		9.9
<b>Total comprehensive income</b>		<b>0.0</b>	<b>0.0</b>	<b>9.9</b>	<b>48.2</b>	<b>58.1</b>
<b>Transactions with shareholders</b>						
Employee Stock Option Program	8				0.5	0.5
Dividend					-26.5	-26.5
<b>Total transactions with shareholders</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-26.0</b>	<b>-26.0</b>
<b>CLOSING BALANCE AT DECEMBER 31, 2018</b>		<b>44.1</b>	<b>272.3</b>	<b>20.4</b>	<b>-44.8</b>	<b>292.0</b>

<sup>1</sup> Equity is entirely attributable to the parent company's shareholders.

# Consolidated cash flow statement

January-December (SEK million)	Note	2018	2017
	1,2		
<b>Operating activities</b>			
Profit/loss before tax		64.2	73.5
Adjustments for non-cash items	21	2.0	7.3
Income tax paid		-4.8	-2.7
<b>Cash flow from operating activities before changes in working capital</b>		<b>61.4</b>	<b>78.1</b>
Change in inventories		-63.3	-9.5
Change in trade receivables		23.6	-80.4
Change in other operating receivables		-3.8	-6.1
Change in trade payables		-12.0	22.5
Change in derivative instruments			-4.3
Change in other operating liabilities		-8.8	10.5
<i>Cash flow from changes in working capital</i>		<i>-64.3</i>	<i>-67.2</i>
<b>Cash flow from operating activities</b>		<b>-3.0</b>	<b>10.9</b>
<b>Investing activities</b>			
Capitalization of development costs	11	-23.4	-12.6
Acquisition of property, plant and equipment	12	-1.6	-2.4
Acquisition of financial assets		-0.1	0.0
<b>Cash flow from investing activities</b>		<b>-25.1</b>	<b>-15.0</b>
<b>Financing activities</b>			
New issue through exercising employee stock options			3.4
Dividend paid		-26.5	-21.7
<b>Cash flow from financing activities</b>		<b>-26.5</b>	<b>-18.3</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-54.6</b>	<b>-22.5</b>
Cash and cash equivalents at start of year		113.2	133.2
Translation differences in cash and cash equivalents		3.6	2.4
<b>Cash and cash equivalents at year end</b>		<b>62.2</b>	<b>113.2</b>
<b>Supplementary disclosures to the cash flow statement</b>			
Interest received from operating activities during the year		0.2	0.1
Interest paid from operating activities during the year		-0.1	-0.1



# Parent company income statement

January-December (SEK million)	Note	2018	2017
Revenue	1,2 5	0.1	0.1
Administrative expenses	4,5,6,7,8,9	-7.6	-5.4
<b>Operating profit</b>		<b>-7.6</b>	<b>-5.4</b>
<b>Financial items</b>			
Profit/loss from participation in Group companies	22		95.0
Financial income		1.5	0.1
Financial expenses		-0.0	-0.8
<b>Net financial items</b>		<b>1.4</b>	<b>94.3</b>
<b>Profit/loss before tax</b>		<b>-6.1</b>	<b>88.9</b>
Income tax	10		
<b>Profit/loss for the year<sup>1</sup></b>		<b>-6.1</b>	<b>88.9</b>

<sup>1</sup> Comprehensive income corresponds to profit/loss for the year.

# Parent company balance sheet

December 31 (SEK million)	Note	2018	2017
	1,2		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Participations in Group companies	22	83.9	83.4
<b>Total non-current assets</b>		<b>83.9</b>	<b>83.4</b>
<b>Current assets</b>			
Receivables from Group companies	22	45.0	75.3
Other receivables		0.3	0.2
Prepaid expenses and accrued income		0.3	0.3
Cash		25.6	28.3
<b>Total current assets</b>		<b>71.3</b>	<b>104.2</b>
<b>TOTAL ASSETS</b>		<b>155.2</b>	<b>187.6</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<i>Restricted equity</i>			
Share capital	18	44.1	44.1
Statutory reserve		21.6	21.6
<i>Total restricted equity</i>		65.7	65.7
<i>Non-restricted equity</i>			
Retained earnings		91.2	28.3
Profit/loss for the year		-6.1	88.9
<i>Total non-restricted equity</i>		85.1	117.2
<b>Total shareholders' equity</b>		<b>150.8</b>	<b>182.9</b>
<b>Current liabilities</b>			
Trade payables <sup>1</sup>		0.3	0.1
Liabilities to Group companies	22	2.8	2.8
Other liabilities		0.2	0.1
Accrued expenses and deferred income	19	1.2	1.7
<b>Total current liabilities</b>		<b>4.4</b>	<b>4.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>155.2</b>	<b>187.6</b>

<sup>1</sup> All trade payables mature within three months.

# Parent company changes in equity

December 31 (SEK million)	Note	Restricted equity		Non-restricted equity		Total equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings incl. profit/loss for year	
	1,2,18					
<b>OPENING BALANCE AT JANUARY 1, 2017</b>		<b>43.4</b>	<b>21.6</b>	<b>5.0</b>	<b>42.2</b>	<b>112.3</b>
Previous year's appropriation of earnings				-5.0	5.0	
Profit/loss for the year <sup>1</sup>					88.9	88.9
New issue through exercising employee stock options	8	0.6		2.8		3.4
Employee Stock Option Program					0.1	0.1
Dividend					-21.7	-21.7
<b>CLOSING BALANCE AT DECEMBER 31, 2017</b>		<b>44.1</b>	<b>21.6</b>	<b>2.8</b>	<b>114.5</b>	<b>182.9</b>
Previous year's appropriation of earnings				-2.8	2.8	
Profit/loss for the year <sup>1</sup>					-6.1	-6.1
Employee Stock Option Program					0.5	0.5
Dividend					-26.5	-26.5
<b>CLOSING BALANCE AT DECEMBER 31, 2018</b>		<b>44.1</b>	<b>21.6</b>	<b>0.0</b>	<b>85.1</b>	<b>150.8</b>

<sup>1</sup> Comprehensive income corresponds to profit/loss for the year.



