

INVISIO[®]

NO NOISE. ONLY YOUR VOICE.

ANNUAL REPORT
2011

CONTENTS

INVISIO at a glance and Contents.....	2
The year at a glance.....	3
CEO's comment	4
About INVISIO Communications.....	6
Case: The Danish Armed Forces and the communication solution	
INVISIO S10.....	8
Extreme situations – Extreme solutions	9
From audiology to communications.....	10
INVISIO's unique technology	12
Products	14
Market professional products	17
<i>The Military – Frequent buyers of INVISIO's products</i>	18
<i>Hearing loss and tinnitus – A problem INVISIO can help to counter</i>	20
<i>TETRA – A market with potential</i>	21
INVISIO's competitors.....	22
INVISIO's technology in consumer products	23
Milestones and INVISIO's history.....	24
Share Data and Ownership Structure.....	26
Corporate Governance Report.....	28
<i>Board of Directors</i>	33
<i>Senior Executives</i>	34
<i>Employees and Organization</i>	35
Board of Directors' Reports.....	38
Consolidated Statement of Comprehensive Income	44
Consolidated Balance Sheet	45
Consolidated Cash Flow Statement.....	46
Consolidated Changes in Shareholders' Equity	47
Parent Company Income Statement	48
Parent Company Balance Sheet	49
Parent Company Cash Flow Statement.....	50
Parent Company Changes in Shareholders' Equity	51
Notes.....	52
Audit Report	66
Five-Year Review	67

8 | Case

The Danish armed forces and the communications solution INVISIO S10



17-21 | Market

Read about the market and market forces



INVISIO AT A GLANCE

INVISIO specializes in voice communications in difficult conditions. The company develops, manufactures, markets and sells communications solutions such as advanced headset, control units and associated equipment for use with two-way radio, primarily for professional users who are often working in difficult environments. Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. INVISIO's patented technology and expertise in sound transmission and communications solutions ena-

bles disruption-free and clear voice communications even under extreme conditions, such as loud noise, heat, and underwater. Certain of the company's communications products also offer protection against hearing loss and tinnitus.

INVISIO Communications AB (publ.) is a Swedish limited liability company with its registered office in Stockholm, Sweden. The company is listed on First North Premier Segment, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm.

THE YEAR AT A GLANCE

- ▶ Sales increased to SEK 41.5 m (32.8).
- ▶ Sales for the Professional Products business area increased by 56.7 percent compared with the corresponding period in 2010, or by 65.6 percent (adjusted for exchange rate effects).
- ▶ Gross profit increased to SEK 20.3 m (17.8).
- ▶ Gross margin was 49.0 percent (54.4).
- ▶ Operating loss improved to SEK -24.2 m (-37.9).
- ▶ Loss after tax improved to SEK -28.6 m (-39.8).
- ▶ Loss per share improved to SEK -1.10 (-1.75).

Important events in 2011

Orders received and communicated:

- ▶ The Danish army placed an order worth SEK 11.5 m relating to the INVISIO X5 headset with hearing protection, which is used with an intelligent control unit.
- ▶ The Swedish armed forces placed an order worth SEK 0.8 m relating to the INVISIO X50 communications system with the INVISIO X5 headset.
- ▶ The German armed forces placed an order via INVISIO partner ESG Elektroniksystem und Logistik GmbH relating to INVISIO's communications system INVISIO X50 with the INVISIO X5 and X6 headsets. The value of this order is unofficial, but it is below SEK 1 m.
- ▶ The Australian armed forces placed an order via INVISIO partner Defcon Technologies worth around SEK 1.8 m relating to the INVISIO M3 headset with PTT (Push to Talk).
- ▶ Armed forces in a European country placed an order worth around SEK 1 m relating to INVISIO's X50 communications system with headsets from INVISIO.
- ▶ TETRA project in Portugal relating to the INVISIO M3 headset. The value of this order is unofficial, but it is below SEK 1 m.
- ▶ A Danish fire department placed an order relating to the heat-resistant INVISIO M3 Fire headset. The value of this order is unofficial, but it is below SEK 1 m.
- ▶ Special police forces in a European country placed an order worth around SEK 1.3 m relating to the INVISIO M3h headset with PTT (Push to Talk).

New products:

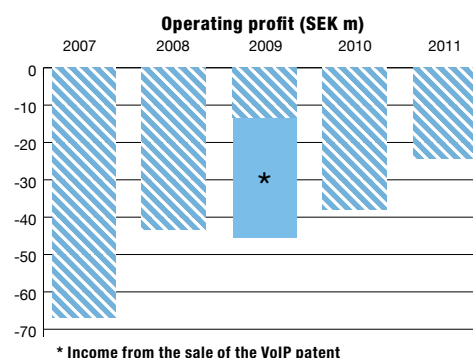
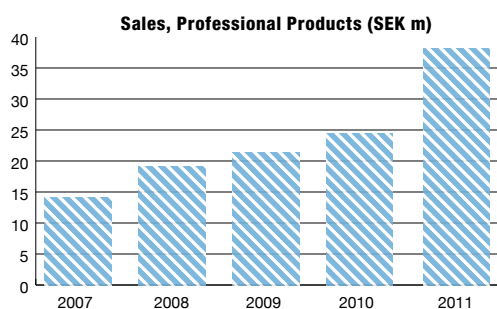
- ▶ Launch of a new series of innovative communications solutions with hearing protection for use with two-way radio, the INVISIO S series.
- ▶ Launch of a new version of the INVISIO M3 headset. The new version is IECEX and ATEX-certified, which means that the INVISIO M3 EX has undergone testing to ensure that it is compliant with international directives for use in explosive environments.

Other:

- ▶ New share issue with pre-emptive rights for the company's existing shareholders. There was a 90.7 percent subscription rate, providing INVISIO with around SEK 39.1 m before issue costs.
- ▶ Subordinate loan of SEK 20 m from Alecta Pensionsförsäkringar, mutual.
- ▶ New agreement with Motorola, which means that Motorola can continue to manufacture and market products using INVISIO's patented technology until May 31, 2012. This agreement also means that Motorola no longer has exclusive rights to INVISIO's technology for the consumer market, which means that INVISIO has the opportunity to enter into agreements with other players.

Significant events after year-end

- ▶ A customer in the USA placed an order worth around SEK 6 m relating to the INVISIO M3 headset with PTT (Push to Talk).
- ▶ Loan of SEK 10 m from Alecta Pensionsförsäkringar, mutual. This is a one-year loan and must be repaid in January 2013.
- ▶ The subordinate loan of SEK 20 m from Alecta Pensionsförsäkringar, mutual, was repaid on January 20, 2012.
- ▶ The Board of Directors has decided upon the directed new issue of a maximum of 2,500,000 shares to TAMT AB, equivalent to approximately 7.4 percent of the total number of outstanding shares and injecting a total of SEK 7.75 m into the company. In addition to the issue of shares, INVISIO has received a pledged loan of SEK 5.0 m from Yggdrasil AB. Yggdrasil controls 8.7 percent of shares and votes in INVISIO, for which reason the potential loan is to be considered as a transaction with a related party.



BY FAR THE BEST YEAR EVER FOR OUR PROFESSIONAL PRODUCTS

2011 was a good year for INVISIO in a number of ways. Most importantly, this was yet another year which turned out to be the best ever in terms of sales of our professional products. Sales were 56.7 percent higher than for the whole 12 months of 2010, and sales increased by no less than 65.6 percent if we disregard exchange rate effects.

Since INVISIO altered its strategy to focus on the Professional Products business area, which began in 2008, we have seen a number of significant advances which prove that the strategy is the correct one:

- Increases in sales every year.
- An expanded product portfolio, from just headsets to communications solutions with headsets, control units and peripheral equipment for use with two-way radio.
- At the same time as sales have increased, we have also achieved an improvement in our gross margin.
- The number of sales leads, enquiries and full-scale customer tests has increased considerably.
- The number of resellers and strategic cooperations with manufacturers of radio equipment for two-way communications, for example, has increased.
- Costs have been reduced.

On the other hand, it can be noted that lead times from the initial contact with a customer, to enquiry, to customer testing, to tender and to final order have been longer than we predicted when we altered our strategy. Result wise, we have still not reached the goal of turning to profit and achieving a positive cash flow from operations, but we are definitely on the right track, and it is thought that this can be achieved before the end of 2012.

Breakthrough orders

Our professional products focus area took an important step in the second quarter with our record order from the Danish army for immediate operational use. This order was important not least because of its size, but mainly because it provides an example of how INVISIO's products are used operationally; and also because it shows how we can supply large volumes in a short time, a factor important when it comes to sales work with other major military customers.

We also received an order from the Swedish armed forces which is particularly important as it has been received – together with our record order from the Danish armed forces – from our domestic markets. Together,

these orders will act as reference orders for us on major markets outside the Nordic countries.

We have seen a number of other important military orders over the year, including first-time orders from the German and Swiss armed forces and from other repeat customers such as the Australian armed forces. In addition, we have received further important orders in the TETRA market; an order from a Danish fire department, and another order from Portugal's blue-light organisations. Overall, therefore, there is plenty of diversification of our orders in terms of both segments and geographical regions.

New communications solutions launched

We also launched a number of new products over the year: a new headset and a new communications solution. The new headset is a new version of our successful INVISIO M3 headset, which has been suffixed EX and is IECEx and ATEX-certified. This headset has been developed so that it is absolutely safe to use in situations in which the tiniest little spark could cause a fire or explosion, and as we can now offer IECEx and ATEX-certified products we are paving the way for sales to new customer segments such as mining and offshore activities, where this certification is a must. At the AUSA 2011 military trade fair in Washington D.C., we launched a new series of innovative communications solutions with hearing protection for use with two-way radio: the INVISIO S series. We are seeing more and more demand for communications solutions with hearing protection, and the new S series – which has market-leading hearing protection – our product portfolio is supplemented with a small, lightweight solution which is easy to use.

We are seeing a constant increase in interest in our communications solutions from relevant stakeholders as our name is becoming more well known. The media are also paying more and more attention to INVISIO's technology and solutions, and over the year the important trade journals G3 Defence, Armada and Military Technology have published articles about our products and solutions. Over the year, we have also increased our marketing efforts by means of advertisements in key media, thereby helping to pass on the message about INVISIO's leading products.

Less emphasis on the consumer market

The consumer market for cellphones and accessories such as wireless headsets has altered markedly between 2009 and 2011. New types of telephones such as smartphones have led to new services and behaviours amount users, such as greater use of stereo headsets. The world eco-

“Our professional products focus area took an important step with our record order from the Danish army”

conomic crisis has also caused a decline in the global market for Bluetooth headsets.

The exclusive licensing and cooperation agreement which INVISIO entered into with Motorola in 2008 was conditional upon certain targets and commitments, which have not been fulfilled. As a result, the agreement expired on March 31, 2011; and following renegotiations in the second quarter, a new agreement was entered into during the third quarter which means that Motorola can continue to manufacture and market products using INVISIO technology until May 31, 2012. According to the new agreement with Motorola, income for the business area now originates exclusively from Motorola's manufacture of and sales successes for products using INVISIO's patented technology. This agreement also means that Motorola no longer has exclusive rights to INVISIO's technology for the consumer market, which means that INVISIO has the opportunity to enter into agreements with other players.

However, due to the focus on our professional products we will be focusing our resources on this in the short term, ahead of new cooperations on the consumer market. Consequently, we have low expectations of income from the consumer market in 2012. There is still a need for consumers and professional groups of people who use cell-phones in their work to be able to communicate in noisy and harsh environments. Therefore, in our opinion we will continue to see good opportunities in the longer term for INVISIO's patented technology on the consumer market.

Our considerable institutional and long-term ownership structure is one of our strengths. The new share issue with pre-emptive rights for the company's existing shareholders which took place over the year provided us with a total of SEK 39.1 m before issue costs, providing further proof of the trust placed in us by our shareholders and investors. Our ambition is still to list the company's shares on NASDAQ OMX Small Cap Stockholm, but we will only do this when we deem overall conditions to be good enough to do so.

Stockholm, April 2011

Lars Højgård Hansen
President and CEO



ABOUT INVISIO COMMUNICATIONS

With world-class expertise and technology, INVISIO offers communications solutions for users in fields such as the military, fire and emergency services, industry, and law enforcement. The company has 30 employees of no less than ten different nationalities, and roughly half of them are engineers with specialist skills in fields such as acoustics, mechanics, and software development.

Operations

INVISIO specializes in voice communications in difficult conditions. The company develops, manufactures, markets and sells communications solutions such as advanced headsets, control units and associated equipment for use with two-way radio, primarily for professional users who are often working in difficult environments.

Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. INVISIO's patented technology and expertise in sound transmission enables disruption-free and clear voice communications even under extreme conditions, such as loud noise, heat, and underwater.

Certain of the company's communications products also offer protection against hearing loss and tinnitus.

Day-to-day operations are headquartered in Copenhagen.

Employees

Roughly half of INVISIO's employees are engineers with specialist skills in fields such as acoustics, mechanics, and software development. They work to develop and adapt the company's different products and solutions. A full ten different nationalities are represented among the company's 30 employees. INVISIO attracts people who want to work in an international environment at the forefront of technological development.

Research and development

Research and development is INVISIO's core activity and is conducted mainly internally within the company. The

focus is on developing communications solutions such as advanced headsets, control units and associated equipment for use with two-way radio.

Quality is a lodestar in INVISIO's product development, with demanding requirements for systematic procedures. As a consequence, the organization has a well developed process for product development with special documentation and quality management systems. The patent strategy involves actively developing and applying for patents in the fields of communications and audiology.

INVISIO's own resources and expertise in the field of research and development are used for its own development projects which are run in-house under the company's own brand, INVISIO®, and also for development cooperations with external parties such as Motorola. In addition to the two present patent families, INVISIO has a current patent application in the USA, *INVISIO Custom Protect Hearing Protection*, a technology for protecting against hearing damage.

Production

Product quality and delivery reliability are of decisive importance in the professional market. As such, all manufacturing of INVISIO's professional products takes place in Scandinavia, conducted by carefully selected companies, including Swedish firm PartnerTech in Vellinge. The manufacture of consumer products with the patented INVISIO Bone Conduction technology is handled by Motorola in compliance with the applicable licensing and collaboration agreement.

Vision	Mission	Business concept	Business objective
To enable people to communicate comfortably in all sound environments.	To provide world leading communications solutions for sending and receiving high quality speech for communications in all sound environments.	To develop, market, and sell solutions for audio communications under our own brand and in collaboration with others.	To be a market-leader in all customer segments in communications solutions featuring the best possible speech and sound quality and to thereby achieve good profitability.

Sales and partner strategy

The professional products are marketed and sold under the proprietary INVISIO brand and through OEM collaborations. Sales take place mainly via partners such as system integrators and radio producers, resellers and – to an extent – direct sales. Historically, direct sales have accounted for a large part of INVISIO’s total sales.

Strategic cooperations

INVISIO’s sales strategy aims to increase the number of cooperations with radio producers, system integrators and resellers, not least because many existing and potential end customers prefer to buy complete equipment, including radio, from a single supplier. INVISIO’s sales strategy also aims to achieve geographical diversification of sales, as well as expanding sales to a number of customer segments.

Greater scope and breadth

Sales were previously concentrated in a few markets and customer segments, but in 2010 and 2011 development continued in order to expand their scope and breadth. With the company’s new, expanded product portfolio and a greater number of partners in all customer segments, INVISIO is now in a position to reach out to many more potential end customers. One characteristic of sales of the professional products is that they may vary from quarter

to quarter due to long lead times from first contact with a customer to enquiry, customer testing, bidding and final order.

Sales via system integrators and radio producers

Sales take place via a small number of strategically important system integrators and radio producers. INVISIO takes part in tenders via these, for the most part, for what are known as military modernisation programs.

Sales via resellers

Sales take place via a fairly large number of specialist resellers. A number of new resellers came online in Europe, North America and parts of Asia in 2009, 2010 and 2011. In some cases, INVISIO’s sales are to main dealers that sell in turn to other resellers on agreed markets. An important example is Television Equipment Associates Inc, which acts as INVISIO’s main dealer in the American market.

Direct sales

Direct sales take place via INVISIO’s own sales staff. The percentage of direct sales can vary greatly, both up and down, from year to year depending on individual orders.

INVISIO’s two patent families:



INVISIO Bone Conduction

Instead of traditional sound wave technology, a small ear microphone that picks up vibrations in the user’s jawbone is used.

The vibrations are converted into sound, delivering crystal clear communications even under extreme noise or when the user whispers. Patents have been granted in the US, Europe, and Singapore. In Europe, the patent was granted in 1993 and expires in 2013. In the USA, the patent was granted in 1997 and expires in 2014. In Singapore, the patent was granted in 2001 and expires in 2013.



Soft Spring™ earpiece

This ergonomically designed and motion tolerant fastening device consists of a soft rubber spring that fastens the headset in the ear and ensures that it sits

firmly and comfortably even during rapid movement. The risk of discomfort is very small, even when worn for longer periods. Patents were granted in Europe and the US in 2006 and expire in 2021.

Case study:

THE DANISH ARMED FORCES AND THE COMMUNICATIONS SOLUTION INVISIO S10

In 2011, INVISIO received its single biggest order ever from the Danish army, for immediate operational use. This order related to a number of units of INVISIO's new communications solution with hearing protection, the intelligent control unit INVISIO S10, with the INVISIO X5 headset.

INVISIO S10 is part of the new communications solution for use with two-way radio, the INVISIO S series. This is an advanced communications solution with cutting edge hearing protection, aimed mainly at the military and special military forces, as well as the police and police special forces. The S series consists of the INVISIO X5 headset, which uses the patented INVISIO Bone Conduction technology and provides crystal clear sound even in very demanding environments, combined with a small, lightweight control unit such as the INVISIO S10.

When the Danish armed forces purchasing and logistics organisation (FMT) decided to procure a new communications solution with hearing protection for its peacekeeping forces in Afghanistan and their primary troop radio, a number of different solutions – including the INVISIO S10 – underwent thorough testing. The previous communications solution used by troops involved traditional headsets with ear cups and an external microphone. During the procurement process, INVISIO's communications system proved to be the solution offering the best comfort and hearing protection – while at the same time allowing normal communications to take place. The user also has electronic hear-thru, i.e. their normal hearing remains unaffected. This was why the choice was made to go with INVISIO.

“The INVISIO S10 provides improved situation awareness in heavy firefights and provides our soldiers with better hearing protection,” says Major Lars Abild, Head of the Communication Capacity Centre at the Danish Defence Materiel Administration within the Danish army.

Advanced hearing protection

One important factor for the Danish army was the fact that the communications solution to be used by troops in Afghanistan had to have advanced hearing protection. The INVISIO S Series is developed for military forces using different types of personal radio, such as what are known as



Personal Role Radios or Secure Personal Radios, under difficult conditions where communications is critical, and protecting hearing at the same time. These difficult conditions are all part of everyday life for peacekeeping forces such as the Danish army in Afghanistan. The INVISIO X5 headset acts as intelligent earplugs, and together with the INVISIO S10 control unit this solution provides market-leading and certified hearing protection (SNR 32dB and NRR 29dB) with average protection of up to 38dB. This system has electronically-controlled hear-thru with a volume limiter which allows the user to hear ordinary sounds and quickly stop all harmful noises such as explosions or firing, thereby preventing damage to hearing in the most extreme situations.

Breakthrough order

For INVISIO, the record order from the Danish army was important not least because of its size, but mainly because it provides an example of how INVISIO's products are used operationally – “proven in combat” – and also because it shows how the company can supply large volumes in a short time, a factor important when it comes to sales efforts with other major military customers.

We are seeing more and more demand for communications solutions with hearing protection, and the new S series – which has market-leading hearing protection – supplements the INVISIO product portfolio with a small, lightweight solution which is easy to use – and which is currently being used by Danish peacekeeping troops in Afghanistan.



The INVISIO S series is:

- ▶ A simple, lightweight communications solution with hearing protection, including protection against high impulse noise and what is known as situational awareness, which permits natural sounds to be heard while also protecting the hearing.
- ▶ Developed for military users, SWAT forces, police special forces and rescue services for use under difficult conditions, such as very noisy environments.
- ▶ A communications solution which is made up of the INVISIO X5 headset, which is used in both ears together with a control unit.
- ▶ A solution offering market-leading and certified hearing protection (SNR 32dB and NRR 29dB).
- ▶ Watertight down to a depth of two meters for two hours (IP68).

Read more about INVISIO S10 on page 15

EXTREME SITUATIONS – EXTREME SOLUTIONS

In certain professions, extreme situations and environments are the norm rather than the exception. In jobs where people work in teams and sometimes in difficult or dangerous conditions, communications is vital. The ability to be heard and to receive instructions, despite not being able to hear one's own voice, can mean the difference between life and death. Such as when firefighters are in a burning building, police attempt to manage a crowd, or military forces are under attack. This is where INVISIO's communications solutions come in. With innovative and patented technology and expertise in sound transmission, INVISIO develops communications solutions that permit communications under extreme conditions.

THE MILITARY



In the military's regular units and special forces, extreme noise from helicopters, heavy vehicles, explosions, and gunfire are a part of everyday life. For these groups, communications can mean the difference between mission success and failure, between life and death. In order for the units to conduct their missions effectively, strict demands are placed on advanced communications equipment that can also be integrated with new and existing communications systems. Protecting hearing is also important for the military, both in the short term to prevent acute hearing loss and deafness due to explosions and gunfire, and in the long term to reduce problems with disorders such as tinnitus, which is a common occupational hazard among soldiers (read more on pages 18-19).

FIREFIGHTERS

For firefighters who save lives and coordinate actions, clear communications is a must. When the flames are roaring and consuming all the oxygen in the air, sound waves have trouble traveling, and when building structures collapse and rumble, it is difficult to hear anything in regular headphones or to make oneself understood via a microphone. Holding a communications radio while also operating machines or fire hoses is also out of the question. A firefighter responding to an incident needs to communicate with colleagues at the scene without interruption while also needing a secure channel to the external radio network to communicate with command. Moreover, the materials used in the communications equipment must be able to withstand extreme heat.



POLICE AND SWAT TEAMS



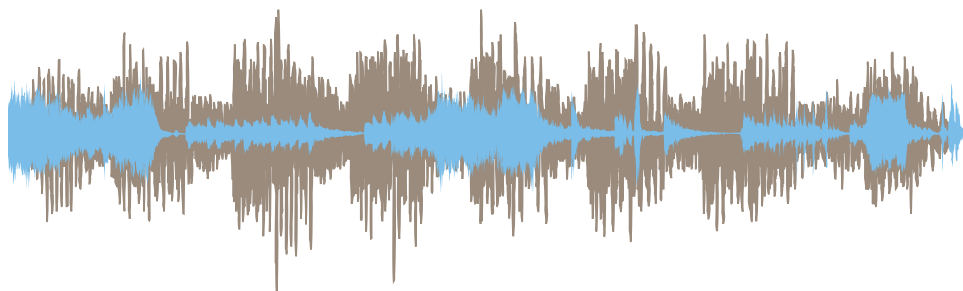
Police and SWAT team operations can be chaotic and demand completely reliable communications for coordinating actions, spreading information, and making rapid decisions. Plain clothes police need to avoid drawing attention and as such need to conceal their communications equipment. The ability to communicate by whisper is also important for them, which is difficult with regular microphones.