# Parent company cash flow statement

January-December (SEK million)	Note	2018	2017
	1,2		
<b>Operating activities</b>			
Profit/loss before tax		-6.1	88.9
Adjustments for non-cash items	21		-95.0
<b>Cash flow from operating activities before changes in working capital</b>		<b>-6.1</b>	<b>-6.1</b>
Change in operating receivables		-50.7	-8.1
Change in operating liabilities		-0.2	2.6
<i>Cash flow from changes in working capital</i>		-50.9	-5.5
<b>Cash flow from operating activities</b>		<b>-57.0</b>	<b>-11.6</b>
<b>Financing activities</b>			
New issue through exercising employee stock options			3.4
Dividends from subsidiaries		80.7	30.0
Dividend paid		-26.5	-21.7
<b>Cash flow from financing activities</b>		<b>54.3</b>	<b>11.7</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-2.7</b>	<b>0.1</b>
Cash and cash equivalents at start of year		28.3	28.2
<b>Cash and cash equivalents at year end</b>		<b>25.6</b>	<b>28.3</b>
Interest received during the year		0.2	0.1
Interest paid during the year		-0.0	-0.0

# Notes

## Note 1 General information, accounting policies and valuation principles

### General information

The INVISIO Communications Group (“INVISIO”) consists of the parent company INVISIO Communications AB (publ) and the wholly-owned subsidiaries INVISIO Communications A/S (Denmark), INVISIO Communications Inc (USA), INVISIO Communications SAS (France), INVISIO Communications Srl (Italy), Nextlink IPR AB and Nextlink Patent AB.

The parent company is a Swedish limited liability company with its registered office in Stockholm, Sweden, listed on Nasdaq Stockholm Mid Cap (IVSO).

All amounts are in SEK millions unless otherwise stated.

### 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 applied by the Group

Two new standards came into force on January 1, 2018: IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. Implementation of the new standards has not had any material impact on the Group’s financial statements but has resulted in new disclosures.

### IFRS 9 Financial instruments

The standard deals with classification, measurement and recognition of financial assets and liabilities. The full version of IFRS 9 was published in July 2014. It replaces the parts of IAS 39 that deal with classification and measurement of financial instruments. IFRS 9 retains a mixed measurement approach but simplifies this approach in some respects. There will be three measurement categories for financial assets; amortized cost, fair value through other comprehensive income and fair value through the profit and loss statement.

The classification of an instrument depends on the company’s business model and the characteristics of the instrument. Investments in own capital instruments must be recognized at fair value through the income statement, but it is also possible on initial recognition to recognize the instrument at fair value through other comprehensive income. No reclassification to profit or loss will then be made when the instrument is sold. IFRS 9 also introduces a new model for calculating credit loss reserves based on expected credit losses. For financial liabilities the classification and measurement are not changed apart from in cases where a liability is recognized at fair value through the income statement based on the fair value alternative. Changes in value attributable to changes in own credit risk must then be recognized in other comprehensive income.

The Group applies IFRS 9 retroactively as of January 1, 2018 using the practical simplified rules specified in the standard (prospective transition approach) and as the Group deems applicable. The comparative figures for 2017 have not been restated.

The transition to IFRS 9 has not impacted the valuation of the Group’s or the parent company’s financial instruments. The new impairment model means that provision for credit losses mainly referring to trade receivables will be brought forward. Provision

is made for all these receivables equivalent to the credit losses expected to arise during the remaining maturity and not just for the receivables that have given objective proof of the need for write-downs.

The credit loss reserve is not material at January 1, 2018, please see Note 14. The financial impact of the implementation of IFRS 9 was SEK 0.

### IFRS 15 Revenue from contracts with customers

The standard regulates recognition of revenue. The principles on which IFRS 15 builds aim to give users of financial statements more useful information about the company’s revenue.

The expanded disclosure requirements mean that information on type of revenue, date of settlement, uncertainties linked to revenue recognition and cash flow attributable to the company’s contracts with customers.

Under IFRS 15 revenue must be recognized when the customer obtains control of a good or service and is able to use and obtain benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction contracts and associated SIC and IFRIC. IFRS 15 was adopted by the EU in October 2016 and comes into force on January 1, 2018.

In 2017 the Group carried out an analysis of the effects of IFRS 15 for material revenue streams. No revenue streams were identified where IFRS 15 has any effect on INVISIO’s financial statements. The transition to IFRS 15 was made using a retrospective approach. Implementation has not entailed any transition effects on the opening balances at January 1, 2018, nor on the closing balance at December 31, 2017, and therefore presentation of revised comparative periods in the report is not applicable. Thus, the financial impact is SEK 0.

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

A number of new standards and interpretations come into force for financial years starting on or after January 1, 2019 and have not been applied when preparing these financial statements. The one that affects INVISIO is described below. None of the other IFRS or IFRIC interpretations which have not yet come into force are expected to have any significant impact on the Group.

### IFRS 16 Leases

In January 2016 the IASB published a new standard on leases that replaces IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities referring to all lease agreements, with some exceptions, be recognized in the balance sheet. This accounting is based on the view that the lessee has the right to use an asset for a specific period of time and at the same time an obligation to pay for this right. The accounting for the lessor will be unchanged in all material respects. The standard was adopted by the EU in October 2017 and is applicable to financial years starting on or after January 1, 2019. Early application is permitted. INVISIO will apply a simplified transition approach, which means that comparative figures are not restated. Implementation will impact INVISIO’s balance sheet total with an increase of about SEK 30 million, mainly as a consequence of the Group’s office lease contract. Equity will not be impacted. Since implementation of the standard means that lease payments will instead be recognized as depreciation and interest expense, it is estimated that EBITDA will be positively impacted by 6-7 percentage (based on EBITDA for the full year 2018). The effect on EBIT and profit for the year is not material. For more details on current rental contracts and leases, please see Note 7. See also more information on leases on page 54-55.

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

### Consolidated accounts

The consolidated accounts include the parent company INVISIO Communications 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 assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. For each acquisition the Group determines if all non-controlling interests in the acquired company are to be measured at fair value or at their proportionate share of the acquiree's identifiable net assets. The excess amount of the remuneration transferred, any non-controlling interest and fair value on the acquisition date of prior shareholdings over the fair value of the Group's share of identifiable net assets acquired, is recognized as goodwill. If the amount is less than the fair value for the acquired subsidiary's assets in the case of a "bargain purchase", the difference is recognized directly in other of comprehensive income.

### Foreign subsidiaries

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (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

All foreign exchange differences arising are recorded in other comprehensive income. When translating subsidiaries, the following exchange rates were used:

Currency	Income statement	Balance sheet
DKK	1.3762 (1.2949)	1.3760 (1.3229)
USD	8.6921 (8.5380)	8.9710 (8.2322)
EUR	10.2567 (9.6326)	10.2753 (9.8497)

### 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 11. At December 31, 2018 total intangible assets amounted to SEK 49.7 million (27.7). Please see Note 11 for a sensitivity analysis.

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

Deferred tax assets are reported for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

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 10 includes a description of tax loss carry forwards. At December 31, 2018 deferred tax assets referring to tax loss carry-forwards were SEK 25.4 million (31.4). If the forecast performance were to be 5 per cent lower/higher per year, all other variables being constant, the deferred tax asset at December 31, 2018 would have been SEK 0.0 million (0.0) lower/higher.

### 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, 2018, warranty provision was SEK 5.3 million (5.6). 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, 2018, would have been SEK 0.3 million (0.3) lower/higher.

### Leases (from January 1, 2019)

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 extension option will be exercised. 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 at the time of transition on January 1, 2019 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 has applied IFRS 15 Revenue from contracts with customers from January 1, 2018 applying the full retrospective transition approach. There was no impact on equity as the previously applied principles are compatible with IFRS 15.

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

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 program to modernize 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 customer 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.

#### Employee benefits

##### Variable compensation

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

##### Pension obligations

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

During the year the Group introduced share-based compensation 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.

Every balance sheet day the company revises its estimates of how many shares 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 2018/2021, please see Note 8.

#### 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 likely that future taxable profit will be available, against which the temporary differences can be offset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to income taxes 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 (up to and including December 31, 2017)

A financial asset or liability is shown on the balance sheet when the Group becomes party to the instrument's contractual terms and conditions. Trade receivables are recorded on the balance sheet when an invoice has been sent. A liability is recorded when the other party has performed and a contractual liability exists to pay, even if no invoice has yet been received. Trade payables are recorded when an invoice has been received.

A financial asset is removed from the balance sheet when the contractual rights have been realized, expire, or when the Group loses control over them. The same applies for parts of a financial asset.

A financial liability is removed from the balance sheet when the contractual liability has been fulfilled or otherwise extinguished. Acquisition and divestment of financial assets are reported on the trade date, which is the day on which the Group commits itself to buying or selling the asset.

#### Valuation

Financial instruments are initially recognized at cost of acquisition, corresponding to the fair value of the instrument plus transaction costs, which applies to all financial assets that are not recognized at fair value through the income statement.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired, for example whether it is unlikely that a debtor can fulfill its obligations. Impairment testing of trade receivables is described below.

#### Classification

INVISIO's financial assets and liabilities are classified in the following three categories: Trade receivables and loan receivables; Financial liabilities measured at amortized cost, and Financial instruments measured at fair value through the income statement.



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

### *Trade receivables and loan receivables*

Trade receivables and loan receivables are financial assets that are not derivatives. They have fixed or fixable payments and are not listed on any active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Trade receivables are reported in the amount expected to be paid in after deduction for individually assessed doubtful receivables. The expected maturity of trade receivables is short and therefore the value is recognized at the nominal amount without discounting. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms and conditions of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will go bankrupt or be subject to financial reorganization and default or delinquency in payment are regarded as indicators of impairment. The size of the provision consists of the difference between the asset's carrying amount and the present value of estimated future cash flows. Impairment of trade receivables is reported in the income statement under operating profit/loss, and impairment of a loan receivable is reported under the item financial expenses.

### *Financial liabilities are measured at amortized cost*

Loans and other financial liabilities, such as trade payables, are included in this category. Financial liabilities are initially stated at fair value, net after transaction costs.

### *Financial instruments are measured at fair value through the income statement*

This category includes all INVISIO's derivative instruments. Hedge accounting is not applied. The Group classifies financial assets at fair value through the income statement if the main purpose of their acquisition was for short-term use. They are measured both initially and after the acquisition date at fair value, while relevant transaction costs are recognized through the income statement. Financial assets at fair value through the income statement have been recognized as current assets if they are expected to be sold within 12 months of the close of the reporting period, otherwise they are recognized as non-current assets. Changes in fair value are included on the income statement in the period in which they arise.

### **Financial instruments (from and including January 1, 2018)**

The Group has applied IFRS 9 Financial instruments from January 1, 2018. The comparison year has not been restated as the Group used the modified transition approach. There was no impact on equity as the previously applied principles are compatible with IFRS 9.

The Group's financial assets and liabilities consist of the items; trade receivables, other receivables, deposits for rent, cash and cash equivalents, derivative instruments, trade and other payables.

### **Initial recognition**

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

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

### **Financial assets – Classification and measurement of debt instruments**

A company is to classify financial assets in three different ways depending on the company's business model for managing financial assets and the qualities of the contractual cash flows arising from the assets.

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 measured at amortized cost*

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

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

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

### **Financial assets and liabilities – Classification and measurement of derivative instruments**

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

### **Derecognition of financial assets**

Purchases and sales of financial assets are recognized on the trade date. Financial assets are derecognized when the rights to receive cash flows from the instruments 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**

Both 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.

**Note 1 cont. General information, accounting policies and valuation principles****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 on a net basis, or to realize the asset and settle the liability simultaneously. 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 recognized 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. To measure the expected credit losses, trade receivables have been grouped on the basis of shared credit risk characteristics and days past due. The Group uses forward-looking variables for expected credit losses. Expected credit losses are recognized in the consolidated other 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 assets' residual values and

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

**Reversal of impairment losses**

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

the calculation of the recoverable amount was based.

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

**Provisions**

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

**Inventories**

Inventories are 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 (up to and including December 31, 2018)**

Non-current assets held via leases are classified in accordance with the economic substance of the lease. Leased assets held via finance leases are recognized as non-current assets and future lease payments as interest-bearing liabilities. For leased assets classified as operating leases the cost of the lease is recognized as an operating expense in the income statement.

**Leases (from January 1, 2019)**

The Group will apply IFRS 16 Leases from January 1, 2019 using a simplified transition period. For more information on transition effects, please see page 50.

INVISIO's leases where the company 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.

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

Extension and premature termination options may exist, which are described below. Terms and conditions are negotiated separately for each contract and include many 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 will be 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), less lease incentive receivables,
- variable lease payments dependent on an index or rate, initially measured using the index or rate at the commencement date,
- amounts expected to be payable by the lessee under residual value guarantees,
- 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 an option to terminate the lease.

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.

Options to extend and terminate leases are included in a number of the Group's lease agreements for buildings. 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 compensation to the Board and President/CEO, costs, obligations and benefits, as well as agreements on severance payment, please see Note 9.

Inter-company transactions are presented in Note 5.

Other disclosures on related party transactions are presented in Note 23.

### 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 translated to 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. Components are primarily purchased in SEK and DKK. 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. For more information on derivative instruments, please see Note 15.

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 2018 would have been SEK 5.7 million (3.3) and SEK 2.8 million (1.5) 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 2018 would have been SEK 7.0 million (10.2) and SEK 3.1 million (4.7) 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 2018 would

**Note 2 cont. Financial risk management and capital risk**

have been SEK 4.3 million (4.6) and SEK 1.8 million (1.8) lower/higher. The sensitivity analysis does not include the effect of derivatives.