HEAVY INDUSTRY

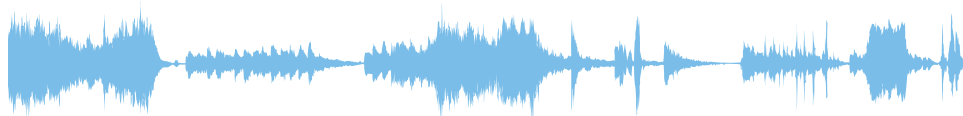
In heavy industry, such as mining, paper manufacturing, the oil industry and other power generation, work environments are often loud and noisy. Communication is very important, as these environments are often hazardous and the equipment is both complex and costly. In potentially explosive environments, the equipment must also be made safe against this. In industry, too, it is important to protect personnel's hearing while still enabling them to communicate.



TRADITIONAL AIRBORNE TECHNOLOGY



INVISIO BONE CONDUCTION



The illustration shows sound waves from a traditional microphone and from INVISIO's jawbone microphone. The blue curve is the pure voice pattern while the gray curve shows the background noise. Here we can clearly see how the sound from a traditional headset mediates a mix of the speaker's voice and the disruptive background noise, while the sound from INVISIO's headset only mediates the pure speech, with no disruption from the surroundings.

FROM AUDIOLOGY TO COMMUNICATIONS

Vibrations in the jawbone are converted into sound using the unique INVISIO Bone Conduction technology. INVISIO combines this technology with advanced signal processing and a specially developed speaker inside the ear. A prerequisite for being able to produce such world-class communications solutions is a deep understanding of how sound, different materials, and human hearing work.

In order to develop a communications solution that meets the demands of professional users for clear communications, good ergonomics, reliability and durability, the supplier must combine expertise in a number of different disciplines. It demands good knowledge of acoustics, radio technology, electronics, materials, and ergonomics.

A deep understanding of how the products are used in the field is a prerequisite for deciding which requirements must be fulfilled to aid the user's success.

When we talk to each other, the sound of our voices moves through the air in the form of sound waves. Since most things around us generate or reflect sound waves, our voices must compete with many other sounds if we are to be heard. Together, the brain and the ear make an exceptionally good team at gathering, sorting, and processing the information around us. For example, by calculating the time difference between the arrival of the sound in our left and right ears respectively, the brain can work out where the sound originates. Parallel to this, the brain compares the sound with previously registered sounds to

immediately discern whether it demands our attention or can be dismissed as irrelevant background noise.

A microphone gathers all sounds, without discerning, and mediates them through a speaker. When the ear receives this information, all the sounds come from the same direction, making it difficult for the brain to interpret the information. With a headset, the microphone mediates not only the wearer's voice, but also ambient sounds and other people's voices. This sometimes chaotic stream of sound can, of course, be processed electronically to dampen or filter out irrelevant sound, but if the interference is too great, such as on a construction site, on a production floor, or at an incident, signal processing is insufficient.

Vibrations into sound

INVISIO has instead chosen to base its headsets on a technology called INVISIO Bone Conduction, where the regular microphone is replaced with a patented technology that senses vibrations in the jawbone. The vibrations are created by the wearer's voice when he or she speaks. The

vibrations are then captured from the jawbone by a specially developed transducer, as it is called. The signals then undergo advanced signal processing to convert them into clear speech.

The placement of the Bone Conduction microphone inside the ear together with its design block ambient sounds, which means only the wearer's voice is mediated to the communications radio.

INVISIO is unique in that it combines this technology with advanced signal processing and hearing protection in communications solutions based on headsets in the ear. The result is a number of product families with different characteristics for different types of users who have one thing in common – the need to communicate in extreme environments.

Part of the body

In order for a headset to be used continuously for many hours, it must have an ergonomic design, not sit too far inside the ear, and be made of a material that does not irritate the ear. Moreover, it must allow external sounds to pass so that the user can conduct a regular conversation without removing the unit from his or her ear. Parallel to this, damaging and loud sounds, such as weapons being fired or the roar of an airplane engine, must not be allowed to pass.

INVISIO has solved this problem by allowing the advanced electronic signal processing in, for example, the X50 control unit, to lessen the volume of external sounds to avoid dangerously loud levels. This means that in combination with the headset, the control unit also acts as intelligent hearing protection. The same solution can even be used to amplify sounds from the environment by a factor of up to five, enabling the user to hear things that the human ear normally cannot perceive, as well as replicate the direction of the source (situational awareness).

Another example of innovation in INVISIO's solutions is Soft Spring™, a patented solution that uses a spring to hold the headset in place. Soft Spring™ makes it comfortable to wear, while the spring is also strong enough to hold the headset in place while the user runs through a forest or crawls around a smoke-filled house.

INVISIO has even developed special technology for specialist applications, such as a cable that withstands up to 300 degrees centigrade, which can be necessary in a burning building. Watertight designs, which can be used during diving, have also been developed.

INVISIO is a leading expert in interfaces as well as system solutions, radio technology, and digital communications, which is important in efforts to produce comprehensive solutions in which communications radio, control unit, headset and software design must work together to create the best solution.



INVISIO Bone Conduction
– jawbone microphone

All of INVISIO's headsets are placed in one ear or both ears and feature the patented INVISIO Bone Conduction technology. In order for a headset to be used continuously for many hours, it must have an ergonomic design, not sit too far inside the ear, and be made of a material that does not cause irritation. Moreover, it must allow external sounds to pass so that the user can conduct a regular conversation without removing the unit from his or her ear. Parallel to this, damaging and very loud sounds, such as weapons being fired or the roar of an airplane engine, must not be allowed to pass.

INVISIO'S UNIQUE TECHNOLOGY

To remain competitive in the market for professional headsets and communications solutions, a company needs a very broad knowledge base, spanning everything from knowledge of materials to the ways in which major suppliers build their equipment. The work to develop INVISIO's communications solutions has required extensive knowledge and the development of new materials and technology in several fields, such as acoustics, miniaturization, and production. Most of this development work has taken place at INVISIO's laboratory in Copenhagen.



VIBRATIONS IN THE JAWBONE ARE REGISTERED

INVISIO uses a patented technology, INVISIO Bone Conduction, to register the voice in the speaker's outer ear. The technology has been developed by engineers with experience in areas that include the development of hearing aids. It is based on unique knowledge of how the voice creates vibrations in the jawbone and of how advanced technology can be used to convert these vibrations into electric signals.

Since INVISIO's headsets are based on the detection of vibrations, another central aspect is a thorough understanding of how the sound produced by the vocal cords travels through the jawbone and how it is affected on its way to the outer ear. As a result, in order to achieve high sound quality INVISIO has invested extensive resources in attaining a deep understanding of the physics behind acoustics in small cavities and channels, as well as of how materials, components, and sound interact.

With their lack of a traditional microphone, INVISIO's headsets have the unique ability to eliminate disruptive sounds around the user. The method INVISIO has developed means that the vibrations are registered by a sort of rubber bubble, which is in contact with the jawbone. When the user speaks, the jawbone vibrates and the microphone under the bubble converts the vibrations into electronic signals.



COMFORT AND FUNCTION SET DESIGN REQUIREMENTS

When a user has to work a long shift with a headset in his or her ear, it is important that the product is comfortable. As such, INVISIO holds broad and extensive expertise in ergonomics and, among other things, has developed the patented Soft Spring™ fastening device, which fastens the headset in the ear in a unique manner and ensures that it sits firmly and comfortably even during rapid movement.

In order to minimize the size of the products, INVISIO has developed specialized custom design methods and custom components. This requires knowledge about, and a focus on, miniaturization throughout the entire process, from the initial specification to the end product.

Achieving high product quality demands expansive expertise on the specific properties of different materials in terms of, for example, impact resistance, wear resistance, and ergonomics. It also entails an understanding of how different materials interact and how different environmental factors impact the equipment.



THE PRODUCTION PROCESS IS CHALLENGING

INVISIO's production differs considerably from regular electronics production. INVISIO uses specialist tools to a greater extent and assembly sometimes demands the use of a microscope, which has required the development of in-house expertise in electronics production.

The occasionally microscopically small components place unusually stringent demands on the tools used for production. Tolerances must be kept within very tight margins, which means production tools can only be manufactured using special methods employed by only a small number of suppliers in the world, with whom INVISIO has built up good relations.

INVISIO's products are designed for the most demanding environments. It is not unusual for it to be a matter of life and death when the user must feel able to fully rely on his or her communications equipment. In order to ensure the highest possible quality, INVISIO employs quality assured manufacturing and has developed an extensive testing program and knowledge of how these environments can be simulated in order to test the products.

The designers use advanced and specially customized CAD programs to produce and assure the quality of the designs, reducing the time from idea to finished product.

THE SOUND IS REPLICATED AND THE EAR IS PROTECTED



Capturing and mediating the user’s speech is one part of the puzzle. The other part is to clearly and comfortably reproduce what the person at the other end is saying. For this part, INVISIO has developed a design based around a speaker that reproduces sound with hi-fi quality. This provides the best prospects for the message to always reach the recipient, even if conditions at the other end are not the best.

Even if the sound is reproduced clearly and accurately, we cannot be sure the user hears what is said. People perceive sound in different ways under different circumstances. Noise is one factor, while stress is another, and one that affects our ability to comprehend. This field is known as psychoacoustics. Understanding and allowing for these factors can be decisive to usability in tough situations;

situations where the user is exposed to extreme stress.

Many of INVISIO’s solutions are used in environments where ambient sounds can include dangerously loud sounds, such as loud noise, explosions, or weapons being fired. Since hearing loss and tinnitus are a major problem for people working, for example, in the military, it is also important that a headset can suppress loud noises that could damage the user’s hearing. With the aid of advanced signal processing, dense materials, and ergonomic designs, INVISIO’s solutions can protect the user from such dangerous sounds. The headset acts like an advanced earplug, constantly adjusting the volume to a level that does not damage the ear.

INVISIO also has products that can amplify the ambient sound by a factor of up to five, enabling the user to hear things that the human ear normally cannot perceive, as well as replicate the direction of the source, so-called *situational awareness*. But even if the sound increases, no dangerous sound can get through. The headset handles this by automatically reducing the volume very rapidly.



VIBRATIONS ARE CONVERTED INTO SOUND

In order to convert these electronic signals into clear speech, INVISIO has developed algorithms for processing the signals so as to achieve optimal sound quality and software to implement the technology in its products.

In order to run this type of advanced program with the best results, the smallest format, and the lowest energy consumption, INVISIO has defined the hardware in the form of the very small circuits and other components that are used to run the integrated software. The quality of the programming is decisive in attaining the highest possible sound quality while minimizing size and energy consumption.

WORLD CLASS QUALITY AND CERTIFICATION

Companies and government agencies demand products that fulfill accepted norms and standards. Certifications provide quality assurance in terms of expertise and credibility. As a consequence, INVISIO has focused on certi-

fying its products according to both current and possible future expectations.

INVISIO’s production partner, the Swedish firm PartnerTech, is also ISO 9001-certified.

INVISIO fulfils the following directives and certifications:

DIRECTIVE/CERTIFICATION	EXPLANATION
ATEX	Protection against sparks in electronics
EU standards EMC	Electromagnetic compatibility
EU standard: hearing protection	European standard for design and function of hearing protection
ANSI standard: hearing protection	American standard for hearing protection
RoHS (directive 2002/95/EG)	Limitation of heavy metals and flame protection media
REACH	Safe use of chemicals
WEEE	Waste handling
CE	Fulfillment of CE requirements for product safety

ATEX – safe in explosive environments

INVISIO has a product (M3 Ex) that is ATEX-certified, which means that it has been tested to ensure it cannot create an explosion. The abbreviation ATEX comes from Atmosphères Explosibles and is an EU standard for avoiding explosions in sensitive environments. ATEX embraces everything from how premises with a risk of explosion should be designed to exactly how products must look so as not to create an explosion or fire. ATEX certification guarantees that the M3 Ex headset from INVISIO has no contacts or components that could create a spark that might ignite a gas-filled room, for example.

PRODUCTS











INVISIO offers communications solutions for use with two-way radio, such as control units and headsets for different types of extreme situation. The headsets and control units are supplied either with a standardized ergonomic design or specially-made for each individual user. The products deliver high quality sound and sit safely and comfortably in the ear, even with rapid movements.

INVISIO develops communications products for different application areas. On the one hand in-ear headsets, on the other control units and PTT (Push-to-Talk). All of INVISIO's headsets feature INVISIO Bone Conduction, a patented technology wherein a jawbone microphone sensitive to vibrations captures the voice without disruptive background noise. Certain models use advanced digital signal processing to further enhance the clarity of the sound. The sound is reproduced by miniaturized speak-

ers that deliver high quality sound. INVISIO X5 and X6 models use a specially designed speaker with hi-fi specifications, which means even better sound quality.

The headset is supplied either with a standardized ergonomic design using INVISIO's Soft Spring™ system, which comfortably and effectively keeps the headset in place in the ear, or individually customized for the individual user.

Standard headset





M3	M3s	M3h	M3 Ex	M3 Fire
				
For all types of users	For use even underwater, designed for divers	With hearing protection, designed for military, police and industry	For use in explosive environments, designed for firefighters and industrial workers	For use in extreme heat, designed for firefighters
<ul style="list-style-type: none"> ▶ Precision-made headset with ABS polymer sealed housing for use in extreme environments ▶ Soft Spring™ for comfortable and secure in-ear use ▶ Ultra light and compact, weighing less than five grams and measuring 1.3 x 2.4 cm ▶ Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20kg ▶ INVISIO Cable Retainer™ ensures that the cable remains behind the ear ▶ Protected against electromagnetic interference (EMI/EMC) 	<ul style="list-style-type: none"> ▶ Can be used underwater down to a depth of 20 meters (IP68) ▶ Precision-made headset with ABS polymer sealed housing for use in extreme environments ▶ Soft Spring™ for comfortable and secure in-ear use ▶ Ultra light and compact, weighing less than five grams and measuring 1.3 x 2.4 cm ▶ Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20kg ▶ INVISIO Cable Retainer™ ensures that the cable remains behind the ear ▶ Protected against electromagnetic interference (EMI/EMC) 	<ul style="list-style-type: none"> ▶ Single-sided headset with certified hearing protection ▶ Soft Spring™ for comfortable and secure in-ear use ▶ Ultra light and compact, weighing less than five grams and measuring 1.3 x 2.4 cm ▶ Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20kg ▶ Protected against electromagnetic interference (EMI/EMC) 	<ul style="list-style-type: none"> ▶ ATEX and IECEx-certified for use in explosive environments ▶ Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20kg ▶ Soft Spring™ for comfortable and secure in-ear use ▶ INVISIO Cable Retainer™ ensures that the cable remains behind the ear ▶ Ultra light and compact, weighing less than five grams and measuring 1.3 x 2.4 cm 	<ul style="list-style-type: none"> ▶ Withstands use in temperatures of 235 °C with heat flashes of 300°C ▶ Resistant to many aggressive chemical substances commonly encountered in fires ▶ Soft Spring™ for comfortable and secure in-ear use ▶ Ultra light and compact, weighing less than five grams and measuring 1.3 x 2.4 cm
				

Individually customized headsets











Control units

M4	X5	X6	X50	S10
				
<p>For use in security details, for example</p> <ul style="list-style-type: none"> ▶ Individually customized headset for use in extreme environments ▶ A compact size makes this headset discreet, light, and comfortable to use ▶ Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20kg ▶ INVISIO Cable Retainer™ ensures that the cable remains behind the ear ▶ Protected against electromagnetic interference (EMI/EMC) ▶ Also available in versions for use in extreme heat (M4 Fire), underwater (M4s) and with hearing protection (M4h) 	<p>Digital headset with hearing protection, designed for military and police</p> <ul style="list-style-type: none"> ▶ Used in both ears ▶ Certified hearing protection complying with industry standards SNR 32 and NRR 29 with up to 38 dB protection on average ▶ Has two channels and can communicate with two different radio transmitters simultaneously via the INVISIO X50 control unit ▶ Electronically-controlled hear-thru via the INVISIO X50 control unit, which replicates – and if necessary amplifies – sounds from the surrounding environment to give the wearer a clear idea of the surroundings ▶ Can be used underwater to depths of up to two meters (IP68) ▶ Soft Spring™ for comfortable and secure in-ear use ▶ Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20kg ▶ INVISIO Cable Retainer™ ensures that the cable remains behind the ear 	<p>Individually customized headset with hearing protection</p> <ul style="list-style-type: none"> ▶ Individually customized headset for use in extreme environments ▶ A compact size makes this headset discreet, light, and comfortable to use ▶ Certified hearing protection complying with industry standards SNR 29 and NRR 25 (patent application INVISIO Custom Protect Hearing Protection) ▶ Used in both ears ▶ Has two channels and can communicate with two radio transmitters simultaneously via the INVISIO X50 control unit ▶ Kevlar-reinforced cable with Teflon insulation and a pull strength of over 20kg ▶ INVISIO Cable Retainer™ ensures that the cable remains behind the ear 	<p>Intelligent control unit</p> <ul style="list-style-type: none"> ▶ Digital intelligent control unit for use with the INVISIO X5 or X6 headset ▶ Has two channels and can communicate with two different radio transmitters simultaneously ▶ Support for electronically-controlled hear-thru, which replicates and if necessary amplifies sounds from the surrounding environment to give the user a clear idea of the surroundings ▶ Volume adjustment for ambient sound and incoming radio ▶ Volume limiter to quickly stop harmful noise and prevent damage to hearing ▶ Automatic sensing of headset and radio type ▶ Software updates via included programming cable ▶ Can be used underwater to depths of up to two meters (IP68) 	<p>Intelligent control unit</p> <ul style="list-style-type: none"> ▶ Digital intelligent control unit for use with the INVISIO X5 or X6 headset ▶ Support for electronically-controlled hear-thru, which replicates and if necessary amplifies sounds from the surrounding environment to give the user a clear idea of the surroundings ▶ Volume adjustment for ambient sound and incoming radio ▶ Volume limiter to quickly stop harmful noise and prevent damage to hearing ▶ Automatic sensing of headset and radio type ▶ Software updates via included programming cable ▶ Can be used underwater to depths of up to two meters (IP68) ▶ Small and lightweight (aluminium), weighing 151 grams including battery
				

Push-To-Talk

M15	M20	M30	M80
			
Body-worn Push-To-Talk	Push-To-Talk for use underwater and on land	Push-to-talk for placing on finger	Wireless push-to-talk for use on land and underwater
<ul style="list-style-type: none"> ▶ Large button for ease of use, even with gloves on ▶ Rotating belt clip for easy fastening to clothing or equipment ▶ Pressure-sensitive quiet button ▶ Protective ring to avoid unintentional use ▶ Weighs less than 100 grams and measures 52 x 28 mm 	<ul style="list-style-type: none"> ▶ Can be used underwater to depths of up to 20 meters ▶ Tough, military class construction ▶ Quiet, easily pressed button for simple activation even with gloves on ▶ Stainless steel belt clip ▶ Weighs less than 175 grams and measures 49 x 28 x 75 mm 	<ul style="list-style-type: none"> ▶ Small, light and rugged design ▶ Pressure-sensitive quiet button ▶ Reliable and comfortable with Velcro fastening to wear on a finger or fix to equipment ▶ Infused polymer shell for extra strength and sealing ▶ Weighs less than 6 grams and measures 22 x 13 x 28 mm 	<ul style="list-style-type: none"> ▶ For remote control of the INVISIO X50 control unit. ▶ Small, lightweight, robust design ▶ Can be used underwater to depths of up to two meters ▶ Nato-fastening (Picatinny rail)

Product properties

-  **Universal use**
-  **Advanced hearing protection**
-  **Hearing protection with amplified ordinary hearing**
-  **Can be used underwater**
-  **Fire and heat-resistant**
-  **Certified for use in explosive environments**
-  **Option of whispering**
-  **Bone Conduction microphone**
-  **Individually customized**
-  **Universal fit**

MARKET PROFESSIONAL PRODUCTS

The need to communicate unimpeded even under noisy and extreme conditions has always been there, especially in some professions. For these people, it is also important to be able to move unimpeded and to have one's hands free while communicating, and for some it is also necessary to be discreet and blend in with a crowd. Undisturbed and audible communications increases the chance of success and reduces the risk of injury and accident. Communication solutions that can also prevent hearing loss are very welcome.

Twenty years ago, several of the areas where INVISIO's products are currently used lacked any form of viable technology. This means that the technical development itself contributes to market growth.

Since the introduction of technically sophisticated headsets and control units offering two-way communications and hearing protection, these products have been in demand among professional users with stringent requirements on reliability, durability, and sound quality. These professions – which include military units and special forces, police and SWAT teams, emergency services such as firefighters and paramedics, and heavy industry – have gained considerably from such innovative solutions. The new products enable disruption-free communications almost regardless of the situation or sound environment the user faces. Moreover, hearing loss and tinnitus can be avoided, which reduces human suffering and saves money in the form of compensation and treatment for work-related injuries.

SEK 4 billion
is INVISIO's estimate of the total value of the market for communications accessories for two-way radio

Mature market with potential

INVISIO estimates the current value of the entire market for communications accessories for two-way radio at more than four billion Swedish kronor. The US is the largest single market with about 45 percent of global sales, followed by Europe with 30 percent,

the Asia Pacific region with 20 percent, South America with 3 percent and Africa with 2 percent.

The global market for professional users of radio equipment is relatively mature. However, there is considerable potential for growth with the technology transition from analog to digital and with more and more professions realizing the advantages of advanced headsets.

Trends and market forces

In addition to the general increase in the use of in-ear headsets, there are a number of other global trends that contribute to the growing demand. Read more about these on the next few pages.

Military



pages 18-19

Hearing loss and headsets can protect



pages 20-21

TETRA



page 21



THE MILITARY – FREQUENT BUYERS OF INVISIO'S PRODUCTS

The military all over the world have long been repeat customers for INVISIO, which has managed to build up a strong name and confidence in its products among its very demanding users. Beyond the fact that functional and durable communications solutions are of the utmost importance for the work of the military, protecting soldiers' hearing is also very important. Many countries are now involved in what are referred to as modernization programs, in which old equipment is upgraded or replaced.

In the military's regular units and special forces, extreme noise from helicopters, heavy vehicles, explosions, and gunfire are a part of everyday life. For these groups, communications can mean the difference between mission success and failure, between life and death. In order for the units to conduct their missions effectively, strict demands are placed on advanced communications equipment that can also be integrated with new and existing communications systems. For special forces, which have been using INVISIO communications solutions for a long time, the ability to communicate in whispers is also important as they may find themselves in extremely difficult situations that require this. The ability to protect personnel's hearing is also important for the military, and a strong

driving force for INVISIO. Military commanders want to prevent acute hearing loss and deafness due to explosions and gunfire in the short term, and in the long term they also want to reduce problems with disorders such as tinnitus, which is a common occupational hazard among soldiers. There are also financial considerations for the employer in order to avoid work-related injuries that would otherwise demand compensation (see pages 20-21).

Military modernization programs a driving force

Most of the world's military organizations continually review their equipment through modernization programs. As part of these programs, soldiers who are to head out into the field are equipped with everything from



new, advanced technology to modern personal protection equipment. However, not all programs include communications equipment, but those that do demand modern technology with high performance that is also user friendly and can be integrated with new and existing systems. Procurement processes involve both radio and communications solutions and often demand in-ear headsets and hearing protection, which is what INVISIO offers.

There are more than 49 such current or imminent programs in 38 countries, most of them in the US and Europe, but also in Asia, South America and Africa. A number of military procurement processes for communications equipment are expected to take place within three years in countries such as Denmark, the Netherlands, Canada, the United Kingdom, Sweden and the USA, and the market is growing. Military budgets are also enormous, particularly in the USA, and when communications equipment is procured the prices involved are often in the millions. Other suppliers of communications equipment with extensive experience of the industry have historically announced orders for military programs ranging from about 25 up to several hundred million kronor, even though few orders are made public.

INVISIO and the military

For many years now, INVISIO has been supplying communications products to military forces the world over, and a number of the world's best military special forces have been repeat customers of INVISIO for a long

time. INVISIO's technology solves the problems of military personnel, allowing them to communicate in the extreme noise that can be found in their environments while at the same time protecting their hearing.

Breakthrough order and launch of communications solution with hearing protection in 2011

In 2011, INVISIO took an important step forward with its record order from the Danish army for immediate operational use. This order was important not least because of its size, but mainly because it provides an example of how INVISIO's products are used operationally; and also because it shows how the company can supply large volumes in a short time, a factor important when it comes to sales work with other major military customers. This order, together with an order from the Swedish armed forces, is particularly important as both orders have come from INVISIO's domestic markets. Together, these orders will act as reference orders for us on major markets outside the Nordic countries.

Over the year, INVISIO carried on expanding its product portfolio with INVISIO S, a new series of innovative communications solutions with market-leading hearing protection for use with two-way radio, supplementing the company's product portfolio with a small, lightweight solution which is easy to use. This is important as demand is increasing for communications solutions with hearing protection.



HEARING LOSS AND TINNITUS – A PROBLEM INVISIO CAN HELP TO COUNTER

Hearing loss and tinnitus as a result of noise and high impulse sound are injuries that are very difficult to live with and are a growing problem all over the world. As the problem grows, so there is an increasing need to be able to communicate in noisy environments while also protecting hearing. This opens up business opportunities for INVISIO as some of INVISIO's communications solutions also function as intelligent hearing protection.

People are affected by sound in a number of different ways. Too much noise and noise which is too loud is directly harmful to people. INVISIO has a major knowledge of this field thanks to its origins from Denmark's world-leading expertise in acoustics and hearing technology, and with staff who possess this expertise. Over the last few years, INVISIO has launched a number of communications solutions with hearing protection that allow users to communicate under extreme noise conditions while also protecting their hearing. Read more about the products involved on pages 14-16.

Massive socioeconomic cost

Quite apart from the human suffering caused by hearing loss and tinnitus, noise and excessive noise may lead to problems such as sleep disturbances, impaired work performance, raised blood pressure and impaired concentration. All in all, this results in massive socioeconomic cost for employers, insurance companies and national governments. For instance, the American federal government pays more than SEK 7 billion a year in compensation and for treatment of its military veterans who have been affected by impaired hearing and tinnitus while on active service. In Sweden, the corresponding figure between 2001 and 2006 was almost SEK 12 million. In Sweden, noise damage is also the fourth most common occupational injury. Between 2005 and 2008, more than 5 000 cases were reported to the Swedish Work Environment Authority.

Since July 2010, the EU Noise at Work Directive has made it a requirement for companies and organizations to protect their employees from noise exceeding 85dB.

Our sensitive hearing requires advanced protection

There are two primary causes of hearing loss and tinnitus: very loud noise – known as impulse noise – reaches the inner ear, and exposure to loud noise for an extended period. People working in the military and police forces are particularly vulnerable to loud noises due to explosions and gunfire. Using hearing protection is crucial in order to safeguard against hearing loss.

A number of INVISIO's headsets protect the hearing from loud noise, while at the same time permitting disturbance-free and clear communications. These headsets act like advanced earplugs, whereby the external microphones that mediate the sound around the user are automatically switched off before potentially harmful sounds can reach the inner ear. This function is particularly useful and appreciated among the military and police, and is a clear contributory factor to sales of the INVISIO X50 communication system with the X5 headset. During 2010, INVISIO also launched the X6 headset - the world's first individually customized headset with Bone Conduction and certified hearing protection. The technology in the X6 headset is specifically designed to protect against hearing loss. INVISIO also has a current patent application in the USA, INVISIO Custom Protect Hearing Protection.

Hearing protection taking into account the design and function of the ear

The design and function of the ear has really been taken into account during the manufacture and development of INVISIO's intelligent hearing protection, a solution at the cutting edge of technology. The ear comprises three parts: the outer ear, the middle ear and the inner ear. Hearing protection must be certified and offer excellent passive protection as well as advanced active protection, which allows noise levels below 85 dB (A) – ordinary noises that people should hear – to reach the eardrum unimpeded. Higher levels must be limited to 85 dB (A).

The outer ear

The visible part of the ear, known as the pinna (1), has an important part to play in directional hearing. The pinna acts as an acoustic antenna because of its shape. To achieve the best possible directional hearing with the headset, it has to be placed inside the ear so that it has as little effect as possible on the natural function of the ear.

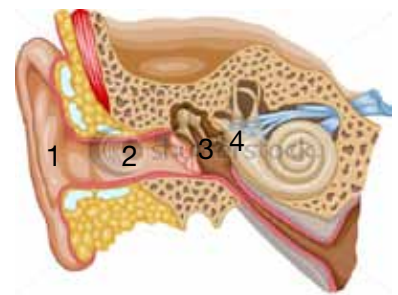
Some frequencies are further enhanced in the auditory canal (2). When a headset or something else is blocking the auditory canal, its function ceases and so compensation has to be made to permit natural tonal balance.

The middle ear

The middle ear (3) consists of the eardrum, which is connected with the ossicular chain: the incus, the malleus and the stapes. This system works like a small amplifier (the lever). The important Tensor tympani and Stapedius muscles are connected to the ossicular chain and act as a reflex, but they do not provide adequate protection against noise. Protection against noise is provided by restricting the movement of the bones. Activation is delayed by 60-120 milliseconds before these muscles contract. This is too late in the case of impulse noise such as gunfire and explosions. As impulse noise is the main cause of hearing damage among soldiers, it is important for their hearing protection to be activated immediately.

The inner ear

The inner ear, the cochlea (4), is filled with fluid which is set in motion by the stapes via the oval window. There are many sensory cells in the cochlea which operate as small switches to transmit electrical signals to the brain. The hair cells can be damaged if a movement in the fluid is too great.



TETRA – A MARKET WITH POTENTIAL

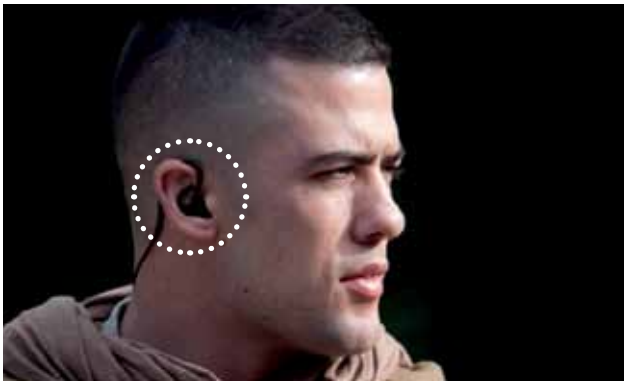
TETRA is a digital radio technology that was introduced in the 1990s. TETRA facilitates communication in many different ways, which means that more organizations such as rescue services and police forces all over the world are replacing their old analog systems with digital.

TETRA makes it easier to coordinate rescue missions since one and the same communication system is used by all the organizations involved, and increasingly also by the rescue services of different countries. The transition from analog systems to TETRA means that all communications equipment, from hand-held radios to exchanges and base stations, must be replaced. This means very good business opportunities for suppliers of the various components in these communications solutions. Once the TETRA system is in place, the next step for the end user is to start to review peripheral TETRA equipment such as sound accessories, like headsets. At the end of 2009, there were TETRA projects in 114 countries, and in 2010 even more large organizations and authorities continued to imple-

ment TETRA-based communications solutions. Despite major delays, TETRA will be implemented in even more countries and by more organizations over the next few years.

INVISIO and TETRA

INVISIO's products are very well suited to use within TETRA systems, not least considering the importance of clear and completely secure communication that TETRA system users need to coordinate action – and save lives. The environments in which they work can also be extreme and noisy, as with firefighters and police. During the year, INVISIO launched a new version of its successful INVISIO M3 headset, which has been suffixed EX and is IECEx and ATEX-certified. This headset has been developed so that it is absolutely safe to use in situations in which the tiniest little spark could cause a fire or explosion, and as the company can now offer IECEx and ATEX-certified products, sales opportunities are opening up among new customer segments for INVISIO. With INVISIO's close collaboration with leading players, these can now easily complement their tenders with a first class communications system from INVISIO that guarantees that users can always make themselves heard, and hear, even under the most extreme and noisy conditions.



INVISIO's X5 headset, which sits in the ear, is discreet and comfortable. It can easily be used under a helmet, for example. The headset combines a speaker and a jawbone microphone (INVISIO Bone Conduction) in the same unit, does not pick up disruptive background noise, provides very good hearing protection, and can also amplify and reproduce background sound if required.



A large headset can cause strain on the neck and be uncomfortable to use for a longer period, as it presses against the head and becomes very warm. Hearing protection is not as effective as when it sits in the ear. The external microphone also picks up noise and disturbance, which makes communications more difficult.

INVISIO'S COMPETITORS

Communications solutions using INVISIO's partially unique technology mean that in practice no competitor offers identical equipment. On the other hand, several major, well established suppliers offer similar functionality by using other technical solutions.

At present, the market is dominated by traditional headsets of the circumaural type (see picture, above right), which are based on noise-reducing cups worn over the ears. According to INVISIO's assessment, this type of headset has about 90 percent of the market. The basic function of these products is to use different sound-proofing materials to prevent noise from reaching the ears. By combining them with integrated speakers and special microphones placed near the mouth, they attempt to make communications possible even under difficult conditions.

There are several problems with this type of solution. They can be bulky and awkward, and the weight can strain the neck and shoulders. Another problem is pressure on the head, which can feel uncomfortable, especially with extended use. The biggest problem is that no matter how good the sound-proofing material is, noise can still get through and disrupt the sound from the speakers. The external microphone also captures sounds around the user, which can drown out his or her voice. Attempts are made to get around these problems using smart signal processing and amplification, but in extremely noisy environments the results are seldom satisfactory.

There are a number of well established product suppliers in this category, and the largest include Peltor (part of 3M), MSA Sordin, Selex Communications, and Racal Acoustics.

Noise and unwanted sounds

The alternative to ear cups is to place the speakers inside the ears – known as “in-ear” headsets – and nowadays these are common audio accessories for cellphones, MP3

players, etc. A very small speaker is placed directly in the outer ear or auditory canal and thereby avoids competing with sounds from the surrounding environment. In, for instance, Bluetooth headsets for the consumer market, the speaker in the ear is combined with an external microphone that picks up the voice from the side of the mouth. But the microphone also picks up noise and unwanted sounds, which makes it difficult for the other party to hear what the user is saying.

Several players in the Bluetooth headset market use digital noise reduction, which attempts to clean away the disturbances that the external microphone takes in. With INVISIO Bone Conduction, there are no disturbances to clean away, because only the voice is captured from the vibrations of the jawbone, while ambient noise is blocked out by the headset in the ear.

Products worn in the ear

Other than INVISIO, suppliers of professional headsets worn in the ear include Norwegian firm Nacre (part of Sperian Protection), US firm Silynx, and Swiss firm Phonak. These suppliers' products are similar in function to INVISIO's, but use a different voice-capture technology. INVISIO's products sit comfortably in the ear, not too far in, are very user-friendly, and are also very good at blocking disruptive background noise.

Many suppliers of professional headsets for in-ear use are relatively small companies. Increasingly, procurement processes in, for example, the military, specify that in-ear type headsets shall be available. Ergonomics, functionality, and performance are equally or more important for this type of solution compared to the ear cup type.

INVISIO TECHNOLOGY IN CONSUMER PRODUCTS

In 2008, INVISIO signed an exclusive licensing and collaboration agreement with Motorola, one of the world's leading suppliers of Bluetooth headsets for the consumer market. This agreement gave Motorola the opportunity to use INVISIO technology such as INVISIO Bone Conduction in its products for the consumer market, so permitting disturbance-free communication in extreme conditions.

The agreement was conditional upon certain targets and commitments, which have not been fulfilled; and so the agreement expired on March 31, 2011. Following renegotiations, a new agreement was entered into during the third quarter which means that Motorola can continue to manufacture and market products using INVISIO technology until May 31, 2012. The new agreement also means that Motorola no longer has exclusive rights to INVISIO's technology for the consumer market, which gives INVISIO the opportunity to enter into agreements with other players. However, INVISIO will be focusing its resources on professional products in the short term, ahead of new cooperations on the consumer market.

There is still a need for consumers and professional groups of people who use cellphones in their work to be able to communicate in noisy and harsh environments. Therefore, there will continue to be good opportunities in the longer term for INVISIO's technology on the consumer market.

Unique and acknowledged products for the consumer market

In 2009, Motorola launched the Endeavor HX-1 Bluetooth headset, the world's first wireless consumer headset featuring the patented INVISIO Bone Conduction technology. Endeavor HX-1 received much acclaim in published tests. Many of the positive reviews emphasized

the ability to communicate undisturbed in noisy environments. In 2010 Motorola launched the second Bluetooth headset using INVISIO technology, the Motorola Finiti. Like its predecessor, the headset has received very good reviews in the daily press and in eminent American technical publications and blogs.

The Market

The consumer market for Bluetooth headsets grew dramatically between 2002 and 2008, and altered markedly in 2009, 2010 and 2011. New types of telephones such as smartphones have led to new services and behaviours amount users, such as greater use of stereo headsets. The world economic crisis has also caused a decline in the global market for Bluetooth headsets.

Three types of supplier

Today, there are three primary categories of manufacturer in the Bluetooth headset market. The first category, which is also the biggest, consists of the major cellphone manufacturers that market their own Bluetooth headsets, such as Nokia, Samsung, Motorola, Apple and Sony Ericsson. The second category are companies that specialise in the manufacture of different types of headset, such as Plantronics, GN Netcom (Jabra) and Sennheiser. The third category encompasses mainly smaller, Asian manufacturers that sell their products only regionally in Asia and via OEM agreements.

Trends and market forces

In addition to the general increase in the use of headsets, there are a number of global trends that further increase demand.

The number of cellphones sold the world over – an important driving force for sales of headsets. More than a billion units a year are sold and the number of cellphones sold is expected to increase by about 17 percent by 2014. The number of sold headsets per sold cellphone is estimated to be 6 percent on a global level. In the US, with the most mature market, the corresponding figure is assessed to be 11 percent.

Sales of advanced cellphones, such as smartphones. Smartphones cost more to buy than normal cellphones, which means that consumers are willing to spend more on accessories for them. The user interface of these is also designed to integrate with the telephone while you speak. Headsets are also very useful when watching videos or having video conversations – pastimes which are expected to become increasingly popular.

Legislation on the prohibition of cellphone use while driving – many countries of the world have implemented or plan to implement legislation that prohibits the use of cellphones while driving. Headsets resolve this problem. In Europe, Sweden is the only country that has not yet introduced such legislation.

Internet telephony (VoIP) – the ability to speak on the phone via the Internet also paves the way for increased use of headsets. The number of computers with Bluetooth capabilities is continually increasing. With such a computer and a headset, a user can easily and flexibly speak on the phone directly via the computer without the need for either a cellphone or a fixed line.



Motorola Endeavor HX-1



Motorola Finiti

MILESTONES

NEXTLINK.TO A/S is founded in 1999

NEXT LINK

IN 2000, the company made its first headset to use the patented INVISIO Bone Conduction technology; a headset aimed at the professional market.

IN 2004, NEXTLINK AB is listed on NGM Nordic OTC. In May 2006, the share is moved to Nya Marknaden (New Market), which in turn became a part of First North in June 2006.

IN 2001, UNDER THE BLUE-SPOON BRAND, the company launches its first wireless headsets for the consumer market.



IN JANUARY 2008, INVISIO launches the world's smallest Bluetooth headset, INVISIO G5.



AT THE END OF SECOND QUARTER 2009, Motorola launches the Bluetooth headset Endeavor HX-1, the world's first wireless headset with the patented INVISIO Bone Conduction technology, on the international consumer market.



IN 2008, Nextlink AB changes its name to INVISIO Headsets AB.

INVISIO HEADSETS

IN JULY 2009, INVISIO Headsets AB is listed on First North Premier Segment, Stockholm.

IN 2008, INVISIO CHANGES STRATEGY and through an exclusive licensing and collaboration agreement with Motorola for a wireless Bluetooth headset with INVISIO's patented technology for the consumer market, INVISIO now focuses on the world market for professional users' need for durable and functional communication solutions for use in demanding environments.

INVISIO'S HISTORY

It is no coincidence that INVISIO was established in Copenhagen of all places. Denmark has a long tradition in the field of acoustics. As early as the 1960s, the Danish state provided public funding for hearing aid treatment at hospitals. Denmark was the first country in the world to do this and still has a prominent global position when it comes to hearing aids. INVISIO is built on – and is now a part of – this heritage of knowledge. INVISIO began with an acoustic innovation based on vibrations passing through the jawbone, which is called Bone Conduction. INVISIO Bone Conduction is a patented technology for converting the vibrations produced in the jawbone when speaking into sound. The technology is based on the known fact that bones conduct sound.

INVISIO used the technology to manufacture a headset that picks up sound based on jawbone vibrations. This resulted in the creation of a headset that isolates speech from disruptive ambient sound. INVISIO's first customer was the Danish armed forces. Since the company's beginnings in 1999, the military and so-called blue light operations have been INVISIO's primary target group. INVISIO also wanted to utilize the great expertise held in sound transmission to broaden its product offering.

In 2001, the company began to develop headsets for the consumer market based on Bluetooth, a technology for reliable wireless communications over short distances. A number of collaborative constellations for product development and products for the consumer market were tested, but in the end INVISIO decided to take care of its development activities on its own. The products received much praise, but also entailed major costs for INVISIO, which was forced to compete in the tough consumer market.

In 2008, INVISIO altered the focus of the company and selected a new strategy focusing on professional users of two-way radio communication. In connection with this new strategy, INVISIO signed an exclusive licensing and collaboration agreement with Motorola, one of the world's leading suppliers of Bluetooth headsets for the consumer market. This agreement gave Motorola the opportunity to use INVISIO technology such as INVISIO Bone Conduction in its products for the consumer market, so permitting disturbance-free communication in extreme conditions. The agreement was conditional upon certain targets and commitments, which were not fulfilled; and so the agreement expired on March 31, 2011. Following renegotiations, a new agreement was entered

IN THE SECOND HALF OF 2009, the new series of professional products is launched - INVISIO X50, a new digital communication system with certified hearing protection. The system is supplied with the new two-channel headset INVISIO X5 or INVISIO X6.



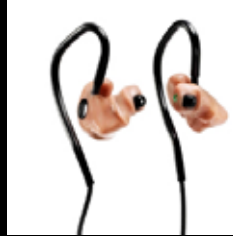
IN JUNE 2010, INVISIO Headsets AB changes its name to INVISIO Communications AB. The change is part of the company's deliberate development from a headset company into a communications company.

INVISIO® COMMUNICATIONS

IN 2010, INVISIO has seen record sales of its professional products for the third year in a row, amounting to almost SEK 25 million.

SEK 25 million

IN JUNE 2010, INVISIO launches two new products at the defence and security fair EUROSATORY 2010; the individually customised two-channel headset INVISIO X6 with Bone Conduction and hearing protection and the PTT solution INVISIO M80, for use with the INVISIO X50 control unit.



IN 2011, INVISIO launches its S series, a new series of innovative communications solutions with hearing protection for use with two-way radio. This communications solution supplements the INVISIO product portfolio for products with hearing protection.



IN OCTOBER 2010, Motorola launches the second Bluetooth headset for the consumer market with INVISIO's patented technology, Motorola Finiti.



IN 2011, INVISIO receives a breakthrough order from the Danish armed forces for immediate operational use. This is also the single biggest order ever received by the company, SEK 11.5 million.

SEK 11.5 million

IN 2011, INVISIO has seen record sales of its professional products for the fourth year in a row, amounting to almost SEK 40 million.

SEK 40 million

into in 2011 which means that Motorola can continue to manufacture and market products using INVISIO technology until May 31, 2012. The new agreement also means that Motorola no longer has exclusive rights to INVISIO's technology for the consumer market, which gives INVISIO the opportunity to enter into agreements with other players. However, INVISIO will be focusing its resources on professional products in the short term, ahead of new cooperations on the consumer market.

Since INVISIO altered its strategy to focus on the professional products business area, the company has seen a number of significant advances which prove that the strategy is the correct one: An expanded product portfolio, from just headsets to communications solutions with headsets, control units and peripheral equipment for use with two-way radio, and greater marketing and sales efforts intended to increase the number of resellers and strategic cooperations with manufacturers of radio equipment for two-way communication, for example, have led to sales increases year on year and improved the company's gross margin, reduced its costs and improved its results. At the same time, the number of sales leads, enquiries and full-scale customer tests has increased considerably.

In 2011, INVISIO's professional products focus area took an important step forward with its record order from the Danish army for immediate operational use. This order was important not least because of its size, but mainly because it provides an example of how INVISIO's products are used operationally; and also because it shows how the company can supply large volumes in a short time, a factor important when it comes to sales work with other major military customers. This order, together with an order from the Swedish armed forces in 2011, is particularly important as both orders have come from INVISIO's domestic markets. Together, these orders will act as reference orders for us on major markets outside the Nordic countries.

INVISIO is now a small but well established player in the market for communications solutions for professional users, offering products and services at the cutting edge of technology and having identified a business model that will lead to profitability.