**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, 2018 the net exposure in USD against SEK was SEK 53.3 million (92.9), in EUR against SEK, SEK 28.8 million (35.7) and in GBP against SEK, SEK 38.1 million (55.6) for these items. If the exchange rate for USD had been 5 per cent higher/lower compared with that on December 31, 2018, the Group's earnings after tax would have been positively/negatively affected by SEK 2.1 million (3.6). If the exchange rate for EUR had been 5 per cent higher/lower compared with that on December 31, 2018, the Group's earnings after tax would have been positively/negatively affected by SEK 1.1 million (1.4). If the exchange rate for GBP had been 5 per cent higher/lower compared with that on December 31, 2018, the Group's earnings after tax would have been positively/negatively affected by SEK 1.5 million (2.2). The sensitivity analysis does not include the effect of derivatives. 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 kroner. If the exchange rate for DKK had been 5 per cent higher/lower compared with that on December 31, 2018, the Group's earnings after tax would have been positively/negatively affected by SEK 8.6 million (9.8). The sensitivity analysis does not include the effect of derivatives.

**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 agencies in charge of procurement for security forces and defense forces. In order to limit the risks of any credit For an age analysis of trade receivables, please see Note 14.

The Group works with reputable Swedish or Danish banks that are subject to supervision by Finansinspektionen (Swedish Financial Supervisory Authority) or the equivalent foreign authority and that have high creditworthiness. During the year INVISIO has had deposits mainly with SEB AB (publ) and SBAB Bank AB (publ).

**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 refers to the risk of not being able to honor payment obligations. 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, 2018 cash and cash equivalents amounted to SEK 62.2 million (113.2). The company had no borrowings at December 31, 2018. All derivative instruments mature within 12 months. All trade payables mature within three months.

**Management of capital**

The Group's goal for its capital structure (shareholders' equity and liabilities) is to safeguard the Group's ability to continue its operations, so that it can generate a return for its shareholders and benefit other stakeholders and to ensure optimal capital structure in relation to the cost of capital. Dividends to shareholders, redemption of shares, issues of new shares or sales of assets are examples of measures that the Group may use in order to adjust the capital structure.

**Financial instruments, December 31, 2018**

In accordance with current standard IFRS 9, please see Note 1 for more information.

<b>Financial assets</b>	<b>2018</b>	<b>Financial liabilities</b>	<b>2018</b>
Measured at amortized cost:		Measured at amortized cost:	
- Trade receivables	104.6	- Trade and other payables	57.1
- Deposits for rent	1.7	<b>Total financial liabilities</b>	<b>57.1</b>
- Other receivables	4.5		
- Cash and cash equivalents	62.2		
Derivative instruments	0.1		
<b>Total financial assets</b>	<b>173.1</b>		

**Financial instruments, December 31, 2017**

In accordance with previous standard IAS 39, please see Note 1 for more information.

<b>Financial instruments</b>	<b>2017</b>			
	<b>Loan and trade receivables</b>	<b>Assets at fair value through profit or loss</b>	<b>Other financial liabilities</b>	<b>Liabilities at fair value through profit or loss</b>
Trade and other receivables excluding accrued assets	121.1			
Cash and cash equivalents	113.2			
Trade and other payables excluding non-financial liabilities			-49.7	-25.1
<b>Total financial instruments</b>	<b>234.2</b>	<b>0.0</b>	<b>-49.7</b>	<b>-25.1</b>



**Note 3 Revenue**

Revenue by geographical area	2018	2017
Sweden	6.7	5.7
Europe	174.5	120.4
North America	164.5	231.9
Rest of the world	8.8	7.8
<b>Total</b>	<b>354.5</b>	<b>365.7</b>

Four customers account for more than 10 per cent of total net sales for the year. Net sales to these four customers constitute 24%, 15%, 12 % and 11% of the total. In the previous year three customers accounted for more than 10 per cent of the total sales for the year. Net sales to these three customers constituted 32%, 25%, and 19% of the total. The largest customers may vary from year to year.

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

**Note 4 Costs by nature of expense**

Group	2018	2017
Cost of goods sold	154.7	163.4
Costs of employee benefits (Note 8)	79.2	64.6
Depreciation/amortization and impairment (Notes 11 and 12)	4.3	4.4
Other costs	211.2	54.7
<b>Total</b>	<b>291.0</b>	<b>287.1</b>
<b>Parent company</b>	<b>2018</b>	<b>2017</b>
Costs of employee benefits (Note 8)	2.6	1.5
Other costs	5.0	4.0
<b>Total</b>	<b>7.6</b>	<b>5.4</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, SEK 0.3 million (0.3).

**Note 6 Auditors' remuneration**

	Group		Parent company	
	2018	2017	2018	2017
<b>PwC</b>				
Audit engagement <sup>1</sup>	0.5	0.4	0.2	0.2
Audit business in addition to audit engagement	0.1	0.0	0.0	0.0
Other services <sup>2</sup>	0.1	0.2	0.0	0.2
<b>Total</b>	<b>0.7</b>	<b>0.7</b>	<b>0.2</b>	<b>0.4</b>

<sup>1</sup> 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.

<sup>2</sup> Other services refer primarily to consulting on accounting and tax matters.

**Note 7 Rental and lease agreements**

The Group's total rental and lease payments amounted to SEK 4.8 million (4.2).

Future contractual rental and lease agreements amount to SEK 28.9 million (11.4) and will fall due in the next three years as follows: 2019; SEK 4.6 million (3.8), 2020; SEK 3.9 million (3.5), 2021, SEK 3.5 million (-).

The parent company's lease agreement for the year amounted to SEK 0.1 million (0.1). The current agreement runs until October 31, 2019, at an annual cost of SEK 0.1 million (0.1).

All the Group's and parent company's rental and lease agreements are operating leases. The agreements mainly cover office premises and leased vehicles.

## Note 8 Personnel

Average number of employees	2018		2017	
	Number	Of which men	Number	Of which men
Parent company	1	100%	1	100%
Subsidiaries	79	81%	65	80%
<b>Total</b>	<b>80</b>	<b>100%</b>	<b>66</b>	<b>80%</b>

Gender breakdown, senior executives	2018		2017	
	Number	Of which men	Number	Of which men
Board of Directors	6	50%	6	67%
President/CEO and other senior executives	6	100%	5	100%

Salaries and other compensation	2018	2017
Parent company	1.8	1.8
Subsidiaries	84.3	73.9
Capitalized salaries for research and development	-10.8	-8.8
<b>Group total</b>	<b>75.4</b>	<b>66.9</b>

Social security costs excluding pension costs	2018	2017
Parent company	0.4	-0.5
Subsidiaries	1.9	-3.1
<b>Group total</b>	<b>2.2</b>	<b>-3.5</b>

Pension costs	2018	2017
Parent company	0.4	0.1
Subsidiaries	1.2	1.1
<b>Group total</b>	<b>1.6</b>	<b>1.3</b>

Total personnel costs	2018	2017
	<b>79.2</b>	<b>64.6</b>

## Pensions

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

## Employee Stock Option Program

## Employee Stock Option Program 2018/2021

The Annual General Meeting of Shareholders, held on April 26, 2018 resolved in accordance with the Board's proposal, to establish an employee stock option program comprising a decision to issue stock options, plus approval of the transfer of stock options, the Employee Stock Option Program 2018/2021. The purpose of the Employee Stock Option Program is to link part of the employees' compensation to INVISIO's long-term performance and in that way link employee interests with shareholder interests.

This program is targeted at all employees of the company and its subsidiaries, divided into three different categories. Provided that the participants were employed by the Group on the allotment date, the employee was offered employee stock options without charge which may entitle them to acquire shares in the company. A total of 456,000 employee stock options were allotted, of which 35,000 to the President/CEO and 68,000 to other senior executives. Employee stock options are not transferable.

Allotment date	Vesting period	Maximum allotment	Actual allotment	Exercise date	Exercise price per share
May 1, 2018	May 1, 2018- April 30, 2021	500,000	456,000	May 15, 2021- June 30, 2021	60.70

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 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 of the option was calculated on the basis of Black & Scholes valuation model. Based on analysis of the historical volatility of the company's market price, the volatility was estimated to be 30 per cent, risk-free interest rate of -0.43 per cent and a share price of SEK 61.10. No future dividend was taken into account. The value per stock option was estimated to be SEK 4.87. The exercise price is based on the average price of an INVISIO share in the period April 1, 2018 – April 30, 2018. The cost for the 2018 financial year was SEK 0.5 million (-), of which SEK 0.0 million (-) was social security contributions.

## Employee Stock Option Program 2013/2017

The Employee Stock Option Program 2013/2017 was closed in 2017, please see INVISIO's annual report for 2017, Note 8, page 57.

## Note 9 Compensation of senior executives

	2018				2017			
	Fee/ Salary	Pension	Other compensation	Total	Fee/ Salary	Pension	Other compensation	Total
<b>Board of Directors <sup>1</sup></b>								
Lars Röckert, Board Chair <sup>2</sup>	0.5			0.5	0.5			0.5
Lage Jonason	0.2			0.2	0.2			0.2
Annika Andersson <sup>3</sup>	0.2			0.2	0.2			0.2
Charlotta Falvin <sup>4</sup>	0.2			0.2	0.2			0.2
Ulrika Hagdahl <sup>5</sup>	0.1			0.1				
Martin Krupicka <sup>6</sup>	0.1			0.1				
Anders Persson <sup>7</sup>	0.1			0.1	0.2			0.2
Mats Warstedt <sup>8</sup>	0.0			0.0	0.2			0.2
<b>Summa</b>	<b>1.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1.4</b>	<b>1.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1.4</b>
<b>Management group</b>								
Lars H. Hansen, President/CEO <sup>9</sup>	2.9	0.5	0.1	3.5	3.9	0.2	0.1	4.2
Other executives <sup>10</sup>	7.7	0.2	0.2	8.2	6.8	0.2	0.2	7.2
<b>Total</b>	<b>10.6</b>	<b>0.7</b>	<b>0.3</b>	<b>11.6</b>	<b>10.7</b>	<b>0.4</b>	<b>0.3</b>	<b>11.4</b>

<sup>1</sup> The 2018 Annual General Meeting resolved that board fees totaling SEK 430,000 shall be paid to the Chair of the Board and SEK 170,000 to each of the other Board members. In addition, a fee of SEK 60,000 shall be payable to the chair of the Compensation Committee and SEK 40,000 each to other members of the Compensation Committee.

<sup>2</sup> Lars Röckert invoiced the board fee from the company L.M.R. Business Development AB until the Annual General Meeting in 2018.

<sup>3</sup> Annika Andersson invoiced the board fee from the company AR Advisory AB until the Annual General Meeting in 2018.

<sup>4</sup> Charlotta Falvin invoiced the board fee via the company Fasiro AB until the Annual General Meeting in 2018.

<sup>5</sup> Ulrika Hagdahl was elected to the Board at the 2018 Annual General Meeting.

<sup>6</sup> Martin Krupicka was elected to the Board at the 2018 Annual General Meeting.

<sup>7</sup> Anders Persson invoiced the board fee from the company Persson Executive Consulting AB until the Annual General Meeting in 2018. Anders Persson retired at the Annual General Meeting in 2018.

<sup>8</sup> Mats Warstedt retired at the Annual General Meeting in 2018.

<sup>9</sup> Variable salary may be a maximum of 50 per cent of the fixed salary. Variable salary of SEK 0.1 million (1.2) was paid in 2018.

<sup>10</sup> Variable salary may be a maximum of 30 per cent of the fixed salary. Variable salary of SEK 0.2 million (1.5) was paid in 2018. During the year there were four other members of the management group until August 31 and five from September 1.

### Guidelines for compensation of senior executives

The last adopted guidelines for compensation of senior executives are described below and will remain in force until the Annual General Meeting to be held on May 2, 2019.

#### General comments

INVISIO Communications is to endeavor to offer total compensation that enables the Group to attract and retain senior executives. Compensation to senior executives in INVISIO Communications, both in the short and long term, must be based on the individual's performance and responsibility, as well as the earnings of INVISIO Communications and its subsidiaries and it must link the interests and rewards of the senior executives with those of the shareholders.

Compensation 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 compensation of senior executives is to be based on how well the targets set for their respective areas of responsibility and for INVISIO Communications 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 Communications, both in the short and long term. The variable compensation shall not exceed 50 percent of the fixed salary and shall not be used as a basis for calculation of pension or vacation pay, to the extent permitted by applicable law.

#### Employee Stock Option Program

For more information on the employee stock option program, see Note 8.

#### Pension

Any pension benefits shall be through a defined contribution plan.

#### Period of notice

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

#### Compensation of the Board of Directors

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.

## Notes

### Note 9 forts. Ersättning till ledande befattningshavare

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

In accordance with The Swedish Corporate Governance Code, the Board monitors and evaluates the application of the guidelines for compensation of 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 compensation of senior executives for 2018. The Board's

evaluation and the auditor's review has resulted in the conclusion that in 2018 INVISIO Communications has complied with the guidelines adopted by the Annual General Meeting.