SHARE DATA AND OWNERSHIP STRUCTURE

Share capital

The share capital of INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company") totaled SEK 32,704,351 as per December 31, 2010, divided into 32,704,351 shares (registered number), each with a quotient value of SEK 1.00. Each share carries equal entitlement to the Company's assets and profits and entitles the same voting rights. At general meetings, each individual entitled to vote may vote for the full number of shares held by the individual without any limitation on voting rights. As per 27 January 2012, INVISIO Communications had 228 (205) shareholders.

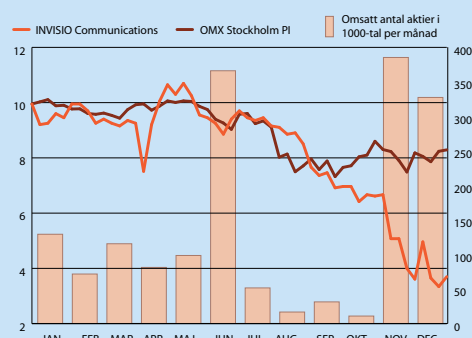
GROWTH IN SHARE CAPITAL¹

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

¹ Registration of 963,086 shares via a share issue with pre-emption rights occurred after year end, on January 9, 2012, and has therefore not been included in the summary

Price trend

The chart at right shows the price trend for INVISIO Communications shares (IVSO) in 2011. The closing price on December 30, 2010 was SEK 3.70, entailing a total market capitalization of approximately SEK 121 m. During the period January 5, 2011 to December 30, 2011, a total of 1,679,076 shares were traded at a value of SEK 11.7 m.



Trading in INVISIO Communications shares

INVISIO Communications shares are traded on First North Premier Segment Stockholm, which is operated by NASDAQ OMX Stockholm. INVISIO Communications is traded under the ticker name IVSO and has the ISIN code SE0001200015. Trading is conducted electronically, and continuously, and information on prices, volumes, and bid-offer spread are published in real time in the same manner as for shares listed on a regulated market. NASDAQ OMX Stockholm is not responsible for monitoring the companies listed on First North; instead, this is managed by certified advisers. The certified adviser for INVISIO Communications is Mangold Fondkommission, a member of and contracted partner with NASDAQ OMX Stockholm. The certified adviser monitors the Company's compliance with the requirements for First North and the applicable requirements on information.

The Company complies with the First North Rule Book and other applicable stock exchange regulations, as well as the Swedish Companies Act. All shares carry equal entitlement to dividends and shares in the Company's profit, as well as a share in its assets in case of liquidation.

Market maker

INVISIO Communications has appointed Erik Penser Bankaktiebolag and Remium Relations AB as market maker for the Company's shares. The aim is to promote good liquidity in the shares and to reduce the difference between the buying and selling price in day-to-day trading.

Policy on dividends

According to the dividend policy adopted by the Board of INVISIO Communications, future dividends shall be determined with consideration for the Company's long-term growth and earnings development, as well as its capital requirements, with due consideration for financial targets. The goal for the dividend is to stay within an interval of 25 to 50 percent of profit after tax. The Company does not expect to issue any dividends over the next few years. All internally generated capital will be utilized in the expansion of INVISIO Communications' operations. At present, INVISIO Communications has no possibility to issue any dividend to the shareholders.

OWNERSHIP STRUCTURE OF INVISIO COMMUNICATIONS AS PER JANUARY 27, 2012, INC. SHARES REG. 09/01/2012

Owner	Number of shares	% votes and capital
SIX SIS AG, on behalf of clients	8,564,058	25.4%
Lage Jonason, with family and companies	6,794,413	20.2%
Alecta Pensionsförsäkringar	6,086,666	18.1%
Yggdrasil AB	2,936,244	8.7%
Swedbank Robur Exportfond	1,963,498	5.8%
Skandinaviska Enskilda Banken S.A., NQI	1,066,666	3.2%
Handelsbanken svenska småbolagsfond	547,746	1.6%
Svenska Handelsbanken SA	534,841	1.6%
JP Morgan Bank	491,666	1.5%
LMK Ventures AB	445,701	1.3%
Other	4,235,938	12.6%
<i>Total</i>	<i>33,667,437</i>	<i>100.0%</i>

SUMMARY OF OUTSTANDING STOCK OPTIONS

Option scheme	Number of options	Subscription price, SEK	Possible increase in share capital, SEK	Subscription period	Dilutive effect, %	Accumulated dilutive effect, %
2008/2013 no. 6	2,000,000	25.00	2,000,000	20080430 - 20130430	5.61%	5.61%
<i>Total</i>	<i>2,000,000</i>		<i>2,000,000</i>		<i>5.61%</i>	

Subscription options

INVISIO Communications AB currently has one outstanding stock option program:

Warrants no. 6

A total of 2,000,000 stock options, which gives the shareholder the right to subscribe for 2,000,000 shares in INVISIO Communications AB at an issue price of SEK 25.00 per share during the period April 30, 2008 through April 30, 2013. Upon full exercise of the options, the share capital can increase by a maximum of SEK 2,000,000. The stock options have been granted free of charge to Motorola.

CORPORATE GOVERNANCE REPORT

General

INVISIO Communications AB (publ.) (“INVISIO Communications” or the “Company”) is a Swedish limited liability company with its registered office in Stockholm, Sweden. The company is listed on First North Premier Segment Stockholm, an alternative market-place (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. The Swedish Code of Corporate Governance applies to Swedish limited liability companies whose shares are available for trading in a regulated market in Sweden, currently NASDAQ OMX Stockholm and NGM Equity. The rules of the Swedish Annual Accounts Act on corporate governance reporting also apply to companies whose shares are available for trading in a regulated market. Thus, INVISIO Communications is not formally bound to the Swedish Code of Corporate Governance or the rules of the Swedish Annual Accounts Act on corporate governance reporting. However, the basis of the corporate governance used by INVISIO Communications is the same as for companies listed on a regulated market and emanates from the Swedish Companies Act, Swedish Annual Accounts Act, the Swedish Code of Corporate Governance and other applicable Swedish and foreign laws and rules. No departures from the Swedish Code of Corporate Governance have been noted. The document “Overview of INVISIO Communications’ application of the Swedish Code

of Corporate Governance” (original title: “Översikt av INVISIO Communications tillämpning av Svensk kod för bolagsstyrning”) can be found on INVISIO Communications’ website www.invisio-communications.com. This corporate governance report, which has been prepared in accordance with Swedish Annual Accounts Act and the Swedish Code of Corporate Governance, has been audited by the Company’s auditor.

Overview of corporate governance at INVISIO Communications

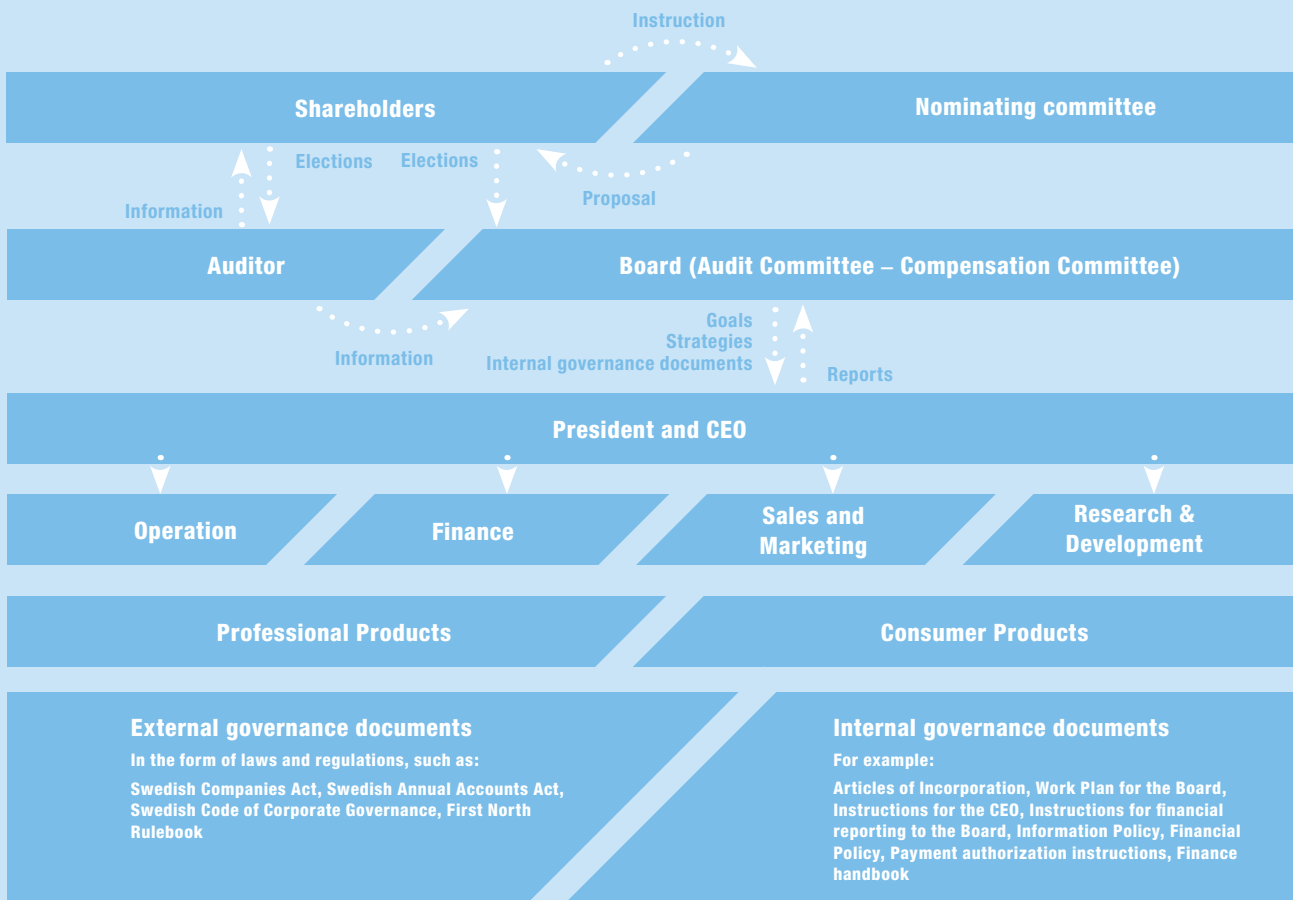
Governance and control of INVISIO Communications are divided among shareholders attending general meetings, the Board of Directors, and the CEO. An overview of the organization, governance, and control (including external and internal governance documents) of INVISIO Communications and the INVISIO Communications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

Shareholder

SHAREHOLDERS’ VOTING RIGHTS

INVISIO Communications has been listed on First North, Stockholm since mid-2006, and more specifically under the First North Premier Segment, Stockholm since July 9, 2009. The Company’s share capital, at December 31, 2011, amounted to SEK

Overview of corporate governance at INVISIO Communications



32.7 m (23.5), divided into 32,704,351 shares (23,501,320) (registered number), each with a quotient value of SEK 1.00. All shares have equal voting rights and there is no limit to the number of votes our shareholders may use at a general meeting. The Company's market capitalization, based on the closing price at December 30, 2011, was approximately SEK 121 m (235).

NUMBER OF SHAREHOLDERS

As per January 27, 2012 (inc. shares registered on January 9, 2012), INVISIO Communications had 228 shareholders (205). Major shareholders are SIX SIS AG, on behalf of clients, with 25.4 percent of the stock and votes, Lage Jonason (with family and companies) with 20.2 percent of the stock and votes, and Alecta Pensionsförsäkringar with 18.1 percent of the stock and votes.

GENERAL MEETINGS OF SHAREHOLDERS

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

The Annual General Meeting (AGM) of INVISIO Communications shall be held within six months after the end of the financial year and is usually held in April, in Stockholm. At the AGM, resolutions are adopted concerning – among other things – adoption of the Company's income statement and balance sheet, the consolidated income statement and consolidated balance sheet, disposition of the Company's profit or loss, discharging the Board members and CEO from liability to the Company, election of directors, the Chairman of the Board, and auditors, the setting of directors' and auditors' fees, and other items of business that are incumbent upon the AGM pursuant to the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. Extraordinary general meetings are held when the Board finds reason for such pursuant to the Swedish Companies Act.

ANNUAL GENERAL MEETING 2011

The 2011 Annual General Meeting was held in Stockholm on April 28. A total of 9 shareholders or their proxies were present, representing 41.3 percent of the number of shares and votes. The minutes from the AGM can be found on INVISIO Communications' website www.invisiocommunications.com. A number of the resolutions that were passed follow below.

Chairman of the Board at that time, Heléne Vibbleus Bergquist, was elected to chair the AGM.

The AGM resolved to adopt the Company's income statement and balance sheet for 2010, to adopt the consolidated income statement and consolidated balance sheet for 2010, to distribute the Company's deficit in accordance with the recommendation of the Board and the CEO in the 2010 Board of Directors' report (that is, to carry it forward), and to discharge the Board members and the CEO from liability for the 2010 financial year.

The AGM also resolved to authorize the Board, on one or more occasions before the next AGM, with or without deviation from the shareholders' pre-emption rights, to make decisions on the issue of new shares, stock options, and/or convertibles.

The reason for deviating from the shareholders' pre-emption rights is to spread ownership in the Company through a listing of the Company's stock on NASDAQ OMX Stockholm or, should such a need arise, to strengthen the Company's financial position. Decisions supported by said authorization shall comprise a maximum of 2,500,000 shares in new share issues, in the exercising of stock options, and/or the conversion of convertibles, corresponding to approximately 9.7 percent of the number of shares and votes outstanding at that time. Cash issues or set-off issues conducted with deviation from the shareholders' pre-emption rights may only be carried out at a price equal to the market value of the share, stock option, or convertible and on the basis of any altered terms

the Board may deem necessary in order to complete the issue. In the case of issues invoking shareholders' pre-emption rights, the Board decides on the price. The authorization encompasses the right to decide on cash issues and set-off issues and otherwise in compliance with the conditions stipulated in Chapter 2, Section 5, Paragraph 2, Items 2, 3, and 5 of the Swedish Companies Act.

Lars Röckert, Anders Persson and Mats Warstedt were re-elected as directors, while Jan Samuelson was elected as a new director. Lars Röckert was elected as the new Chairman of the Board. The 2011 AGM resolved that directors' fees shall be payable in the amount of SEK 275,000 to the Chairman of the Board and SEK 125,000 to each of the other directors. The AGM also resolved that fees shall be payable to the auditor in accordance with an approved invoice and decided on guidelines for compensation of the CEO and other senior executives.

Further, the AGM adopted a set of instructions for the Nominating Committee.

ANNUAL GENERAL MEETING 2012

The 2012 AGM will be held at 13:00 on Tuesday 29th of May at the premises of Erik Penser Bankaktiebolag at Biblioteksgatan 9 in Stockholm. Notice of the AGM can be found on INVISIO Communications' website www.invisiocommunications.com.

Nominating committee

A nominating committee shall be appointed and shall work during the time until a new nominating committee has been appointed on the drafting and presentation of recommendations to the shareholders at the AGM regarding the number of directors, election of directors, the Chairman of the Board and, where applicable, the auditor, as well as on the fees to be paid to the Board of Directors and auditor and other matters that may be incumbent upon a nominating committee pursuant to the Swedish Code of Corporate Governance.

The Nominating Committee shall consist of four members, who shall be appointed as follows:

Before the end of the third quarter, the Chairman of the Board shall contact the three largest shareholders of the Company, who then each appoint one member – who should not be a director on the Board – to serve on the Nominating Committee. One of these shall be appointed to serve as committee chair. If any of the three largest shareholders refrain from appointing a nominating committee member, the Chairman of the Board shall urge another major owner to appoint a member. Shareholders who have appointed a member have the right at any time to replace their designated member with another representative. In addition, the Chairman of the Board shall be a member of the Nominating Committee, but shall not be appointed as committee chair. As part of the Nominating Committee's work, the Chairman of the Board shall report to the committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be important to the work of appointing a Board. Individual shareholders of the Company shall be able to submit nominations for Board members to the committee for further evaluation within the framework of the committee's work.

Information on the Nominating Committee's composition shall be made public no later than six months before the Annual General Meeting and in the Company's interim report for the first nine months of the year. The Nominating Committee shall have the right to charge the Company the costs for engaging recruitment consultants, if such consultants are deemed necessary to obtain a suitable selection of candidates for the Board. The Nominating Committee shall report its work at the Annual General Meeting.

The Nominating Committee prior to the 2011 AGM comprised Lage Jonason, who also acted as Committee Chairman and represented himself and his family and companies, Ramsay Brufer, representing Alecta Pensionsförsäkringar, Björn Franzon, representing Swedbank Robur fonder, and Chairman of the Board Lars Röckert.

The Nominating Committee has submitted its proposal, which means that the Board will comprise five regular members and no deputies. Re-election of Anders Persson, Lars Röckert, Jan Samuelson and Mats Warstedt as regular members and election of Lage Jonason as a new member are proposed. It is proposed that Lars Röckert be re-elected as Chairman of the Board and that Lage Jonason be elected as the new Vice Chairman of the Board. It is proposed that the registered firm of auditors PricewaterhouseCoopers AB be re-elected as auditors.

Board of Directors

THE BOARD'S RESPONSIBILITY, DUTIES, AND DELEGATION OF DUTIES

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

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

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

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

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

AUDIT COMMITTEE

The Board is responsible for ensuring that the Company has good internal control and formalized routines that ensure compliance

with established principles for financial reporting and internal control and that the Company's financial reporting is prepared in compliance with law, applicable accounting standards, and other requirements placed on the Company.

The Audit Committee's duties and responsibilities include:

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

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

The Audit Committee consists of all of the Board members and is chaired by the Chairman of the Board. Minutes from Audit Committee meetings are included in the minutes from Board meetings.

At Board meetings, the Audit Committee discussed the interim report for January – March 2011, the half-year report for January – June 2011, the interim report for January – September 2011, the year-end report for January – December 2011, and the 2011 Annual Report. At Board meetings, the Audit Committee met with the Company's auditor to receive information on the audit plan and the result of the auditor's audit and to examine the auditor's written plans and reports.

COMPENSATION COMMITTEE

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

The Compensation Committee consists of all Board members and is chaired by the Chairman of the Board. Minutes from Compensation Committee meetings are included in the minutes from Board meetings. At Board meetings, the Compensation Committee discussed matters that are incumbent upon the Compensation Committee.

COMPOSITION OF THE BOARD AND ITS COMMITTEES AND DIRECTORS' INDEPENDENCE

According to the Articles of Incorporation, the Board of INVISIO Communications shall consist of a minimum of three and maximum of eight directors. The Board currently consists of four directors, who were elected for terms extending until the 2012 Annual General Meeting. These directors are Lars Röckert, Anders Persson, Mats Warstedt and Jan Samuelson. The composition of the Board's Audit Committee and Compensation Committee is shown in the table "Composition of the Board 2011" below. The same table also shows the Board's assessments of directors' independence in relation to the Company and company management

COMPOSITION OF THE BOARD

2011	Born	Function	Elected	Independent	Audit Committee	Compensation Committee
Lars Röckert	1950	Chairman	2010	yes	Chairman	Chairman
Anders Persson	1957	Member	2009	yes	Member	Member
Mats Warstedt	1962	Member	2008	yes	Member	Member
Jan Samuelson	1963	Member ¹	2011	yes	Member	Member
Heléne Vibbleus Bergquist	1958	Member ²	2008	yes	Member	Member
Magnus Ruding	1956	Member ²	2008	yes	Member	Member

¹Member as of 2011 AGM

²Member until 2011 AGM

2010	Born	Function	Elected	Independent	Audit Committee	Compensation Committee
Heléne Vibbleus Bergquist	1958	Chairman	2008	yes	Chairman	Chairman
Lars Röckert	1950	Member ¹	2010	yes	Member	Member
Anders Persson	1957	Member	2009	yes	Member	Member
Mats Warstedt	1962	Member	2008	yes	Member	Member
Magnus Ruding	1956	Member	2008	yes	Member	Member

¹Member as of 2010 AGM

and the Company's largest shareholders. The table also shows that INVISIO Communications complies with the requirement of the Swedish Code of Corporate Governance from July 1, 2008 that a majority of directors shall be independent in relation to the Company and company management and that at least two of these shall also be independent in relation to the Company's major shareholders. The Board's assessments of directors' independence is the same even in relation to the requirements in the Swedish Code of Corporate Governance from February 1, 2010 that are applied only to directors elected after July 1, 2010.

THE WORK OF THE BOARD

According to the Articles of Incorporation, INVISIO Communications' Board shall meet at least eight times each year, excluding the Board meeting following the election of the Board. In 2011, the Board held 23 meetings. The attendance of Board members at Board meetings is shown in the table "Directors' attendance 2011" below.

BOARD MEMBERS' ATTENDANCE

2011	Function	Board meetings
Lars Röckert	Chairman	22 of 23
Anders Persson	Member	20 of 23
Mats Warstedt	Member	23 of 23
Jan Samuelson	Member ¹	15 of 15
Heléne Vibbleus Bergquist	Member ²	8 of 8
Magnus Ruding	Member ²	8 of 8

¹Member as of 2011 AGM

²Member until 2011 AGM

The main issues covered at Board meetings in 2011 were:

- Year-end report 2010
- Annual report 2010
- Internal governance documents
- Evaluating the CEO and other members of management and ensuring succession planning
- Compensation of CEO and other senior executives
- Evaluating the work of the Board
- Sales processes and sales activities
- Production matters
- The collaboration with Motorola
- Follow up on goals and strategies
- Financial accounting and reporting
- Internal prognoses regarding sales, profits and liquidity
- Liquidity and financing matters, including raising external loans and new share issues
- Interim Report January – March 2011,
- Goals and strategies
- The auditor's audit plan
- Half-year Report January – June 2011,

2010	Function	Board meetings
Heléne Bergquist	Chairman	20 of 20
Lars Röckert	Member ¹	14 of 14
Anders Persson	Member	20 of 20
Mats Warstedt	Member	20 of 20
Magnus Ruding	Member	20 of 20

¹Member as of 2010 AGM

- Interim Report January – September 2011,
- Prospectus for new share issue
- The CEO's report and business follow-up
- The outcome of the auditor's assignment

The secretary at the Board's meetings is normally the Company's Head of Finance.

EVALUATING THE WORK OF THE BOARD

According to the Board's Work Plan, the Chairman of the Board is responsible for ensuring that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work forms and effectiveness. In 2011 the evaluation has been made by each Board member completing a written questionnaire, which are then compiled by the chair to form the basis for subsequent reporting to and discussion in the whole Board.

Auditor

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

At the Board's request, the auditor also conducted a review of the interim report for January – September 2011.

At the 2008 AGM, the certified public accounting firm PricewaterhouseCoopers AB was elected to serve as auditor for the time extending through the end of the Annual General Meeting held in the fourth financial year following the financial year in

which the auditor was elected. The auditor-in-charge is Michael Bengtsson, Certified Public Accountant.

CEO, management, departments, and employees

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

INVISIO Communications' operations are organized in two business areas, Professional Products and Consumer Products, and in four departments, Operations, Finance & Administration, Sales & Marketing and Research & Development. INVISIO Communications' headquarters are in Copenhagen, Denmark, which is where management and administration, business operations, some manufacturing, sales and marketing and research and development are conducted. Most manufacturing is outsourced to subcontractors. The CEO heads operations and makes decisions in consultation with the other members of management, who consist of the managers of the four business areas. The Company had 30 (27) employees as per December 31, 2011 and 14 (14) of those employed worked in Research & Development.

BOARD OF DIRECTORS

■ LARS RÖCKERT (BORN 1950)

Member of the Board since April 2010 and *Chairman* since April 2011

Lars Röckert trained as an officer at Karlberg Military College 1973-74 and the Military College Higher Course 1982-1984, which corresponds to a higher academic exam. Röckert was an active officer between 1974 and 1984. From 1984, Lars Röckert was active in the Swedish defense industry at companies such as SAAB, Ericsson and Bofors/BAE Systems. Lars Röckert held various marketing and sales manager positions there. Most lately, he was Head of Marketing at BAE Systems AB, legal owner of Bofors and Hägglunds. He left this position during the year when he also left BAE Systems in order to run his own company. Röckert was also a Board member at BHIC Bofors Asia Sdn Bhd from 2004 until March 2011, and he was formerly also a director and Chairman at H-B Utveckling AB.

In addition to his duties at INVISIO, Lars Röckert holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
L.M.R. Business Development AB	Board member

Lars Röckert privately owns 3,336 shares in INVISIO Communications.

■ ANDERS PERSSON (BORN 1957)

Member of the Board since April 2009

Anders Persson holds an M.Sc. Eng in Engineering Physics from Chalmers University of Technology, Gothenburg. Anders Persson is a Board member at Net Insight Consulting AB and deputy Board member of Ten Tech AB, and works as deputy CEO and development manager of Net Insight AB. Anders Persson has many years of experience from the Ericsson Group, where he was most recently General Manager for Network Design and Performance Improvement. Anders Persson has also held a number of other executive positions within the Ericsson group.

In addition to his duties at INVISIO, Anders Persson holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
Net Insight Innovation AB	Board member
Net Insight Intellectual Property AB	Board member
Net Insight Consulting AB (publ)	Board member
Persson Executive Consulting AB	Board member and CEO

Anders Persson privately owns 3,336 shares in INVISIO Communications.

■ MATS WARSTEDT (BORN 1962)

Member of the Board since December 2008

Mats Warstedt holds an M.Sc. Econ from Stockholm School of Economics and an M.Sc. Eng in aviation technology from Stockholm's Royal Institute of Technology (KTH). Mats Warstedt is the CEO of RUAG Space AB. Former CEO of Innovativ Vision AB, and prior to that marketing director of SAAB AB (publ.) and CEO of Saab Barracuda AB.

In addition to his duties at INVISIO, Mats Warstedt holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
RUAG Space AB	Regular member
Mats Warstedt AB	Regular member

Mats Warstedt privately owns 4,362 shares in INVISIO Communications.

■ JAN SAMUELSON (BORN 1963)

Member of the Board since April 2011

Jan Samuelson holds an M.Sc. Econ from Stockholm School of Economic and is one of the founders of the private equity fund Accent Equity. Jan Samuelson has extensive experience of acquiring and developing companies from an ownership perspective and extensive experience of Board work and stock exchange and shareholder matters. His former employers, besides his role as Senior Partner at Accent Equity Partners AB, include EF Education, Carta Corporate Advisors AB and Indevo AB. His current Board positions include KappAhl AB and Axholmen AB.

Via his wholly-owned company Independia Invest AB, Jan Samuelson entered into an underwriting of the preferential share issue in November 2011 of SEK 250,000.

In addition to his duties at INVISIO, Jan Samuelsson holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
Independia Invest AB	Board member
Independia AB	Board member
KappAhl AB (publ)	Board member
Axholmen AB	Board member
Business Partner Sweden AB	Board member

Samuelson owns 44,570 shares in INVISIO Communications via his wholly-owned company Independia Invest AB.

SENIOR EXECUTIVES

Below we present the senior executives of INVISIO Communications, with their backgrounds, positions, and years of service.

■ LARS HØJGÅRD HANSEN (BORN 1963)

CEO since July 2007, prior to which he was *acting CEO* for the period February–June 2007

Lars Højgård Hansen has a Graduate Diploma (HD) from Copenhagen Business School and an Executive MBA from Lund University, School of Economics. Lars Højgård Hansen has been employed at INVISIO Communications since 2006, and as well as being its CEO he is a Board member for INVISIO's subsidiaries Nextlink Patent AB and Nextlink IPR AB. Lars Højgård Hansen has a long record of experience from executive positions in the telecom industry, including Vice President Marketing for GN Netcom A/S and Sales and Marketing Director for cellphone accessories in Europe, the Middle East, and Africa for Ericsson Mobile Communications AB and SonyEricsson Mobile Communications AB.

In addition to his duties at INVISIO, Lars Højgård Hansen holds no further positions, nor is he an owner or part-owner (owning more than five percent of the company) of any company.

Lars Højgård Hansen privately owns 149,722 shares in INVISIO Communications, and he also participated in the Company's synthetic option program in 2007-2011.

■ BENGT NILSSON (BORN 1951)

CFO since July 2007, to retire in the summer of 2012

Bengt Nilsson has an economics degree from Stockholm University. Nilsson has been employed by INVISIO since 2007, prior to which he has a long record of experience from executive positions, including Finance Director and Administrative Director for Shurgard Scandinavia, Finance Director for WASA Försäkring and CFO for Vattenfall Division Sales, Sweden. He has also worked as an independent consultant with assignments for companies such for Diligentia AB, where he was CFO/controller, and Carnegie Holding AB.

In addition to his duties at INVISIO, Bengt Nilsson holds no further positions, nor is he an owner or part-owner (owning more than five percent of the company) of any company.

Bengt Nilsson privately owns 666 shares in INVISIO Communications, and he also participated in the Company's synthetic option program in 2007-2011.

■ JAN LARSEN (BORN 1962)

Vice President Research & Development since May 2007 and also *Head of Operations* since March 2010

Jan Larsen has a degree in Electrical Engineering (B.Sc. EE) from the Technical University of Denmark and a Graduate Diploma (HD-O) from Copenhagen Business School. Jan Larsen has been with INVISIO since 2007, prior to which he has a long record of experience from executive positions in product development for various types of hearing and acoustics applications, including Vice President R&D for GN Netcom A/S and UnoMedical A/S and various positions at Oticon A/S.

In addition to his duties at INVISIO, Jan Larsen holds no further positions, nor is he an owner or part-owner (owning more than five percent of the company) of any company.

Jan Larsen privately owns 666 shares in INVISIO Communications, and he also participated in the Company's synthetic option program in 2007-2011.

■ CARSTEN AAGESEN (BORN 1968)

Vice President Sales since May 2008 and *Vice President Sales and Marketing* since January 2011

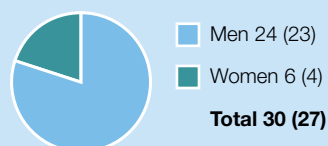
Carsten Aagesen has an M.Sc. Econ., with a major in Marketing and Strategic Management from Copenhagen Business School. Carsten Aagesen has been employed by INVISIO since May 2007, prior to which he had many years executive experience in international sales and marketing, including Sales & Marketing Manager and Marketing Manager, Nordic Region and Benelux for Apple Inc, Director Global Marketing for GN Great Nordic A/S/GN Netcom A/S, and Director Sales & Product Sourcing for F Group A/S.

In addition to his duties at INVISIO, Carsten Aagesen holds no further positions, nor is he an owner or part-owner (owning more than five percent of the company) of any company.

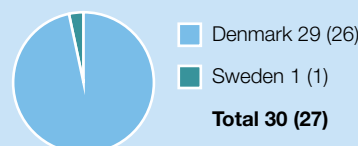
Carsten Aagesen privately owns 500 shares in INVISIO Communications, and he also participated in the Company's synthetic option program in 2007-2011.

EMPLOYEES AND ORGANIZATION

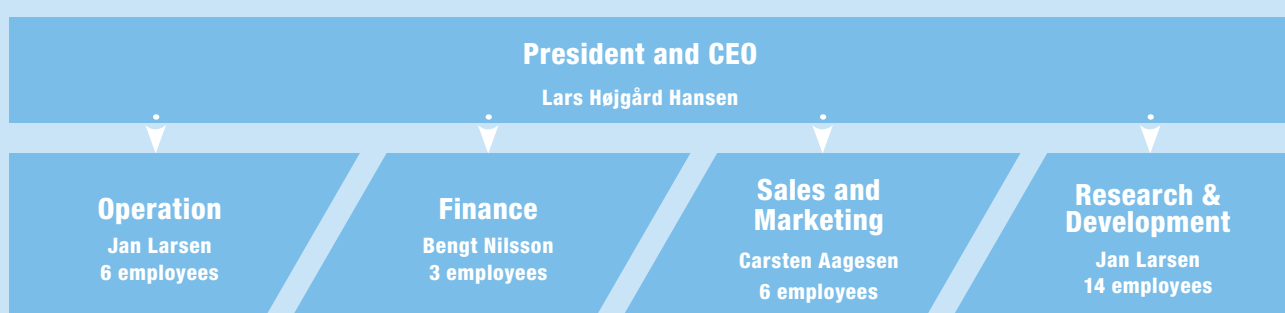
GENDER DISTRIBUTION AS
PER 2011-12-31



GEOGRAPHIC DISTRIBUTION AS PER 2011-12-31



ORGANIZATIONAL STRUCTURE



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

DIRECTORS' FEES

Directors' fees are determined by the shareholders at general meetings. The 2011 AGM resolved that directors' fees shall be payable in the amount of SEK 275,000 to the Chairman of the Board and SEK 125,000 to each of the other directors. No additional fees are payable to members of the Audit Committee or the Compensation Committee.

Directors' fees are described in more detail in Note 11.

AUDITOR'S FEES

The auditor's fees are decided on by the shareholders at the annual general meeting. The 2011 Annual General Meeting resolved that fees shall be payable to the auditor in accordance with an approved invoice. Auditor's fees are shown in the table below. Other services pertain primarily to consulting on accounting matters and other services, such as prospectus auditing.

Auditor's fees are described in more detail in Note 7.

SEK 000s	2011	2010
PwC		
Auditing assignments	738	675
Auditing activities in addition to auditing assignments	146	362
Tax advice	51	144
Other services	22	743
<i>Total</i>	957	1,924
MCG LLP		
Auditing assignments	-	65
Auditing activities in addition to auditing assignments	-	-
Tax advice	-	-
Other services	-	64
<i>Total</i>	-	129
GROUP TOTAL	957	2,053

COMPENSATION TO CEO AND OTHER SENIOR EXECUTIVES

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

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

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

2011 SEK 000s	Salary	Phantom Plan	Pension	Other remuneration	Total
Management					
Lars H. Hansen, CEO	2,219	1,046	133	74	3,473
Other executives	4,160	795	141	69	5,165
<i>Total</i>	6,379	1,842	274	143	8,638

2010 SEK 000s	Salary	Phantom Plan	Pension	Other remuneration	Total
Management					
Lars H. Hansen, CEO	2,234	-	123	74	2,431
Other executives	4,145	-	410	-	4,555
<i>Total</i>	6,379	-	533	74	6,986

Compensation of the CEO and other senior executives is described in more detail in Notes 10 and 11.

Long-term incentives programme

In 2007, the Board established a synthetic option program for all Group employees. During the term of the program, participants were granted employment-related options and performance-related options.

The options were granted free of charge and encompassed a total of 700,000 options, of which 350,000 were employment-related options and 350,000 were performance-related options. Exercise of employment-related options required, in principle, that the employment relationship to exist at the time of exercise. In addition, exercise of performance-related options required the achievement of certain financial targets set by the Board.

The option program had a term of approximately four years from the grant date and expired on June 30, 2011. The growth in value of granted options was maximized at three times the share price at the time of the launch which amounted to SEK 19.00 as at July 9, 2007.

Option scheme

In 2011, SEK -2,788 thousand (-1 035) was reserved for the program, of which SEK 91 thousand was for performance-related options granted for 2010 (1,035 for those granted for 2009). No performance-related options will be granted for 2011 as this part of the program was terminated in 2011. The closing price on June 30, 2011 was SEK 9.75.

Notice periods

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

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

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

The Board's responsibility for internal control and risk management is regulated in the Swedish Companies Act and, for Swedish limited liability companies whose shares are available for trading on a regulated market in Sweden (currently NASDAQ OMX Stockholm and NGM Equity), also in the Swedish Code of Corporate Governance. In addition to the rules in the Swedish Code of Corporate Governance regarding information about corporate governance, the rules of the Swedish Annual Accounts Act on corporate governance reporting also apply to companies whose shares are available for trading in a regulated market. Thus, INVISIO Communications is not formally bound to the Swedish Code of Corporate Governance or the rules of the Swedish Annual Accounts Act on corporate governance reporting, since the Company's shares are not available for trading on a regulated market, although the Code serves as an important reference for corporate governance within the Company. According to the Swedish Annual Accounts Act, the corporate governance report shall include information about the most important features of the Company's systems for internal control and risk management with respect to financial reporting.

Internal control and risk management with respect to financial reporting are part of INVISIO Communications' overall internal control and risk management and comprise a central component of the Company's corporate governance. INVISIO Communications defines internal control and risk management as a process that is influenced by the Board, the Audit Committee, the CEO, other Company management, and other employees and that is designed so as to provide reasonable assurance that INVISIO Communications' goals are achieved with respect to suitable and effective operations, reliable reporting, and compliance with applicable laws and statutes. This process is based on a control environment that fosters discipline and structure for the other four components of the process – risk assessment, control structures, information and communication, and follow-up. The process is based on the framework for internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO), www.coso.org.

Board's report on internal control and risk management pertaining to financial reporting can be found below and gives information about the most important features of the Company's systems for internal control and risk management with respect to financial reporting. This report has been audited by the Company's auditor.

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

INSPECTION ENVIRONMENT

The control environment encompasses the values and the ethics that the Board, the Audit Committee, the CEO, and other members of management communicate and adhere to, as well as the organizational structure, leadership, decision-making channels, authority, responsibilities, and competence held by the employees. An overview of the Company's organization, governance, and con-

trol – including external and internal governance documents that are important aspects of INVISIO Communications' control environment – is provided on page 36 in the Corporate Governance Report. INVISIO Communications is characterized by a comparatively lean and decentralized organization with clear responsibility for the respective business area managers who, together with the CEO, comprise company management.

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

The Board has appointed an Audit Committee, comprised of all Board members, tasked with and responsible for monitoring the Company's financial reporting and, in this context, also monitoring the effectiveness of the Company's internal control and risk management. The Audit Committee shall also stay informed about the audits of the annual accounts and the consolidated accounts, examine and monitor the external auditor's impartiality and independence and therewith pay particular attention to whether the external auditor provides the Company with services other than auditing, and assist with the preparation of proposals for the AGM on decisions regarding the choice of auditor.

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

As regards financial reporting, responsibility for maintaining an effective control environment and for the ongoing work on internal control and risk management is delegated to the CEO. The Company's CFO works under the direction of the CEO on continuously developing and improving the internal control and risk management with respect to financial reporting – on the one hand proactively with a focus on the internal control environment, on the other hand by quality assuring the external financial reporting. In 2011, INVISIO Communications continued the review of internal governance documents in order to ensure that they meet the Company's current needs and are in compliance with laws, applicable accounting standards, and other requirements for listed companies. As a result of this review, several internal governance documents have been updated. In addition to this, the focus in 2011, as in 2010, was on effective financial governance and control in the form of follow-ups of targets and plans and clear divisions of responsibility for income and expenses.

RISK ASSESSMENT

As regards financial reporting, INVISIO Communications' risk assessment is designed to identify and evaluate the most significant risks affecting internal control with respect to financial reporting. Risk assessment provides a foundation for decisions on how risks are to be managed using various control structures, with the aim of ensuring that the basic requirements of financial reporting are fulfilled. The risk assessment that has been performed shows that the most significant risks for errors in the financial reporting per-

tain primarily to the fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade accounts receivable. As per December 31, 2011, the assessment is that the reported value of these items corresponds to their fair value.

The Company's risk management is described further in the Board of Directors' Report and in Note 2.

CONTROL STRUCTURES

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

INFORMATION AND COMMUNICATION

As regards financial reporting, information and communication about internal governance documents are available to the Company's employees in INVISIO Communications' document management system, High Stage. High Stage is a web-based tool for managing business documents in a central database and features automatic version management as well as control of authorization, reviews, and approval. Information and communication on internal governance documents are also provided in connection with staff meetings.

As regards financial reporting, the CEO and the Company's CFO report the results of their work on internal control and risk management at Audit Committee meetings.

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

FOLLOW-UP

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

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

BOARD OF DIRECTORS' REPORT

The Board of Directors and President of INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company"), registered company number 556651-0987, herewith submit their annual report and consolidated accounts for the 2011 financial year, the Company's thirteenth year of trading¹. The Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. Unless indicated otherwise, all amounts in the Board of Directors' Report are specified in millions of Swedish kronor (SEK). Figures in parentheses pertain to the preceding year.

The business

INVISIO Communications specialises in voice communications in difficult conditions and pursues its operations in two business areas, Professional Products and Consumer Products.

In the Professional Products business area, the company develops, manufactures, markets and sells communication solutions such as advanced headset, control units and associated equipment for use with two-way radio, primarily for professional users who are often working in difficult environments. Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. The products are sold via partners and retailers and directly to end customers, under both the proprietary INVISIO brand and through OEM collaborations. The company also conducts development work on assignment for customers. All manufacturing of professional products takes place in Scandinavia, conducted by carefully selected companies, including Swedish firm PartnerTech, Danish firm Davinci and to some extent in-house.

In the Consumer Products business area, the exclusive licensing and cooperation agreement which INVISIO entered into with Motorola in 2008 was conditional upon certain targets and commitments, which have not been fulfilled. As a result, the agreement expired on March 31, 2011; and following renegotiations in the second quarter of 2011, a new agreement was entered into during the third quarter which means that Motorola can continue to manufacture and market products using INVISIO technology until May 31, 2012. This agreement also means that Motorola no longer has exclusive rights to INVISIO's technology for the consumer market, which means that INVISIO has the opportunity to enter into agreements with other players. According to the new agreement with Motorola, income for the business area now originates exclusively from Motorola's manufacture of and sales successes for products using INVISIO's patented technology.

Research and development is INVISIO Communications' core activity and is conducted mainly internally within the company. The product portfolio is based partly on INVISIO Communications' two patent families: INVISIO Bone Conduction, a small ear microphone that picks up vibrations in the user's jawbone and converts these into sound, and the Soft Spring™ earpiece, an ergonomically designed and motion tolerant fastening device consisting of a soft rubber spring that fastens the headset in the ear, and partly on the Company's expertise in sound transmission. The patent families and expertise in sound transmission enable disruption-free and clear voice communication even under extreme conditions, such as loud noise, heat, and underwater.

Sales and earnings

Sales for 2011 increased by 26.5 percent compared with 2010, amounting to SEK 41.5 m (32.8). The increase in sales is attributable

mainly to efforts to increase sales of professional products. Gross profit amounted to SEK 20.3 m (17.8). Gross margin was 49.0 percent (54.4). It is characteristic of this business area that gross margin may vary between years depending on the product mix and the share of direct sales to end customers (which have higher margins) compared to the share of sales via retailers. Operating expenses fell to SEK -44.5 m (-55.7). Expenses include depreciation of SEK -8.1 m (-12.2) and non-recurring costs of SEK 0 (-5.6). Operating loss improved to SEK -24.2 m (-37.9). Net financial items amounted to SEK -4.5 m (-1.9). Loss after tax improved to SEK -28.6 m (-39.8). Loss per share improved to SEK -1.10 (-1.75).

Over the last five years, the Group has developed as shown below:

SEK 000s	2011	2010	2009	2008	2007
Sales	41,463	32,787	61,106	40,686	22,786
Profit/Loss before tax	-28,625	-39,814	-17,295	-44,880	-68,072
Shareholders' equity	11,287	5,630	7,030	4,068	20,031
Balance sheet total	50,817	47,282	50,229	47,429	59,044

PROFESSIONAL PRODUCTS BUSINESS AREA

Over 2011, revenues amounted to SEK 38.2 m (24.4), representing an increase of 56.7 percent compared with 2010. Adjusted for exchange rate effects, the improvement was 65.6 per cent. This substantial increase is mainly the result of the company's focus on and increased efforts within the business area, such as marketing and sales efforts, and an increase in the number of retailers in important countries. The product portfolio for professional users now includes headsets, control units and peripheral equipment for use with two-way radio.

Gross margin was up compared with 2010, amounting to 47.1 percent (38.8). It is characteristic of this business area that gross margin for professional products may vary between quarters depending on the product mix and the share of direct sales to end customers (which have higher margins) compared to the share of sales via retailers. In 2011 the gross margin has been affected by a high proportion of sales through retailers and also by exchange rate fluctuations against the Swedish kronor.

At year-end, the order book totaled SEK 3.7 m (6.4).

CONSUMER PRODUCTS BUSINESS AREA

Sales for 2011 for the Consumer Products business area fell by 61.2 percent compared with the same period in 2010, amounting to SEK 3.3 m (8.4).

Gross margin was 70.9 percent (99.6).

Profit was affected by expenses involved in the renegotiation of the agreement with Motorola. In connection with the new agree-

¹The business was established in 1999 as the Danish company Nextlink.to A/S. On November 11, 2003, the Group was founded under the name Nextlink AB (publ.), which was changed to INVISIO Headsets AB (publ.) in 2008 and to INVISIO Communications AB (publ.) in 2010.

ment entered into with Motorola, the Company received a non-recurring payment that was recognized as revenue during the first half of 2011. With settlement of the non-recurring payment, Motorola will be entitled to manufacture units up to a specific volume before INVISIO receives further remuneration. As Motorola's production has not exceeded this volume for further payments to be made since settlement has taken place, no further income has been reported since then.

PARENT COMPANY

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

Net sales in 2011 amounted to SEK 0.06 m (0.4). Operating profit was SEK -6.5 m (-9.4). The change is mainly due to non-recurring costs relating to the planned listing of the Company's shares on NASDAQ OMX Small Cap Stockholm. The loss for the year was SEK -43.4 m (-41.5), of which shareholders' contributions to subsidiaries amounted to SEK -33.3 m (-30.0).

Cash and cash equivalents held by the parent company at year-end amounted to SEK 14.6 m (11.8) and equity was SEK 79.9 m (88.9), giving an equity ratio of 74.7 percent (78.9). The parent company had 1 employee (1).