#### Employee Stock Option Program

In 2018 the President/CEO was allotted 35,000 options and other senior executives 68,000 options. For more information on the employee stock option program, see Note 8.

### Note 10 Income tax

	Group		Parent company	
	2018	2017	2018	2017
<b>Tax on profit for the year</b>				
Current tax on profit for the year	-4.6	-2.0		
Deferred tax	-11.3	-9.2		
<b>Total current tax</b>	<b>-16.0</b>	<b>-11.2</b>	<b>0.0</b>	<b>0.0</b>

	Group		Parent company	
	2018	2017	2018	2017
<b>Differences between reported tax expense and tax expense based on current tax rate</b>				
Profit/loss before tax	64.2	73.5	-6.1	88.9
Tax 22%	-14.1	-16.2		-19.6
Tax effect of;				
- Foreign tax rates	-0.2	-0.4		
- Non-taxable revenue				20.9
- Expenses not deductible for tax purposes	-0.1	-0.1		-0.0
- Other deductible costs <sup>1</sup>		6.7		
- Utilization of tax loss carry-forward not previously recognized		0.2		
- Tax losses for which no deferred tax asset is recognized	-1.5	-1.4		-1.3
- Reassessment of tax loss carry-forwards		0.0		
<b>Tax on profit for the year according to income statement</b>	<b>-16.0</b>	<b>-11.2</b>	<b>0.0</b>	<b>0.0</b>

<sup>1</sup> Other deductible costs in 2017 referred to deductible costs for the Employee Stock Option Program 2013/2017 for employees in Denmark. The Danish company in the Group, due to tax rules in Denmark, has been allowed to deduct costs for the program that have not been recognized in consolidated income.

	Group		Parent company	
	2018	2017	2018	2017
<b>Deferred tax assets</b>				
Tax asset attributable to tax losses	25.4	31.4		
Tax liability attributable to capitalized development costs	-10.9	-6.1		
Tax asset attributable to other temporary differences	1.2	0.6		
<b>Closing balance</b>	<b>15.6</b>	<b>25.9</b>	<b>0.0</b>	<b>0.0</b>

Deferred tax assets are reported for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. An individual assessment is made of each subsidiary with reference to historical performance and possibilities of utilizing the loss carry-forwards. Tax loss carry-forwards exist mainly in the Danish subsidiary. Danish law limits the amount per year of tax loss carry-forwards, which means that the

Danish subsidiary pays SEK 3.2 million (1.0) in tax for 2018.

All tax loss carry-forwards, in total SEK 223.6 million (245.1), of which SEK 115.2 million (142.7) were capitalized at December 31, 2018, 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	
	2018	2017	2018	2017
<b>Unutilized loss carry forwards</b>				
Unutilized loss carry forwards for which no deferred tax asset has been recognized	108.4	102.4	105.7	99.6
Potential tax asset	23.2	22.5	22.6	21.9



**Note 11 Capitalized development costs**

Group, Dec 31	2018	2017
<b>Opening cost of acquisition</b>	<b>74.8</b>	<b>60.2</b>
Internally developed assets	23.4	12.6
Foreign exchange differences for the year	3.0	2.0
<b>Closing accumulated cost of acquisition</b>	<b>101.2</b>	<b>74.8</b>
<b>Opening depreciation</b>	<b>-47.1</b>	<b>-42.7</b>
Depreciation for the year	-2.5	-3.1
Foreign exchange differences for the year	-1.9	-1.3
<b>Closing accumulated depreciation</b>	<b>-51.5</b>	<b>-47.1</b>
<b>Closing carrying amount</b>	<b>49.7</b>	<b>27.7</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 tested annually for impairment. The recoverable amount for the Group's cash generating units (CGU) is determined on the basis of value in use calculations. 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 the company uses a five-year period to reflect the long-term nature of customers' purchasing decisions. Cash flows beyond the five-year period are extrapolated using an estimated rate of growth. The final growth rate used is 2 per cent (2). The discount rate before tax used is 10 per cent (10). It is to reflect the specific risks applicable to the segment the company operates within.

A change in discount rate of 3 percentage points (3) does not trigger any impairment loss. A change in estimated EBITDA of 2 percentage points (2) does not trigger any impairment loss. A change in estimated gross margin of 3 percentage points (3) does not trigger an impairment loss. Based on the above, it is not deemed necessary to recognize any impairment losses.

Expenditure recognized in the income statement for research and development, excluding depreciation, amounted to SEK 35.5 million (32.9) for the year.

**Note 12 Equipment**

Group, Dec 31	2018	2017
<b>Opening cost of acquisition</b>	<b>16.2</b>	<b>13.3</b>
Purchasing	1.6	2.4
Sales and disposals for the year	-0.2	
Foreign exchange differences for the year	0.6	0.4
<b>Closing accumulated cost of acquisition</b>	<b>18.2</b>	<b>16.2</b>
<b>Opening depreciation</b>	<b>-11.7</b>	<b>-10.0</b>
Depreciation for the year	-1.8	-1.3
Sales and disposals for the year	0.1	
Foreign exchange differences for the year	-0.5	-0.3
<b>Closing accumulated depreciation</b>	<b>-13.8</b>	<b>-11.7</b>
<b>Closing carrying amount</b>	<b>4.4</b>	<b>4.5</b>

**Note 13 Inventories**

Group, Dec 31	2018	2017
Finished goods	92.0	29.8
Goods in progress	9.3	6.5
<b>Total</b>	<b>101.3</b>	<b>36.3</b>

During the year product costs recognized as cost of goods sold amounted to SEK 148.8 million (159.2). Write down for the year of inventories was SEK 0.0 million (1.5) and is reported as cost of goods sold. No write down 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	2018	2017
Not past due	55.9	96.3
Past due 0-30 days	25.3	23.1
Past due 31-60 days	0.4	0.2
Past due >60 days	23.0	1.9
<b>Total past due</b>	<b>48.7</b>	<b>25.3</b>
<b>Total trade receivables</b>	<b>104.6</b>	<b>121.5</b>
Anticipated bad debt losses		-0.5
<b>Trade receivables in the accounts</b>	<b>104.6</b>	<b>121.1</b>
<b>Doubtful trade receivables</b>	<b>2018</b>	<b>2017</b>
Opening balance	-0.5	-0.5
Anticipated bad debt losses	0.5	
<b>Closing balance</b>	<b>0.0</b>	<b>-0.5</b>

INVISIO's customers have a good debt-servicing ability, as they mainly consist of agencies in charge of procurement for security forces and defense forces. Hence historically INVISIO has not had any bad debt losses. As 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 credit loss reserve is not material at December 31, 2018. Most of the trade receivables that were past due more than 60 days at December 31, 2018 were paid in January 2019. See more information on INVISIO's management of credit risk in Note 2.