Research and development

Research and development is INVISIO Communications's core activity and is conducted mainly internally within the company. The focus is on developing communications solutions such as advanced headsets, control units and associated equipment for use with two-way radio. INVISIO Communication's own resources and expertise in the field of research and development are used for its own development projects which are run in-house under the company's own brand, INVISIO®, and also for development cooperations with external parties such as Motorola.

Work is conducted continuously on documentation and quality management systems, high-quality manufacturing, and certifications.

PATENTS

INVISIO Communications owns two patent families. These are INVISIO Bone Conduction, a small ear microphone that picks up vibrations in the user's jawbone and converts these into sound, and the Soft Spring™ earpiece, an ergonomically designed and motion tolerant fastening device consisting of a soft rubber spring that fastens the headset in the ear.

The patent strategy involves actively developing and applying for patents in the fields of communications and audiology. For example, the Company recently submitted a new patent application in the US for INVISIO Custom Protect Hearing Protection, which is a technology for protecting against hearing loss.

See intellectual property rights on page 41 for more information.

Organization and employees

INVISIO Communications' headquarters are in Copenhagen, Denmark, which is where management and administration, business operations, some manufacturing, marketing and sales, and research and development are conducted. Most manufacturing is outsourced to subcontractors.

Senior management consists of 4 (4) persons. See page 34 for further information.

The number of employees as per December 31, 2011 was 30 (27), 1 (1) in Sweden and 29 (26) in Denmark.

Ownership

As per January 27, 2012 (inc. shares registered on January 9, 2012), INVISIO Communications had 228 shareholders (205). Major shareholders are SIX SIS AG, on behalf of clients, with 25.4 percent of the stock and votes, Lage Jonason (with family and companies) with 20.2 percent of the stock and votes, and Alecta Pensionsförsäkringar with 18.1 percent of the stock and votes.

INVISIO Communications is listed on First North Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. Since July 9, 2009, the Company is listed under the First North Premier segment.

Environment

The company does not carry on any business affected by registration or licence obligations under the Swedish Environmental Code.

Investment, cash flow and liquidity, finance, equity and dividends

INVESTMENTS

The Group's net capital expenditure for 2011 totaled SEK -6.3 m (-7.0), of which SEK -5.7 m (-6.5) comprised capitalized development costs and SEK -0.6 m (-0.5) comprised net investments in property, plant, and equipment. Capitalized development costs pertained primarily to development of future professional products.

CASH FLOW AND LIQUIDITY

Cash flow from operations in 2011 amounted to SEK -29.6 m (-37.2). Cash flow from investing activities totaled SEK -6.3 m (-7.0) and cash flow from financing activities totaled SEK 40.5 m (52.1), of which new share issues comprised SEK 29.5 m (21.1), new share issues in progress comprised SEK 4.8 m (20.5) and net amortization of liabilities to credit institutions comprised SEK 6.2 m (10.6). Cash flow for the period was thus SEK 4.6 m (7.9). Cash and cash equivalents held by the Group amounted to SEK 17.3 m (12.8) at year-end.

Management and the Board work actively and continuously with the Company's governance and control, including financial performance, liquidity, and financial position. The Board regularly checks to ensure that the necessary conditions for continued operations exist. During the year, the parent company increased its shareholders' equity via new share issues aimed at securing INVISIO Communications' financial position and to cope with the increase in capital tie up necessary for a focus on increased sales of professional products. It cannot be ruled out that the Company may need further capital contributions until operations reach breakeven with positive profits and cash flow. The previous assessment made by company management and the Board stands, namely that necessary liquidity and financing will be generated and added to operations through operating income, borrowing, the possible exercise of stock options, and authorization from the AGM to implement share issues. See page 42 Events after the end of the financial year.

FINANCING

On February 18, 2011, INVISIO Communications AB signed an agreement with Alecta Pensionsförsäkringar regarding a subordinate loan of SEK 20 m. This loan proceeded with an interest rate of 10 percent and was repaid in full as per January 20, 2012 at the

time of the preferential share issue. Alecta controls more than 10 percent of shares and votes in INVISIO, for which reason the loan is to be considered as a transaction with a related party. Over the year, two short-term loans for SEK 3 m and SEK 10 m were secured at INVISIO Communications AB. The loan for SEK 3 m was repaid as per October 28, 2011 and the loan for SEK 10 m was repaid as per December 30, 2011 at the time of the preferential share issue. On January 13, 2011 all 2,350,132 shares were registered relating to the new share issue with pre-emptive rights for the Company's existing shareholders, which took place between November and December 2010. This was equivalent to approximately 9.1 percent of the total number of shares in the Company after the new issue. The issue was fully subscribed and provided the Company with SEK 20.5 m net after issue costs. The subscription price was SEK 10. Following the decision of the board on October 21, 2011 and the EGM's approval on November 9, 2011, a new issue was made with pre-emptive rights for the Company's existing shareholders. There was a 50.2 percent subscription rate supported by subscription rights. There was a 40.5 percent subscription rate without pre-emption, which also included the allocation to underwriters. The issue results meant that the underwriters were awarded 89.1 percent of their respective commitments. Thus there was a 90.7 percent subscription rate, providing INVISIO with around SEK 39.1 m before issue costs. The number of shares in INVISIO increased by 7,815,985 shares after the new issue, thereby totaling 33,667,437 shares. Share capital increased by SEK 7,815,985, thereby amounting to SEK 33,667,437. The subscription price was SEK 5.

SHAREHOLDERS' EQUITY

Group equity at year end amounted to SEK 11.3 m (5.6), which gave an equity ratio of 22.2 percent (11.9). The registered share capital increased by SEK 9,203,031 in 2011. Consequently, total registered share capital amounts to SEK 32,704,351. At year-end, 963,086 shares were unregistered. These were registered on January 9, 2012.

DIVIDENDS

The Board of Directors proposes that no dividend be paid for the 2011 financial year.

Accounting principles

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

Risks and risk management

All business is associated with risks. Risks that are managed well can give rise to opportunities and value creation, while risks that are not managed well can give rise to damages and losses. INVISIO Communications operates in a global market with the development, manufacture, marketing, and sale of communications equipment for professional users, which means the Company is exposed to a range of external and internal risks in its operating activities. Risk management is, therefore, an important part of the governance and control of the Company. INVISIO Communications' risk management covers strategic risks, operational risks, legal and regulatory compliance risks, and risks for errors in the Company's reporting, including its financial reporting. Risks can generally be

divided into market-related, operational, and financial risks. The Company works continually at different levels to identify all significant risks to which it is exposed and to determine how each risk shall be managed.

- Market-related risks are managed mostly at Board and management level.
- In the first instance, operational risks are managed at management and department level, but can also be managed at board level if they are of strategic importance.
- Department-specific risks in Operations and Finance are managed within those departments.
- Legal risks are mainly managed at management level in consultation with external legal counsel and advisors, but also at Board level if required.
- Risks affecting financial reporting are mostly managed at management level by the Company's CEO and CFO, but also by the Board's Audit Committee.
- Financial risks are managed primarily at Board and management level.

The risks described below are in no particular order of importance and the descriptions are not necessarily complete.

MARKET-RELATED RISKS

Legislation and political decisions

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

Global economic conditions

INVISIO's sales are dependent on global economic cycles. An extended downturn with reduced consumption and reduced investments could lead to a considerable reduction in demand for the Company's products. This can lead to orders not being made or being withdrawn or postponed. A weakened economy and downturn thus have a negative effect on INVISIO's activities. Buyers of the Company's professional products, such as the military, police and fire services, are often financed from tax, which means that reduced tax revenues caused by an economic downturn can have a negative effect on sales of professional products.

Competition

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

Technical risks

Communication equipment is also expected to undergo technology shifts in the future and is exposed to changeable market trends. Technical development can lead to technical problems that mean it takes longer than planned for new products to reach the market and that costs to the Company can be considerably higher than esti-

mated, as a result of both increased costs during the development phase and delayed market introduction. If the Company is unsuccessful in developing and launching products based on its research and development work, there is also a risk that the value of the Company's assets may need to be written down.

COMPANY-SPECIFIC RISKS

Ability to manage growth

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

Market acceptance of newly developed products

INVISIO is constantly developing and launching new products onto the market. There is always a risk that new products are not received positively by the market, or that products launched by competitors may have a better impact. Development and launch of the Company's consumer products are done by Motorola Inc. ("Motorola") based on an exclusive licensing and collaboration agreement signed in April 2008. The agreement with Motorola was conditional upon certain targets and commitments, which have not been fulfilled. As a result, the agreement expired on March 31, 2011. After the end of the second quarter, the Company entered into a new agreement 2011 with Motorola which stipulates that Motorola can continue to manufacture and market products using INVISIO technology until May 31, 2012. The Company is dependent upon Motorola's ability to develop, manufacture, market, and sell new products until the agreement with Motorola expires.

Product liability

Although INVISIO is of the opinion that the Company has a well developed process for product development, with special documentation systems and stringent requirements for systematic procedures, it is not possible to rule out the fact that any faults in the Company's products could lead to liabilities and claims for damages from the Company. INVISIO may thus be liable for damage or injury caused by these products. This is normally covered by insurance, but it cannot be excluded that such liability may have a negative effect on the Company's position. INVISIO has product liability for the Company's professional products. For consumer products, it is the partner Motorola that has product liability.

Dependence on key persons and employees

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

Customers and partnerships

INVISIO depends on collaboration agreements with external parties for development, production, marketing and sales. In the Consumer Product business area, INVISIO is dependent on

Motorola, with which the Company has an exclusive licensing and collaboration agreement for development, production, marketing, and sales, which will remain in force until May 31, 2012. In the Professional products business area, most sales are through partners and retailers, which are individually and collectively important for the Company's future development. Most production is done through PartnerTech of Sweden and Davinci of Denmark. There is no guarantee that the companies with whom INVISIO has signed or will sign agreements will be able to fulfil their obligations under the agreements. Furthermore, there is a risk that INVISIO's size and financial position may affect the Company's chances of entering into cooperation agreements with strategic parties and winning important customer contracts. There is no guarantee that existing collaboration agreements will not be terminated or made invalid or that changes can be made in current agreements. There is no guarantee that the agreement with Motorola will continue or be extended, or on what terms any extension will be based.

Intellectual property

INVISIO's intellectual property rights are mainly protected through patents, agreements and legislation for protection of commercial secrets. INVISIO has two patent families: INVISIO Bone Conduction, a small ear microphone that picks up vibrations in the user's jawbone and converts these into sound, and the Soft Spring™ earpiece, an ergonomically designed and motion tolerant fastening device consisting of a soft rubber spring that fastens the headset in the ear. The Company has also applied for a patent in the US for INVISIO Custom Protect Hearing Protection, which is a technology for protecting against hearing loss, but the patent has not yet been granted. The INVISIO Bone Conduction patent has been granted in the US, Europe, and Singapore. In Europe, the patent was granted in 1993 and expires in 2013. In the USA, the patent was granted in 1997 and expires in 2014. In Singapore, the patent was granted in 2001 and expires in 2013. The Soft Spring™ earpiece patent was granted in Europe and the US in 2006 and expire in 2021.

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

Dependency on suppliers

In order for INVISIO to be able to deliver its products, the Company is dependent on components, products and services supplied by third parties fulfilling agreed requirements as regards, for example, quantity, quality, and delivery. Faulty or defective deliveries from suppliers may mean delays to INVISIO's production, which in the short term can lead to reduced or lost sales. INVISIO currently has two professional production partners through its collaboration with PartnerTech of Sweden and Davinci of Denmark.

Risks affecting financial reporting

The most significant risks for errors in the financial reporting pertain primarily to the fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade accounts receivable. If the reported value of these assets is found to differ from fair value, for example in connection with a so-called impairment test of balanced development costs, these may lead to a need for write-down that could have negative effects on the Company's profits and financial position. As per December 31, 2011, the assessment is that the reported value of these items corresponds to their fair value.

FINANCIAL RISKS

Through its operations, INVISIO is exposed to various financial risks, such as interest rate risk, currency risk, price risk, credit risk, and financing and liquidity risk. The Company's finance policy, which is established by the Board of Directors each year, provides guidelines for managing financial risks in the Company. INVISIO's financial risks consist primarily of currency risk, interest rate risk and financing and liquidity risk, which are described below.

Interest risk

As per December 31, 2011, INVISIO had interest bearing financial liabilities of SEK 27.7 m, made up of liabilities to financial institutions in the form of bank loans and liabilities relating to invoice factoring at variable rates. This means there is a risk of the Company's profits and financial position being negatively affected by rising interest rates. Based on the level of financial interest-bearing liabilities as per December 31, 2011, a one percentage point rise in market rates of interest would affect profit by SEK 277 thousand.

Interest rate risk is described in more detail in Note 2.

Currency risk

Currency risks are found in the form of transaction and translation risks. Transaction risk arises from buying and selling goods and services in currencies other than the respective company's local currency. Translation risks arise when translating the foreign subsidiaries' income statements and balance sheets into Swedish krona.

INVISIO operates in a global market with large parts of sales and purchases made in currencies other than Swedish kronor (SEK). The majority of sales are in USD and EUR. The group's purchases for the Professional Products business area are partly in SEK and partly in DKK.

Costs mainly arise in DKK, but also in SEK. Changes in the value of SEK in relation to USD, DKK and EUR can thus have both positive and negative effects on the Company's profits and financial position. At present, net exposure in each currency is limited and the Group does not hedge its currency exposure.

Currency risk is described in more detail in Note 2.

Financing risk and liquidity risk

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in making payments. Liquidity risk is the risk of not being able to make payments when they fall due.

As per December 31, 2011, INVISIO had liabilities to credit institutions of SEK 27.7 m, SEK 20 m of which falls due for repayment within 3 months and SEK 2.3 m between 3 and 12 months.

Management and the Board work actively and continuously with the Company's governance and control, including financial performance, liquidity, and financial position. The Board regularly checks to ensure that the necessary conditions for continued operations exist. INVISIO has never thus far reported positive profits. It cannot be ruled out that the Company may need further capital contributions until operations reach breakeven with positive profits and cash flow and that there is no guarantee that such capital contributions can be obtained at all or on favorable terms. The previous assessment made by company management and the Board stands, namely that necessary liquidity and financing will be generated and added to operations through operating income, borrowing, the possible exercise of stock options, and authorization from the 2011 AGM to implement share issues.

Financing and liquidity risk is described in more detail in Note 2 and in the section on "Cash flow and liquidity" on page 39.

Events after the close of the financial year

SALES

INVISIO has received a large order from a customer in the USA. The order is for the INVISIO M3 headset with PTT (Push to Talk). The total value of the order is approximately SEK 6 m.

INVISIO has received another order from the Australian armed forces through its Australian distribution partner Defcon Technologies. This order is also for the INVISIO M3 headset. The total value of the order is approximately SEK 1 m and the products will be supplied during the second quarter of 2012.

ORGANISATION

Thomas Larsson has been appointed the new Chief Financial Officer for INVISIO Communications. Larsson's employment will commence in April, allowing him to take up his position in the summer when current Chief Financial Officer Bengt Nilsson leaves the company on his retirement.

FINANCING

As per January 20, 2012, INVISIO has signed an agreement with the occupational pension company Alecta regarding a SEK 10 m loan. This is a one-year loan and must be repaid to Alecta in January 2013. Alecta is permitted to require early repayment of the loan if INVISIO should carry out a share issue with pre-emption rights. The loan is at 12.5 percent interest. INVISIO has provided security in the form of a secondary mortgage in the shares in its subsidiary Nextlink IPR AB. This loan constitutes a part of the finance solution which INVISIO described in a press release and prospectus at the time of the share issue with pre-emption rights in the autumn, which also means that as per January 20, 2012, INVISIO paid back the earlier loan of SEK 20 m from Alecta. Alecta controls more than 10 percent of shares and votes in INVISIO, for which reason the loan is to be considered as a transaction with a related party.

As per April 19, 2012, the Board of INVISIO Communications AB has decided upon the directed new issue of a maximum of 2,500,000 shares to TAMT AB, equivalent to approximately 7.4 percent of the total number of outstanding shares. This share issue will increase the company's share capital by SEK 2,500,000. The subscription price is SEK 3.10 per share. The new issue of shares will inject a total of SEK 7,750,000 into the company. There are no issue costs. This share issue came about due to the fact that the share issue with pre-emption rights which the company executed during the period November 21 to December 7, 2011 was subscribed to just under 91 percent, and so the company still has a capital requirement. To meet this capital requirement and hence reinforce the financial position of the company, the Board has decided on the present directed issue of shares. The subscription price is estimated to be equivalent to the market value of the share. In addition to this, INVISIO has received a pledged loan of SEK 5.0 m from Yggdrasil AB. Yggdrasil controls 8.7 percent of shares and votes in INVISIO, for which reason the potential loan is to be considered as a transaction with a related party.

Outlook for 2012 – Continuing growth driven by Professional Products

PROFESSIONAL PRODUCTS BUSINESS AREA

As a result of INVISIO's conscious development towards becoming a communication company, where the Company now offers advanced communication solutions and has a product portfolio that includes headsets, control units and accessories, opportunities for orders that partly are a larger part of the value-chain and partly in new customer segments have been opened.

The breakthrough order from the Danish army and the order from the Swedish armed forces provide further proof and will act as important reference orders for other military customers. This, as well as the increase in marketing efforts, continuous efforts to increase the number of retailers and strategic cooperations, and the fact that the products deliver what they promise during trials, means that INVISIO expects a considerable long-term increase of sales in the business area. Short-term the next few quarters, sales can be affected in some markets by restrictions in public budgets as a result of the financial crisis. In addition, sales in the business area can as previously communicated vary from quarter to quarter due to long lead times from first contact with customer, to inquiry, to customer testing, to quotation and to firm order.

CONSUMER PRODUCTS BUSINESS AREA

With the new agreement to remain in force until May 2012, income in the business area will now come exclusively from Motorola's manufacture and sales successes involving products using patented INVISIO technology, such as the Motorola Finiti, with no guaranteed minimum payment.

As mentioned previously, the new agreement with Motorola means that they no longer have exclusive rights to INVISIO's technology for the consumer market, which means that INVISIO has the opportunity to enter into agreements with other players. However, due to the focus on professional products, INVISIO will be focusing its resources on this area in the short term, ahead of new cooperations on the consumer market. Consequently, the Company has expectations of income from the consumer market in 2012.

There is still a need for consumers and professional groups of people who use mobile phones in their work to be able to communicate in noisy and harsh environments. Therefore, it is thought that the Company will see good opportunities in the longer term for INVISIO's patented technology on the consumer market.

The Company's expenses in 2012 are expected to remain at the same level as in 2011, and the Company estimates that it can turn a profit and achieve a positive cash flow from operating activities before the end of 2012.

Proposed disposition of earnings**Parent Company (SEK)**

The Annual General Meeting has at its disposal:	
Share premium reserve	55,054,824
Loss for the year	-43,356,458
	11,698,366

TO BE DISPOSED OF AS FOLLOWS:

The Board of Directors and CEO propose that the accumulated losses of SEK -43,356,458, of which SEK -43,356,458 comprise losses for the year, be settled against the share premium reserve, which will thereafter total SEK 11,698,366, which is to be carried forward.

The compilation of the annual report means that a group contribution of SEK 400,000 has been paid to Nextlink Patent AB.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January – December (SEK 000s)	Note	2011	2010
	1, 2		
Sales	3, 4	41,463	32,787
Cost of goods sold	26	-21,162	-14,955
<i>Gross profit</i>		20,301	17,832
OPERATING EXPENSES			
Sales and marketing expenses	10, 11, 26	-16,211	-19,482
Administration expenses	7, 8, 9, 10, 11, 26	-12,007	-16,518
Research and development costs	10, 11, 26	-16,257	-19,698
<i>Operating profit/loss</i>		-24,174	-37,866
FINANCIAL ITEMS			
Financial income		117	58
Financial expenses		-4,568	-2,006
<i>Net financial items</i>		-4,451	-1,948
<i>Profit/Loss before tax</i>		-28,625	-39,814
Income tax	12	-	-
<i>Loss for the year</i>		-28,625	-39,814
<i>Loss attributable to equity holders of the parent</i>		-28,625	-39,814
OTHER COMPREHENSIVE INCOME			
Translation differences during the period from translation of foreign businesses		-6	-3,187
<i>Comprehensive income</i>		-28,631	-43,001
<i>Loss attributable to equity holders of the parent</i>		-28,631	-43,001
Earnings per share (SEK)	24	-1.10	-1.75
Earnings per share after dilution (SEK)	24	-1.10	-1.75
Number of shares outstanding (thousands)	24	32,704	23,501
Average number of shares outstanding (thousands)	24	25,919	22,723
Number of shares outstanding after dilution (thousands)	24	32,704	23,501

CONSOLIDATED BALANCE SHEET

December 31 (SEK 000s)	Note	2011	2010
ASSETS	1, 2		
Non-current assets			
Intangible assets	13	15,336	16,948
Property, plant, and equipment	14	576	834
Financial assets	15	678	643
<i>Total non-current assets</i>		16,590	18,425
Current assets			
Inventories	16	5,215	2,780
Accounts receivable – trade	25	5,668	10,169
Other receivables		5,132	2,274
Prepaid expenses and accrued income	17	907	882
Cash and bank balances		17,305	12,752
<i>Total current assets</i>		34,227	28,857
TOTAL ASSETS		50,817	47,282
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 2		
Shareholders' equity	21		
Share capital		32,704	23,501
Other capital contributions		241,761	216,676
Reserves		-688	-682
Loss brought forward inc. loss for the year		-262,490	-233,865
Shareholders' equity attributable to equity holders of the parent		11,287	5,630
<i>Total shareholders' equity</i>		11,287	5,630
Current liabilities	18, 27		
Liabilities to credit institutions		27,736	21,570
Accounts payable – trade ¹		6,284	9,301
Other liabilities	23	45	3,246
Accrued expenses and prepaid income	20	5,465	7,535
<i>Total current liabilities</i>		39,530	41,652
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		50,817	47,282
Pledged assets	22	5,668	10,169
Contingent liabilities	22	none	none

¹All accounts payable fall due within 3 months

CONSOLIDATED CASH FLOW STATEMENT

January – December (SEK 000s)	Note	2011	2010
Operating activities	1, 2		
Profit/Loss before tax		-28,625	-39,814
Adjustments for non-cash items	5	8,123	9,519
Taxes		-	-
<i>Cash flow from operating activities before changes in working capital</i>		-20,502	-30,295
Changes in inventories		-2,465	-450
Changes in operating receivables		1,615	-4,532
Changes in operating liabilities		-8,288	-1,945
<i>Cash flow from changes in working capital</i>		-9,138	-6,927
<i>Cash flow from operating activities</i>		-29,640	-37,222
Investment activities			
Capitalization of internal development costs		-5,701	-6,472
Purchases of property, plant, and equipment		-562	-674
Sales of property, plant, and equipment		-	109
<i>Cash flow from investing activities</i>		-6,263	-7,037
Financing activities			
New share issues		29,473	21,100
Share issue in progress		4,815	20,501
Loans raised		20,000	19,000
Amortization of loans		-14,800	-8,450
Change in invoice factoring		985	-
Acquisition of financial assets		-	-19
<i>Cash flow from financing activities</i>		40,473	52,132
CASH FLOW FOR THE YEAR		4,570	7,873
Cash and bank balances at start of year		12,752	5,059
Translation differences in cash and bank balances		-17	-180
<i>Cash and bank balances at end of year</i>		17,305	12,752
Supplementary disclosures to the cash flow statement			
Interest received during the year		117	58
Interest paid during the year		-4,568	-2,006

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000s) notes 1, 2, 21	Attributable to equity holders of the parent				
	Share capital ^{1,2}	Other capital contributions	Reserves ³	Loss brought forward inc. loss for the year	Total shareholders' equity
Opening balance as per January 1, 2010	21,565	177,011	2,505	-194,051	7,030
<i>LOSS FOR THE YEAR</i>				-39,814	-39,814
OTHER COMPREHENSIVE INCOME					
Liquidation INVISIO Inc. USA via reclassification of accumulated translation differences			-909		-909
Exchange rate differences			-2,278		-2,278
<i>Total other comprehensive income</i>	0	0	-3,187	-39,814	-43,001
Transactions with shareholders					
Ongoing new issue 31/12/2009,	500	-500	-	-	0
Directed new share issue	383	6,617	-	-	7,000
Directed new share issue	1,053	13,947	-	-	15,000
Costs of new directed share issue	-	-900	-	-	-900
New share issue in progress ¹	-	23,501	-	-	23,501
Costs of new share issue	-	-3,000	-	-	-3,000
<i>Total transactions with shareholders</i>	1,936	39,665	0	0	41,601
Opening balance as per January 1, 2011	23,501	216,676	-682	-233,865	5,630
<i>LOSS FOR THE YEAR</i>				-28,625	-28,625
OTHER COMPREHENSIVE INCOME					
Exchange rate differences			-6		-6
<i>Total other comprehensive income</i>	0	0	-6	-28,625	-28,631
Transactions with shareholders					
Ongoing new issue 31/12/2010	2,350	-2,350	-	-	0
New issue	6,853	27,412	-	-	34,265
Costs of new directed share issue		-4,792	-	-	-4,792
New share issue in progress ²		4,815	-	-	4,815
<i>Total transactions with shareholders</i>	9,203	25,085	0	0	34,288
<i>Closing balance as per December 31, 2011</i>	32,704	241,761	-688	-262,490	11,287

¹Unregistered share capital comprising 2,350,132 shares as per December 31, 2010

²Unregistered share capital comprising 963,086 shares as per December 31, 2011

³Reserves refers entirely to translation differences

PARENT COMPANY INCOME STATEMENT

January – December (SEK 000s)	Note	2011	2010
	1, 2		
Revenues	6	60	383
<i>Gross profit</i>		60	383
Administration expenses	6, 7, 9, 10, 11	-6,593	-9,804
<i>Operating profit/loss</i>	26	-6,533	-9,421
Profit/Loss from financial items			
Loss from participations in Group companies	19	-34,007	-29,795
Interest income and similar profit/loss items		702	349
Interest expense and similar profit/loss items		-3,519	-2,635
<i>Net financial items</i>		-36,824	-32,081
<i>Loss before tax</i>		-42,957	-41,759
Tax on profit for the year		-	-
<i>Loss for the year¹</i>		-43,357	-41,502

¹Comprehensive income corresponds to loss for the year

PARENT COMPANY BALANCE SHEET

December 31 (SEK 000s)	Note	2011	2010
ASSETS	1, 2		
Non-current assets			
Financial assets/shares in subsidiaries	19	81,512	81,819
<i>Total non-current assets</i>		81,512	81,819
Current receivables			
Receivables from Group companies		5,902	16,804
Other receivables		4,771	2,172
Prepaid expenses and accrued revenues	17	89	106
<i>Total current receivables</i>		10,762	19,082
Cash and bank balances		14,597	11,798
<i>Total current assets</i>		25,359	30,880
TOTAL ASSETS		106,871	112,699
SHAREHOLDERS' EQUITY AND LIABILITIES	1, 2		
Shareholders' equity	21		
<i>Restricted equity</i>			
Share capital		32,704	23,501
Statutory reserve		35,452	35,452
<i>Total restricted shareholders' equity</i>		68,156	58,953
<i>Non-restricted equity</i>			
Share premium reserve		55,053	71,470
Profit/Loss brought forward		-	-
Loss for the year		-43,357	-41,502
<i>Total unrestricted shareholders' equity</i>		11,696	29,968
<i>Total shareholders' equity</i>		79,852	88,921
Current liabilities			
Liabilities to credit institutions	18, 27	23,500	18,300
Accounts payable – trade ¹		1,826	2,736
Liabilities to Group companies		111	103
Other liabilities		17	189
Accrued expenses and prepaid income	20	1,565	2,450
<i>Total current liabilities</i>		27,019	23,778
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		106,871	112,699
Pledged assets	22	2,517	2,517
Contingent liabilities	22	none	none

¹All accounts payable fall due within 3 months

PARENT COMPANY CASH FLOW STATEMENT

January – December (SEK 000s)	Note	2011	2010
Operating activities			
Operating loss before financial items	1, 2	-6,533	-9,421
Adjustments for non-cash items	5	-	-
Interest received		702	349
Interest paid		-3,519	-2,635
<i>Cash flow from operating activities before changes in working capital</i>		-9,350	-11,707
Changes in operating receivables		7,920	-3,802
Changes in operating liabilities		-1,959	1,650
Cash flow from changes in working capital		5,921	-2,179
<i>Cash flow from operating activities</i>		-3,389	-13,886
Investment activities			
Acquisition of subsidiary/shareholder contribution	19	-33,300	-30,000
<i>Cash flow from investing activities</i>		-33,300	-30,000
Financing activities			
New share issues		29,473	21,100
Share issue in progress		4,815	20,501
Loans raised		20,000	19,000
Amortization of loans		-14,800	-8,450
<i>Cash flow from financing activities</i>		39,488	52,151
CASH FLOW FOR THE YEAR		2,799	8,265
Cash and bank balances at start of year		11,798	3,533
Cash and bank balances at end of year		14,597	11,798
Supplementary disclosures to the cash flow statement			
Interest received during the year		702	349
Interest paid during the year		-3,519	-2,635

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000s) notes 1, 2, 21	Restricted equity		Non-restricted equity		
	Share capital	Reserve fund	Share premium reserve	Loss brought forward and loss for the year	Total shareholders' equity
Opening balance as per January 1, 2010	21,565	35,452	49,169	-17,364	88,822
Previous year's disposition of earnings	-	-	-17,364	17,364	-
Ongoing new issue 31/12/2009	500	-	-500	-	-
Directed new share issue	383	-	6,617	-	7,000
Directed new share issue	1,053	-	13,947	-	15,000
Costs of new directed share issue	-	-	-900	-	-900
New share issue in progress ¹	-	-	23,501	-	23,501
Costs of new share issue	-	-	-3,000	-	-3,000
Loss for the year ³	-	-	-	-41,502	-41,502
<i>Closing balance as per December 31, 2010</i>	<i>23,501</i>	<i>35,452</i>	<i>71,470</i>	<i>-41,502</i>	<i>88,921</i>
Opening balance as per January 1, 2011	23,501	35,452	71,470	-41,502	88,921
Previous year's disposition of earnings	-	-	-41,502	41,502	-
Ongoing new issue 31/12/2010	2,350	-	-2,350	-	-
New issue	6,853	-	27,412	-	34,265
Cost of new issue	-	-	-4,792	-	-4,792
Ongoing new issue 31/12/2011 ²	-	-	4,815	-	4,815
Loss for the year ³	-	-	-	-43,357	-43,357
<i>Closing balance as per December 31, 2011</i>	<i>32,704</i>	<i>35,452</i>	<i>55,053</i>	<i>-43,357</i>	<i>79,852</i>

¹Unregistered share capital comprising 2,350,132 shares as per December 31, 2010

²Unregistered share capital comprising 963,086 shares as per December 31, 2011

³Comprehensive income corresponds to loss for the year

NOTES

Note 1 General Information, accounting and valuation principles

General information

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

The Parent Company is a Swedish limited liability company and its registered office is in Stockholm, Sweden.

INVISIO Communications specialises in voice communications in difficult conditions and pursues its operations in two business areas, Professional Products and Consumer Products. In the Professional Products business area, the company develops, manufactures, markets and sells communication solutions such as advanced headset, control units and associated equipment for use with two-way radio, primarily for professional users who are often working in difficult environments. Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world.

In the Consumer Products business area, the exclusive licensing and cooperation agreement which INVISIO entered into with Motorola in 2008 was conditional upon certain targets and commitments, which have not been fulfilled. As a result, the agreement expired on March 31, 2011; and following renegotiations in the second quarter of 2011, a new agreement was entered into during the third quarter which means that Motorola can continue to manufacture and market products using INVISIO technology until May 31, 2012. This agreement also means that Motorola no longer has exclusive rights to INVISIO's technology for the consumer market, which means that INVISIO has the opportunity to enter into agreements with other players. According to the new agreement with Motorola, income for the business area now originates exclusively from Motorola's manufacture of and sales successes for products using INVISIO's patented technology.

INVISIO Communications AB (publ.) is listed on First North Premier Segment Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm.

These consolidated accounts were approved by the Board of Directors on March 28, 2012.

INVISIO Communications AB
Box 49149
100 29 STOCKHOLM
Sweden

Statement of compliance with rules applied

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

In addition, the consolidated financial statements have been prepared in accordance with Swedish law through application of RFR 1 – Supplementary Accounting Principles for Groups.

The Parent Company's annual report has been prepared in accordance with Swedish law and with application of the Swedish Annual Accounts Act and RFR 2 – Accounting for Legal Entities.

New and amended standards applied by the Group.

The Group has applied the following new IFRS standards as of January 1, 2011: None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year commencing January 1, 2011 has had any significant impact on the Group.

IAS 32 (amended), "Financial Instruments: Classification – Classification of Rights Issues" This amendment makes it possible to classify subscription rights, options and warrants, which are controlled by a fixed number of the company's equity instruments against a fixed amount of foreign currency, as shareholders' equity, provided that the rights are issued pro rata to all existing shareholders.

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" The interpretation clarifies the borrower's report when renegotiating loan terms in cases where the lender accepts the borrower's shares or other equity instruments for repayment of all or part of the loan.

IAS 24, "Related Party Disclosures" (revised in 2009) Changes the definition of "related party" and mitigates certain disclosure requirements for related parties to companies affiliated to the state.

Amendment of IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" Removes an unintentional consequence of accounting for advance payments of certain expenses when there is a minimum funding requirement. This means that advance payment of expenses in certain contexts is recognized as an asset and not as an expense.

IFRS 3 (revised), "Business acquisitions". This amendment is part of the IASB's annual improvement projects which were published in 2011.

The amended standards continue to prescribe that the acquisition method is applied to business combinations, however with some significant changes. For example, all payments toward the purchase of a business at its fair value on acquisition day shall be reported, whilst subsequent conditioned payments are classified as liabilities that will then be revalued through the income statement. Possession without a controlling influence in the acquired business can be valued either at its fair value or at the proportional share of the acquired businesses' net assets, held by the shareholder without a controlling interest. All transaction costs attributable to acquisitions are to be expensed. The Group will apply IFRS 3 (revised) in advance for all business acquisitions from January 1, 2011.

IFRS7 "Financial instruments" This amendment is part of the IASB's annual improvement projects which were published in 2011. The standard emphasizes the interaction between quantitative and qualitative information relating to the nature and extent of risks arising from financial instruments.

IAS 1 (amended), "Presentation of Financial Statements". This amendment is part of the IASB's annual improvement projects which were published in 2011. The amendment clarifies that the potential settlement of a debt through the issue of shares is not relevant to its classification as current or long-term. By amending the definition of short-term liability, this permits a liability to be classified as long-term (under the condition that the Company has the unconditional right to postpone regulation by transferring liquid funds or other assets for at least 12 months after the end of the financial year) despite the fact that the counterparty can, at any time, demand regulation of shares. The Group has applied IAS 1 (amended) as of January 1, 2010. This has not had any significant effect on the Group's financial statements.

IAS 27, "Consolidated and Separate Financial Statements" This amendment is part of the IASB's annual improvement projects which were published in 2011. The standard clarifies that the amendments made to IAS 21, "The Effects of Changes in Foreign Exchange Rates", IAS 28, "Investments in Associates", and IAS 31, "Interests In Joint Ventures" as a consequence of the amendments to IAS 27 are to be applied for financial years commencing July 1, 2010 or later. Some provisions will be applied in advance, and others retrospectively.

IAS 34, “Interim Financial Reporting” This amendment is part of the IASB’s annual improvement projects which were published in 2011. The standard provides guidance on how the principles of information contained in IAS 34 should apply and provides additional disclosure requirements regarding: situations that are likely to affect the fair value and classification of financial instruments, as well as transfers of financial instruments between different levels of the fair value hierarchy, and changes in the classification of financial assets, and changes in contingent liabilities and contingent assets.

IFRIC 13, “Customer Loyalty Programs” This amendment is part of the IASB’s annual improvement projects which were published in 2011. The standard clarifies the meaning of “fair value” with regard to the valuation of bonus points in customer loyalty programs.

Standards, amendments and interpretations of existing standards where the amendment has not yet come into force and has not been applied in advance by the Group:

IFRS 7 “Financial Instruments: Disclosures”, amendments relating to removal from the balance sheet The amendment proposes to increase the transparency of information on transfers of financial assets and to enhance the user’s understanding of the risk exposure related to transfers of financial assets and how these transfers can affect a company’s financial reports, in particular the transfers of financial assets which include securitization. Early application is permitted.

IAS 12 “Income Taxes”, amendment relating to deferred tax At present, IAS 12 requires deferred tax attributable to an asset to be valued differently depending on whether the asset’s reported value will be recovered by using it in operations or through sale. This creates significant difficulties when the asset at fair value in accordance with IAS 40 “Investment Property”. Therefore, an exception will be introduced to the current principle for valuation of deferred tax assets or liabilities arising when reporting investment properties at fair value. This amendment means that SIC 21 “Recovery of Revalued Non-Depreciable Assets” will no longer be applicable to investment properties valued at fair value. The remaining parts of SIC 21 will be transferred to IAS 12 and SIC 21 will be withdrawn.

IAS 1 “Presentation of Financial Statements”, amendment relating to other comprehensive income The most significant change in the revised IAS 1 is the requirement for the items reported in “Other comprehensive income” to be presented over two groups. This distribution is based on whether or not the entries can be reclassified for the income statement (reclassification adjustments). This amendment does not deal with the issue of which entries are to be included in “Other comprehensive income”.

IAS 19 “Employee Benefits”, amendment This amendment means that the “corridor method” is removed and that financial expenses must be calculated on the basis of the net surplus or net deficit in the plan.

IFRS 9, “Financial instruments” IFRS 9 is the first standard issued as part of the major project for replacement of IAS 39. IFRS 9 retains but simplifies the model with several valuation bases, based on two primary valuation categories: accrued acquisition value and fair value. Classification takes place on the basis of the company’s business model and characteristic properties in the contractual cash flows. The guidance in IAS 39 for impairment testing of financial assets and hedge accounting will continue to apply.

IFRS 10 “Consolidated Financial Statements” The purpose of IFRS 10 is to establish principles for the compilation and presentation of consolidated accounts when a company controls one or more companies. The standard defines the term “control” and establishes control as a basis for consolidation. The standard provides guidance to establish whether one company controls another and hence should include this company in the consolidated accounts. The standard also indicates how the consolidated accounts are to be compiled.

IFRS 12, “Disclosures of interests in other entities” IFRS 12 includes disclosure requirements for subsidiaries, joint arrangements, associated companies and unconsolidated structured entities.

IFRS 13 “Fair value measurement” IFRS 13 “Fair value measurement” aims to make valuation at fair value more consistent and less complex by providing a precise definition and a shared source in IFRS at valuations at fair value and related disclosures. These requirements, which are largely the same in both IFRS and US GAAP, do not extend the field in which fair value is to be applied, but provides guidance on how it should be applied where other IFRS already require or permit valuation at fair value.

IAS 27 (revised 2011), “Separate financial statements” IAS 27 (revised 2011) includes the rules on separate financial reports remaining after the rules on control have been included in IFRS 10 instead.

A number of other amendments to standards and new opinions have been published. These are not considered to have any effect on the company’s financial reporting at present however.

Grounds for consolidation

The consolidated financial statements include the Parent Company INVISIO Communications AB (publ.) and its subsidiaries. The financial statements for INVISIO Communications and subsidiaries included in the consolidated financial statements refer to the same period and are prepared according to the accounting principles applicable in the Group.

All inter-company balances, income, expenses, earnings or losses that occur in transactions between companies covered in the consolidated financial statements are entirely eliminated. A subsidiary is included in the consolidated financial statements through the purchase method from the acquisition date, which is the date upon which the Parent Company gains a controlling influence, and is included in the consolidated financial statements up until the date upon which the controlling influence ceases.

The purchase method is used to report on the Group’s operating acquisitions. Transferred compensation for the acquisition of a subsidiary is at fair value of the assets transferred, liabilities and the shares issued by the group. The purchase price also includes the fair value of all assets or liabilities which are a consequence of an agreement on a conditional purchase price. Acquisition-related expenses are reported in the income statement when they arise. Identifiable acquired assets and transferred liabilities in a business combination are initially valued at fair value on the acquisition date. For every acquisition, the Group decides whether all holdings without a controlling influence in the acquired company are reported at fair value or at the proportional percentage of the net assets of the acquired company.

The difference by which the transferred compensation, any holdings without controlling influence and the fair value of on the date of acquisition of previously acquired shareholding exceeds the fair value of the Group’s share of identifiable acquired net assets is reported as goodwill. If there is a shortfall in the value of the acquired company’s assets, this is reported directly in the income statement.

Foreign subsidiaries

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

Exchange rate differences between Group companies have not affected earnings, but have been reported as equity. The following exchange rates have been used in translating the accounts of the Danish subsidiary: for the income statement, an exchange rate of DKK/SEK 1.2126 (1.2813), and for the balance sheet, an exchange rate of DKK/SEK 1.2033 (1.2075).

Classifications

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

Income

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

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

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

Taxes

For items reported in the income statement, the associated tax is also reported in the income statement. For items reported directly against equity, the tax is also reported directly against equity. Deferred tax is calculated in accordance with the balance sheet method for all significant temporary differences. A temporary difference exists when the reported value of an asset or a liability differs from the tax value. Such a difference may arise, for instance, in connection with a revaluation or write-down of an asset, or when the accounting policies applied differ between an individual Group company's accounts and the consolidated financial statements, see Note 12.

Write-downs

The reported values for the Group's assets - with the exception of financial assets reported at fair value with changes in value in the income statement in accordance with IAS 39 - are tested whenever there is the need to assess whether there is indication of a write-down requirement. If there is no such indication, the recoverable amount of the asset is calculated. A write-down is reported when the reported amount of an asset exceeds the recoverable amount. Writedowns are charged to the income statement.

Calculation of recoverable amount

The recoverable amount of assets in the category of loans receivable and accounts receivable, which are reported at the accrued acquisition value, is calculated as the present value of future cash flow discounted with the effective annual rate applicable when the asset was reported for the first time. Assets with a short duration are not discounted.

The recoverable amount on other assets is the highest of the fair value less selling expenses and value in use. When calculating the value in use, future cash flow is 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 flow and that is significantly independent of other assets, a common recoverable amount is calculated for the cash-generated unit to which the asset belongs.

Estimations and assumptions

Company management makes estimations and assumptions about the future, which affect the reported values. The consequence is that the reported amount in these cases seldom represents the actual

value. The estimates and assumptions that involve a significant risk of considerable alteration in reported value in future financial years are attributable to capitalized development expenses.

As soon as an indication exists, the capitalized development expenditure is offset for write-down in accordance with the described accounting principle. Intangible assets under development are annually offset for write-down, even when there is no indication of a write-down requirement. The recoverable amount has been determined through calculation of the value in use. For these calculations, certain estimations must be made, as shown in Note 13.

Reversal of write-downs

Write-downs are reversed if a subsequent increase in the recoverable amount can be objectively related to an event that has occurred after the write-down was made, and that a change has been made in the assumptions on which the calculation of the recoverable amount was based.

A write-down is reversed only to the extent that the asset's reported value after write-down does not exceed the reported value the asset would have had if no write-down had been made, taking into account the depreciation that would then have been made.

Financial Instruments

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

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

On each balance sheet date, the Group assesses whether objective evidence exists for the write-down of a financial asset or group of financial assets, such as whether it is unlikely that a debtor can fulfill its obligations. Write-down testing of accounts receivable is described below.

INVISIO Communications' financial assets and liabilities are classified in the following categories: Accounts receivable and Loans receivable valued at the accrued acquisition value.

Loans receivable and accounts receivable are financial assets that are not derivatives. They have fixed or fixable payments and are not listed on any active market. They are included in current assets with the exception of items with due dates in excess of 12 months after the balance sheet date, which are classified as fixed assets. Accounts receivable are reported in the amount at which they are expected to be received after deduction for bad debts, assessed individually. The expected maturity of accounts receivable is short, and so the value is recognised at a nominal amount without discount. A provision for a drop in the value of accounts receivable is made when there is objective evidence that the Group will not be able to receive all the amounts due in accordance with the original terms and conditions of the receivables.

Significant financial problems for the debtor, the probability that the debtor will go bankrupt or undergo financial reconstruction, and failure or delays in payment are regarded as indicators that a need for write-down exists. The size of the provision consists of the difference between the asset's reported value and the present value of estimated future cash flows. A write-down of accounts receiva-

ble is reported in the income statement under operating profit/loss, and a write-down of a loan receivable is reported under the heading financial expenses.

Financial liabilities are valued at the accrued acquisition value. Loans and other financial liabilities, such as accounts payable, are included in this category.

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

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

Research and development costs

Development costs for new products, production systems and software are reported as intangible assets if the following occurs with great probability;

- (a) it is technically possible to complete the intangible asset so that it can be used,
- (b) management intends to complete the intangible asset and use or sell it,
- (c) there are conditions for using or selling the intangible asset,
- (d) it can be shown how the intangible asset will generate probable future economic benefit,
- (e) adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset, and
- (f) the expenditure relating to the intangible asset during its development can be calculated in a reliable manner. The cost for such an asset shall be amortized over its estimated useful life.

Development costs that do not fulfill these conditions are reported as costs when they occur.