**Note 15 Derivative instruments**

	Group	
Fair value, Dec 31	2018	2017
GBP	0.1	
<b>Total</b>	<b>0.1</b>	<b>0.0</b>

Book value corresponds to fair value. All derivatives refer to forward exchange contracts with purchases of SEK and mature within 12 months. Due to short maturities the currency flows have not been discounted.

## Notes

### Note 16 Other receivables

Group, Dec 31	2018	2017
VAT	5.4	5.7
Receivables from supplier	4.3	3.8
Other	0.1	0.6
<b>Total</b>	<b>9.8</b>	<b>10.1</b>

### Note 17 Prepaid expenses and accrued income

Group, Dec 31	2018	2017
Advances to suppliers	3.5	0.0
Insurance	1.4	1.0
Exhibition expenses	0.6	0.1
IT expenses	0.4	0.5
Other prepaid expenses	0.4	0.3
<b>Total</b>	<b>6.3</b>	<b>1.9</b>

### Note 18 Share capital

At December 31, 2019 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 456,000 (0), which entitle the holder to subscribe for 456,000 (0) shares, distributed over one (one) program.

For more information on the stock options, see The INVISIO Share on page 27 and Note 8.

### Note 19 Accrued expenses and deferred income

Group, Dec 31	2018	2017
Holiday pay liability	10.3	8.3
Salary and other compensation	3.5	11.8
Social security contributions	0.7	1.5
Development costs	0.6	
Deferred income	0.6	1.7
Audit fees	0.5	0.6
Rental of premises	0.2	1.0
Board fee	0.0	0.4
Other accrued expenses	1.8	1.3
<b>Total</b>	<b>18.1</b>	<b>26.5</b>

Parent company, Dec 31	2018	2017
Social security contributions	0.2	0.2
Audit fees	0.1	0.3
Board fee	0.0	0.4
Salary and other compensation	0.0	0.2
Other accrued expenses	0.8	0.6
<b>Total</b>	<b>1.2</b>	<b>1.7</b>

### Note 20 Earnings per share

	Group	
Earnings per share before dilution	2018	2017
Profit after tax	48.2	62.3
Average number of shares, thousands	44,098	43,881
<b>Earnings per share before dilution</b>	<b>1.09</b>	<b>1.42</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.

	Group	
Earnings per share after dilution	2018	2017
Profit after tax	48.2	62.3
Average number of shares after dilution, thousand	44,098	44,098
<b>Earnings per share after dilution</b>	<b>1.09</b>	<b>1.41</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 2018 was SEK 65.24 (76.15).

### Note 21 Non-cash items

Group	2018	2017
Depreciation	4.3	4.4
Change in warranty provision	-0.5	1.0
Employee Stock Option Program	0.5	0.1
Retirement of equipment	0.1	
Foreign exchange differences	-2.4	1.8
<b>Total</b>	<b>2.0</b>	<b>7.3</b>

Parent company	2018	2017
Anticipated dividend		-95.0
<b>Total</b>	<b>0.0</b>	<b>-95.0</b>

**Note 22 Participations in Group companies**

Company	Corporate identity number	Registered office	Number of participations	Share of equity (%)	Book value
INVISIO Communications A/S	20 75 82 36	Hvidovre, Denmark	672,590	100	81.1
INVISIO Communications Inc.	38-4018124	Delaware, USA	100	100	0.0
INVISIO Communications SAS	820 683 654	Paris, France	100	100	0.1
INVISIO Communications Srl	MI - 2128807	Milan, Italy	10,000	100	0.1
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2.5
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	0.1

Parent company, Dec 31	2018	2017
<b>Opening carrying amount</b>	<b>83.4</b>	<b>83.2</b>
Employee Stock Option Program	0.5	0.1
Formation of subsidiary		0.1
<b>Closing carrying amount</b>	<b>83.9</b>	<b>83.4</b>

**Note 23 Related party disclosures**

Inter-company transactions are with the parent company's wholly-owned subsidiaries, which is presented in Notes 5 and 22.

Compensation to the Board of Directors and senior executives is presented in Note 9.

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

The consolidated income statement and balance sheet will be presented to the Annual General Meeting on May 2, 2019 for approval.

The Board of Directors and the President/CEO certify that the consolidated accounts have been prepared in accordance with international financial reporting standards, IFRS, as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The annual accounts have been prepared in accordance with generally accepted accounting principles and give a true and fair view 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 29, 2019

Lars Röckert  
Board Chair

Martin Krupicka  
Board member

Lage Jonason  
Board member

Ulrika Hagdahl  
Board member

Annika Andersson  
Board member

Charlotta Falvin  
Board member

Lars Højgård Hansen  
CEO

Our auditor's report was submitted on March 29, 2019

PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized public accountant  
Partner in charge

Åsa Markefors  
Authorized public accountant

# Auditor's report

To the general meeting of the shareholders of INVISIO Communications 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 Communications AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 38-63 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 2018 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 2018 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.

INVISIO develops and sells advanced personal communication and hearing protection systems. The systems are comprised of headsets and control units that interface, for example, with an external group radio or vehicle's intercom system. Capitalised development expenditure comprises a significant item in the balance sheet and is based on judgments and assumptions which are complex and which involve a high degree of significant judgments on behalf of company management. For this reason, capitalised development expenditure has been deemed to comprise a key audit matter.

Sales take place primarily via a global network of partners and retailers but the company also sells via its own companies in Denmark, the US, France and Italy. The products are manufactured primarily by contract manufacturers where the warehousing also takes place, largely speaking. Revenues comprise an identified risk area due to their importance to the financial reporting and due to the fact that there is a risk that revenues are reported in incorrect amounts or that all revenues referring the financial year in question are not reported. In addition, the general risk of improprieties also impacts our assessment of revenue recognition as a key audit matter.

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. There are six subsidiaries in which the operations during the year have been exclusively undertaken in INVISIO Communication A/S. The operations of these units are located abroad and we obtained reporting from our local audit teams on an ongoing basis during the year and the audit group team performs the audit of the other material unit. The group team undertook an annual assessment of the involvement required in order that we can ensure that sufficient and appropriate audit measures have been executed. During the year, the group team visited these units.

In addition, the group team has, amongst other things, audited the parent company, the consolidation, the annual accounts and significant assumptions and judgments. Based on the audit activities described above, we deem that we have sufficient audit evidence to provide an opinion on the financial reports in their entirety.

### 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. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.



**Key audit matters**

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current

period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

**Key audit matter****How our audit addressed the Key audit matter****Capitalised development expenditure**

The group reports SEK 49.7 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 capitalised 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 11, 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 tested to determine 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 355 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.

**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 1-27. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Director's and the Managing Director**

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/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 Communications AB (publ) for the year 2018 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, PO Box 4009, SE-203 11 Malmö was appointed auditor of INVISIO Communications AB (publ) by the general meeting of the shareholders on the 26 April 2018 and has been the company's auditor since 11 April 2008.

Malmö 29 March 2019  
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 performance measures ("APM") in accordance with ESMA's definition and other key figures related to the business. The APMs are regarded as relevant for an investor who wants to understand the company's results and financial position better. For the APMs that are not directly reconcilable with the financial statements, a reconciliation is provided on INVISIO's website: [www.invisio.com/IR](http://www.invisio.com/IR). 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 (earnings before interest and tax) in the same way as 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 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 period's average market price of the shares 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 divided by the average number of outstanding shares 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.

## Number of employees at the close of the period

Number of employees on the date of salary payment in the last month of the period.

## Financial calendar

Interim report January–March 2019	May 2, 2019
Annual General Meeting 2019	May 2, 2019, at 14.00
Interim report January–June 2019	August 16, 2019
Interim report January–September 2019	October 25, 2019
Year-end report 2019	February 13, 2020

The Annual General Meeting will be held in IVA's premises at Grev Turegatan 16 in Stockholm.

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>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total revenue	354.5	365.7	330.0	229.8	201.6
Cost of goods sold	-154.7	-163.4	-159.0	-111.5	-110.4
<b>Gross profit</b>	<b>199.7</b>	<b>202.3</b>	<b>171.0</b>	<b>118.3</b>	<b>91.3</b>
Operating expenses	-132.0	-119.4	-73.2	-65.4	-51.6
Depreciation/amortization and impairment losses	-4.3	-4.4	-7.5	-5.6	-5.0
<b>Operating profit</b>	<b>63.5</b>	<b>78.5</b>	<b>90.4</b>	<b>47.3</b>	<b>34.7</b>
Net financial items	0.7	-5.1	-0.1	-0.5	-2.9
<b>Profit/loss before tax</b>	<b>64.2</b>	<b>73.5</b>	<b>90.3</b>	<b>46.9</b>	<b>31.7</b>
Income tax	-16.0	-11.2	1.5	10.2	12.6
<b>Profit/loss for the year</b>	<b>48.2</b>	<b>62.3</b>	<b>91.8</b>	<b>57.1</b>	<b>44.3</b>

<b>Balance sheets, December 31 (SEK million)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	49.7	27.7	17.5	16.9	19.0
Property, plant and equipment	4.4	4.5	3.3	0.6	0.2
Financial assets	17.3	27.4	35.7	30.1	16.5
<b>Total non-current assets</b>	<b>71.4</b>	<b>59.6</b>	<b>56.5</b>	<b>47.6</b>	<b>35.7</b>
<b>Current assets</b>					
Inventories	101.3	36.3	25.9	19.9	16.4
Trade receivables	104.6	121.1	39.4	35.9	18.8
Other current receivables	16.2	12.1	5.9	8.3	6.3
Cash and cash equivalents	62.2	113.2	133.2	29.4	28.4
<b>Total current assets</b>	<b>284.3</b>	<b>282.6</b>	<b>204.4</b>	<b>93.4</b>	<b>70.0</b>
<b>TOTAL ASSETS</b>	<b>355.7</b>	<b>342.2</b>	<b>260.9</b>	<b>141.0</b>	<b>105.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>	<b>292.0</b>	<b>259.9</b>	<b>209.5</b>	<b>105.6</b>	<b>52.4</b>
<b>Non-current liabilities</b>					
Amounts owed to credit institutions					2.0
<b>Total non-current liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>
<b>Current liabilities</b>					
Amounts owed to credit institutions					21.3
Trade payables	39.6	49.7	26.0	15.8	14.9
Other current liabilities	24.1	32.7	25.4	19.6	15.1
<b>Total current liabilities</b>	<b>63.7</b>	<b>82.3</b>	<b>51.4</b>	<b>35.4</b>	<b>51.4</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>355.7</b>	<b>342.2</b>	<b>260.9</b>	<b>141.0</b>	<b>105.7</b>



<b>Cash flow statement, January-December (SEK million)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Profit/loss before tax	64.2	73.5	90.3	46.9	31.7
Adjustments for non-cash items	2.0	7.3	13.2	4.6	6.5
Income tax paid	-4.8	-2.7	-5.1	-2.7	
<b>Cash flow from operating activities before changes in working capital</b>	<b>61.4</b>	<b>78.1</b>	<b>98.4</b>	<b>48.8</b>	<b>38.2</b>
Cash flow from changes in working capital	-64.3	-67.2	7.5	-18.9	-3.9
<b>Cash flow from operating activities</b>	<b>-3.0</b>	<b>10.9</b>	<b>105.8</b>	<b>29.9</b>	<b>34.3</b>
<b>Cash flow from investing activities</b>	<b>-25.1</b>	<b>-15.0</b>	<b>-10.5</b>	<b>-4.7</b>	<b>-5.4</b>
<b>Cash flow from financing activities</b>	<b>-26.5</b>	<b>-18.3</b>	<b>6.2</b>	<b>-23.1</b>	<b>-10.9</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>-54.6</b>	<b>-22.4</b>	<b>101.5</b>	<b>2.1</b>	<b>18.0</b>

<b>Key figures</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Margins</b>					
Gross margin, %	56.4	55.3	51.8	51.5	45.3
Operating margin, %	17.9	21.5	27.4	20.6	17.2
Profit margin, %	13.6	17.0	27.8	24.8	15.7
<b>Capital structure</b>					
Equity/assets ratio, %	82.1	75.9	80.3	74.9	49.6
<b>Other</b>					
Number of employees at close of year	82	73	52	40	34
<b>The Invisio share</b>					
Number of shares at close of period, thousands	44,098	44,098	43,449	42,240	42,240
Earnings per share, SEK	1.09	1.42	2.14	1.35	1.05
Earnings per share after dilution, SEK	1.09	1.41	2.08	1.30	1.02
Equity per share, SEK	6.62	5.89	4.82	2.50	1.24
Shareholders' equity per share after dilution, SEK	6.62	5.89	4.75	2.39	1.20
Share price at close of period, SEK	56.90	79.25	63.75	75.75	12.80

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INVISIO COMMUNICATIONS AB  
P.O. Box 151  
SE-201 21 Malmö  
Sweden

INVISIO COMMUNICATIONS A/S  
Stamholmen 157  
DK-2650 Hvidovre  
Denmark