Development costs that have previously been reported as an expense are not reported as an asset in a subsequent period.

Capitalized expenses for development costs are judged to have a limited useful life and are reported at acquisition value less depreciation.

Property, plant, and equipment

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

Any earnings or losses arising upon the divestment of the asset are reported in the income statement. The residual value and useful life of the asset is determined at every year-end closing and is adjusted as necessary.

Depreciation/amortization

Depreciation/amortization according to plan has been carried out as per the following useful life timeframes: Intangible assets, of which Professional products 1.5-7 years, Consumer products 3 years.

Equipment, tools, fixtures and fittings, 3-5 years.

Inventories

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

Receivables

Receivables are reported in the value at which they are expected to be received.

Cash and cash equivalents

Cash and cash equivalents only include bank balances.

Segment reporting

An operating segment is reported in such a way that agrees with the internal reporting presented to the chief operating decision-maker.

The chief operating decision-maker is the function responsible for division of resources and assessing the operating segment earnings. Within the Group, this function has been identified as management, which makes strategic decisions.

Receivables and liabilities in foreign currencies

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

Borrowing costs

The Group capitalizes borrowing costs that are directly attributable to the purchase, construction or production of an asset that takes a substantial amount of time to complete for use or sale, as part of the cost of the asset, in cases where the first opportunity for activation is January 1, 2009 or later. The Group has immediately expensed all borrowing costs by January 2009.

Remuneration to employees

There are employees in INVISIO Communications AB (publ.) and INVISIO Communications A/S. Nextlink Patent AB and Nextlink IPR AB have no employees. Employees are remunerated in the local currency of the respective Group company. Neither the Parent Company nor the subsidiaries have any defined benefit pension plan. According to his employment contract, the CEO is entitled to a defined contribution pension. Other senior executives are also entitled to a defined contribution pension.

For these defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are reported as personnel costs when they fall due for payment. Prepaid expenses are reported as an asset, to the extent that cash repayment or reduction of future payments can be in the Group's favor.

Leasing

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

Cash flow statement

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

Note 2 Financial risk management and capital risk

Financial risk factors

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

The financial policy includes investments as well as borrowing. The aim is to minimize unfavorable effects on the Group's earnings, equity and cash flow caused by changes in interest and currency rates. INVISIO Communications must also be able to meet its payment obligations, which is why credit, interest and liquidity risks must be minimized. INVISIO Communications must not create added value through financial risk-taking. Taking into account the financial policy's limitations, the aim is to achieve the highest return on the invested funds.

Interest risk

Interest rate risk is the risk of the value of financial instruments varying due to changes in market interest rates. The Group's interest-bearing financial assets consist primarily of deposits made, plus cash and bank balances. The Parent Company's interest-bearing financial assets consists of cash and bank balances.

Based on the level of financial interest-bearing assets as per December 31, 2011, a one percentage point change in market rates of interest would affect the Group's earnings by SEK 173 thousand (128). The corresponding figure for the Parent Company is SEK 146 thousand (118). The Group's interest-bearing financial liabilities pertain primarily to liabilities to credit institutions and invoice factoring. The Group uses invoice factoring for the Group's customer invoices. The limit and borrowing rate for INVISIO Communications for each customer invoice is set by individual assessment, where the borrowing rate normally amounts to a maximum of 80-100 percent of the customer invoice amount. The Parent Company's financial liabilities pertain primarily to liabilities to credit institutions. All interest-bearing financial liabilities have a variable interest rate. Based on the level of financial interest-bearing liabilities as per December 31, 2011, a one percentage point change in market rates of interest would affect the Group's earnings by SEK 277 thousand (216). The corresponding figure for the Parent Company is SEK 235 thousand (183).

Currency risk

Currency risks are found in the form of transaction and translation risks. Transaction risk arises from buying and selling goods and services in currencies other than the respective company's local currency. Translation risks arise when translating the foreign subsidiaries' income statements and balance sheets into Swedish krona. INVISIO Communications operates in a global market with large parts of sales and purchases made in currencies other than Swedish kronor (SEK). The majority of sales are in USD and EUR. The group's purchases for the Professional Products business area are partly in SEK and partly in DKK. Costs mainly arise in DKK, but also in SEK. At present, net exposure in each currency is limited and the Group does not hedge its currency exposure. The Group's balance sheet shows exposure to currency risks in respect of accounts receivable and accounts payable. If all currencies had been 5 percent higher/lower, the Group's earnings would have been affected by approximately +/- 61 (180) as a result of its exposures as at December 31, 2010. The corresponding figure for the Parent Company is approximately SEK +/- 0 thousand (0).

Price risk

The Group is not exposed to any price risk pertaining to shares classified as financial instruments stated at fair value through profit or loss or financial assets available for sale.

Credit risk

Credit risk is the risk of a party to a transaction with a financial instrument failing to fulfill its obligations. The credit risks pertaining to financial assets was SEK 0 thousand (0) at December 31, 2011 after allowing for pledged reserves. There is no material concentration of credit risks, either geographically or in a particular customer segment. The share of receivables overdue by more than 120 days amounted to 3.6 percent (5.0) of the total accounts receivable as at December 31, 2011. See also note 25. There are no other financial assets overdue for payment.

Financing risk and Liquidity risk

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in making payments. Liquidity risk is the risk of not being able to make payments when they fall due. As at December 31, 2011, liquid funds amounted to SEK 17,305 thousand (12,752), liabilities to credit institutions to SEK 27,736 thousand (21,570) and shareholders' equity to SEK 11,287 thousand (5,630), with an equity ratio of 22.2 percent (11.9). During 2011 equity has been increased by new share issues of SEK 34.3 m, while liabilities to credit institutions increased by SEK 6.2 m.

Management and the Board work actively and continuously with the Company's governance and control, including financial performance, liquidity, and financial position. The Board regularly checks to ensure that the necessary conditions for continued operations exist. INVISIO Communications has never thus far reported positive profits. It cannot be ruled out that the Company may need further capital contributions until operations reach breakeven with positive profits and cash flow and that there is no guarantee that such capital contributions can be obtained at all or on favorable terms. The previous assessment made by company management and the Board stands, namely that necessary liquidity and financing will be generated and added to operations through operating income, borrowing, the possible exercise of stock options, and authorization from the 2011 AGM to implement share issues.

Fair values

The reported value corresponds to the fair value for all of the Group's and Parent Company's financial assets and liabilities. The financial assets in the Group and Parent Company all belong to the categories of accounts receivable and loans receivable, while the financial liabilities of the Group and Parent Company belong to the category of financial liabilities valued at the accrued acquisition value.

	Group		Parent Company	
	2011	2010	2011	2010
December 31 (SEK 000s)				
Financial assets				
Loans receivable and accounts receivable				
Financial fixed assets – Other long-term liabilities	678	643	-	-
Receivables from Group companies	-	-	5,902	16,804
Accounts receivable – trade	5,668	10,169	-	-
Other receivables	5,132	2,274	4,771	2,172
Cash and bank balances	17,305	12,752	14,597	11,798
<i>Total financial assets valued at the accrued acquisition value</i>	<i>28,783</i>	<i>25,838</i>	<i>25,270</i>	<i>30,774</i>
Financial liabilities				
Financial liabilities valued at the accrued acquisition value				
Liabilities to credit institutions	27,736	21,570	23,500	18,300
Accounts payable – trade	6,284	9,301	1,826	2,736
Liabilities to Group companies	-	-	111	103
Other liabilities	45	3,246	17	189
<i>Total financial liabilities valued at the accrued acquisition value</i>	<i>34,065</i>	<i>34,117</i>	<i>25,454</i>	<i>21,328</i>

Earnings and losses for financial assets and liabilities

The total exchange rate difference for the Group amounts to SEK 240 thousand (501) and for the Parent Company, to SEK 0 thousand (10), and is reported in the income statement.

Management of capital risk

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

In INVISIO Communications, capital is defined as total equity as reported in the balance sheet, see page 45.

Note 3 Income statement per segment for the Group

The Professional products segment includes the products sold by the Company to the professional market. The Consumer Products segment includes both the products that the Company has sold to consumers and royalties from Motorola. All investments excluding the specification in Note 13 – Intangible Assets refer to the Professional products segment.

Income statement, segmental breakdown 2011

SEK 000s	Profes- sional Products	Consumer Products	Other	Total
Sales	38,197	3,266	-	41,463
Cost of goods sold	-20,210	-952	-	-21,162
<i>Gross profit</i>	17,987	2,314	-	20,301
Selling and marketing expenses	-15,587	-228	-396	-16,211
Administration expenses	-6,163	-78	-5,766	-12,007
Research and development expenses	-14,206	-1,919	-132	-16,257
<i>Operating income</i>	-17,969	89	-6,294	-24,174
Net financial income	-1,344	-	-3,107	-4,451
<i>Profit/Loss before tax</i>	-19,313	89	-9,401	-28,625
Income tax	-	-	-	-
<i>Profit/Loss after tax</i>	-19,313	89	-9,401	-28,625

Income statement, segmental breakdown 2010

SEK 000s	Profes- sional Products	Consumer Products	Other	Total
Sales	24,375	8,412	-	32,787
Cost of goods sold	-14,918	-37	-	-14,955
<i>Gross profit</i>	9,457	8,375	-	17,832
Selling and marketing expenses	-17,489	-482	-1,511	-19,482
Administration expenses	-8,744	-163	-7,611	-16,518
Research and development expenses	-14,163	-5,096	-439	-19,698
<i>Operating income</i>	-30,939	2,634	-9,561	-37,866
Net financial income	-1,482	-	-466	-1,948
<i>Profit/Loss before tax</i>	-32,421	2,634	-10,027	-39,814
Income tax	-	-	-	-
<i>Profit/Loss after tax</i>	-32,421	2,634	-10,027	-39,814

Note 4 Reporting per geographical area**Total income divided per geographical area**

Group	2011	2010
Sweden	1,240	912
Europe	20,082	7,938
North America	15,680	22,213
Rest of world	4,461	1,724
<i>Total</i>	41,463	32,787

Note 5 Items not included in the cash flow

Group	2011	2010
Depreciation	8,085	12,224
Translation differences	38	-2,705
<i>Total</i>	8,123	9,519

Parent Company	2011	2010
Depreciation	-	-
<i>Total</i>	-	-

Note 6 Inter-company transactions

Of the Parent Company's invoicing, SEK 60 thousand (383) refers to subsidiaries. Invoicing from subsidiaries to Parent Company, SEK 287 thousand (313).

Note 7 Remuneration to auditor

	Group		Parent Company	
	2011	2010	2011	2010
PwC				
Auditing assignments ¹	738	675	520	400
Auditing activities in addition to auditing assignments	146	362	76	190
Tax advice	51	144	28	78
Other services ²	22	743	22	711
<i>Total</i>	957	1,924	646	1,379
MCG LLP				
Auditing assignments	-	65	-	-
Auditing activities in addition to auditing assignments	-	-	-	-
Tax advice	-	-	-	-
Other services	-	64	-	-
<i>Total</i>	-	129	0	0
GROUP TOTAL	957	2,053	646	1,379

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

²Other services pertain primarily to consulting on accounting matters. For 2010, this entry also related to prospectus review and costs relating to the planned listing of the Company's shares on NASDAQ OMX Small Cap

Note 8 Other one-off operating expenses

Group	2011	2010
Costs relating to the planned listing of the Company's shares on NASDAQ OMX Small Cap	-	2,662
Costs relating to dispute with former employees	-	1,903
Costs in connection with reorganisation	-	1,003
<i>Total</i>	-	5,568

Note 9 Rental and leasing agreements

The Group's total rental and leasing fees for the year amounted to SEK 1,616 thousand (1,893). Agreed future rental and leasing fees amount to SEK 1,976 thousand (2,017) and will occur during the next three years, divided as follows, 2012: SEK 1,884 thousand (49), 2013: SEK 46 thousand (49), 2014: SEK 46 thousand (-). The Parent Company's leasing agreement for the year amounted to SEK 61 thousand (59). The agreement is valid up to and including December 31, 2012, at an annual cost of SEK 61 thousand. All the Group's and Parent Company's rental and leasing agreements are operational.

Note 10 Personnel

Average number of employees	2011		2010	
	Number of employees	Of which men	Number of employees	Of which men
Parent Company	1	1	1	1
Denmark	27	22	28	23
<i>Total</i>	28	23	29	24

Share of women in executive positions, percent	2011		2010	
	Board of Directors	Senior executives	Board of Directors	Senior executives
Parent Company	-	-	20	-
Group	-	-	20	-
<i>Total</i>	-	-	20	-

Salaries and other remuneration ¹	2011	2010
Parent Company	1,541	1,615
Subsidiaries	22,863	22,040
Capitalized salaries for research and development	-4,623	-5,067
<i>Group total</i>	19,781	18,588

Social costs excl. pension costs

Parent Company	484	523
Subsidiaries	849	530
<i>Group total</i>	1,333	1,053

Pension costs

Parent Company	-	-
Subsidiaries	433	1,864
<i>Group total</i>	433	1,864
<i>Total personnel costs</i>	21,547	21,505

¹The personnel costs for 2010 include remuneration for employees made redundant during the period, which is reported under administration expenses. See note 8.

Pensions

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

Option scheme

In 2007, the Board established a synthetic option program for all Group employees. During the term of the program, participants were granted employment-related options and performance-related options.

The options were granted free of charge and encompassed a total of 700,000 options, of which 350,000 were employment-related options and 350,000 were performance-related options. Exercise of employment-related options required, in principle, that the employment relationship to exist at the time of exercise. In addition, exercise of performance-related options required the achievement of certain financial targets set by the Board.

The option program had a term of approximately four years from the grant date and expired on June 30, 2011. The growth in value of granted options was maximized at three times the share price at the time of the launch which amounted to SEK 19.00 as at July 9, 2007.

In 2011, SEK -2,788 thousand (-1 035) was reserved for the program, of which SEK 91 thousand was for performance-related options granted for 2010 (1,035 for those granted for 2009). No performance-related options will be granted for 2011 as this part of the program was terminated in 2011. The closing price on June 30, 2011 was SEK 9.75.

Note 11 Remuneration to senior executives

Group	2011					2010				
	Salary	Phantom plan	Pension	Other remuneration	Total	Salary	Phantom plan	Pension	Other remuneration	Total
Board¹										
Lars Röckert, Chairman of Board	275	-	-	-	275	100	-	-	-	100
Anders Persson ²	125	-	-	26	151	100	-	-	-	100
Mats Warstedt	125	-	-	-	125	100	-	-	-	100
Jan Samuelson	125	-	-	-	125	-	-	-	-	-
<i>Heléne Vibbleus Bergquist, Chairman of Board until 2011 AGM</i>	-	-	-	229	229	400	-	-	-	400
<i>Magnus Ruding, Board member until 2011 AGM</i>	-	-	-	-	-	100	-	-	-	100
Total	650	-	-	255	905	800	-	-	-	800
Management										
Lars H. Hansen, CEO ³	2,219	1,046	133	74	3,473	2,234	-	123	74	2,431
Other executive management ⁴	4,160	795	141	69	5,165	4,145	-	410	-	4,555
Total	6,379	1,842	274	143	8,638	6,379	-	533	74	6,986

¹The Annual General Meeting 2011 resolved that directors' fees totaling SEK 275,000 shall be paid to the Chairman of the Board and SEK 125,000 to each of the other Board members. No additional remuneration has been paid to the Board for 2011. For 2010, SEK 150 thousand was reported as extra remuneration to the Chairman of the Board. In addition to this, the Board has received compensation for outlays.

²Board member Anders Persson invoices his directors' fees from the company Persson Executive Consulting AB.

³Variable salary can amount to a maximum of 50 percent of the basic salary. No variable salary was paid for 2011 or 2010.

⁴Variable salary can amount to a maximum of 0-35 percent of the basic salary. Variable salary 2011 and 2010 amounted to SEK 55 thousand (38).

Notice periods

According to his employment contract, the CEO has a 12-month notice period in the event the Company serves notice. In the event the CEO leaves of his own accord, the notice period is eight months. According to their respective employment contracts, other senior executives have a six-month notice period in the event the Company serves notice. In the event the other senior executives leave on their own accord, the notice period is three months.

Note 12 Taxes

Group	2011	2010
Tax on profit for the year		
Current tax	0	0
Deferred tax	-	-
<i>Total</i>	<i>0</i>	<i>0</i>
Reconciliation of effective tax, Group		
Profit/Loss before tax	-28,625	-39,814
Tax according to applicable tax rate 26.3%	7,528	10,471
Non-reported increase in deferred income taxes recoverable	-7,528	-10,471
<i>Reported effective tax</i>	<i>-</i>	<i>-</i>

Note 13 Intangible assets

Group, December 31	2011		2010	
	Professional Products	Consumer Products	Professional Products	Consumer Products
Opening acquisition value	22,982	21,467	19,463	24,739
Internally-developed assets	5,658	-	6,472	-
Disposals for the year	-93	-	-	-
Exchange rate differences for the year	-80	-73	-2,953	-3,272
<i>Closing accumulated acquisition value</i>	<i>28,466</i>	<i>21,394</i>	<i>22,982</i>	<i>21,467</i>
<i>Opening depreciation</i>	<i>-7,869</i>	<i>-19,632</i>	<i>-2,478</i>	<i>-17,204</i>
Depreciation for the year	-5,348	-1,843	-6,125	-4,935
Disposals for the year	19	-	-	-
Exchange rate differences for the year	67	81	734	2,507
<i>Closing accumulated depreciation</i>	<i>-13,131</i>	<i>-21,394</i>	<i>-7,869</i>	<i>-19,632</i>
<i>Closing reported value</i>	<i>15,336</i>	<i>0</i>	<i>15,113</i>	<i>1,835</i>

Research and development expenses amounted to SEK 14,646 thousand (15,110), corresponding to 35 percent (46) of total income. Of these expenses, SEK 5,607 thousand (6,472) has been capitalized, the remainder is shown in the earnings for the period.

Research and development expenses consist of the R&D expenses less the reported fees for the year, with the addition of the year's depreciation on intangible assets.

The developed assets for the year primarily refer to the new product portfolio for professional products launched during the second half of 2009. No salary expenses were capitalized due to the short timeframe of the project.

Group

All companies in the Group have accumulated loss carryforwards. These do not have a time restriction and can therefore be used to reduce taxes on future profits. As it is uncertain whether there will be opportunity – and within what time frame – to utilize these deficits, they have not been capitalized as deferred income taxes recoverable. New assessments of whether deferred income taxes recoverable for loss carryforwards shall be reported are carried out regularly. Accumulated loss carryforwards in the Group amounted to SEK 268 m (235) as at December 31, 2011.

Disclosure on testing the write-down requirement:

The recoverable amount of capitalized development expenses is determined based on estimated economic life and volume. This calculation is based on expected future cash flows based on financial forecasts approved by the management, and which cover the product lifecycles.

Company management has determined budgeted gross margins based on its expectations of market development. The weighted average growth rate applied corresponds to the forecasts shown in industry reports. Any differences arising between expected volume and actual volume are subject to write-down.

During testing for write-down requirements, the Company has applied a discounting rate of 11 percent.

Note 14 Property, plant, and equipment

Group, December 31	2011	2010
<i>Opening acquisition value</i>	8,109	8,729
Purchases	562	674
Sales and disposals for the year	-	-200
Exchange rate differences for the year	-36	-1,094
<i>Closing accumulated acquisition value</i>	8,635	8,109
<i>Opening depreciation</i>	-7,275	-7,118
Depreciation for the year	-819	-1,164
Sales and disposals for the year	-	91
Exchange rate differences for the year	35	916
<i>Closing accumulated depreciation</i>	-8,059	-7,275
<i>Closing reported value</i>	576	834

Note 15 Financial assets

Group, December 31	2011	2010
<i>Opening acquisition value</i>	643	769
Change for the year	-	19
Exchange rate differences for the year	35	-145
<i>Closing reported value</i>	678	643

Note 16 Inventories

Group, December 31	2011	2010
Finished products	5,215	2,780
Products in progress	-	-
Goods in transit	-	-
<i>Total</i>	5,215	2,780

The inventories are valued at acquisition value.

Note 17 Prepaid expenses and accrued income

Group, December 31	2011	2010
Personnel-related expenses	-	-
Other	907	882
<i>Total</i>	907	882

Parent Company, December 31

Personnel-related expenses	-	-
Other	89	106
<i>Total</i>	89	106

Note 18 Liabilities to credit institutions

Group, December 31	2011	2010
Bank loans	23,500	18,300
Liabilities in respect of invoice factoring	4,236	3,270
<i>Total</i>	27,736	21,570

Loans to credit institutions due within 3 months total SEK 20,000 thousand; loans due within 3-12 months total SEK 2,333 thousand. Interest at 10.0 percent on loans of SEK 20 m is paid quarterly. Interest at 7.0 percent on loans of SEK 3.5 m is paid quarterly. All accounts receivable have been pledged as security for invoice factoring (see Note 22).

Parent Company, December 31	2011	2010
Bank loans	23,500	18,300
Liabilities in respect of invoice factoring	-	-
<i>Total</i>	23,500	18,300

Loans to credit institutions due within 3 months total SEK 20,000 thousand; loans due within 3-12 months total SEK 2,333 thousand. Interest at 10.0 percent on loans of SEK 20 m is paid quarterly. Interest at 7.0 percent on loans of SEK 3.5 m is paid quarterly.

Note 19 Shares and participations in subsidiaries

Parent Company, December 31	2011	2010
Opening reported value	81,819	81,871
Shareholders' contributions	33,300	30,000
Write-down of shares	-33,607	-30,052
Closing reported value	81,512	81,819

Shares held by the Parent company, 2011

Company	Corporate Identity	Registered office	Number of shares	Capital share (%)	Book value
INVISIO Communications A/S	20 75 82 36	Hvidovre, Denmark	672,590	100	78,895
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2,517
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	100

Shares held by the Parent company, 2010

Company	Corporate Identity	Registered office	Number of shares	Capital share (%)	Book value
INVISIO Communications A/S	20 75 82 36	Hvidovre, Denmark	672,590	100	78,895
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2,517
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	407

Note 20 Accrued expenses and prepaid income

Group, December 31	2011	2010
Personnel-related expenses	3,569	2,942
Other	1,895	4,593
Total	5,465	7,535
Parent Company, December 31	2011	2010
Personnel-related expenses	231	118
Other	1334	2,332
Total	1565	2,450

Note 21 Equity

See the report Changes in Shareholders' Equity, pages 47 and 51.

Parent Company

As at December 31, 2011 share capital amounted to SEK 32,704 thousand (23,501), allocated over 32,704,351 (23,501,320) shares with a quotient value of SEK 1. Due to a new issue of shares at the end of 2011, registered at the Companies Registration Office on January 9, 2012, share capital increased by SEK 963 thousand (2 350) to SEK 33 667 thousand (25 851) and the number of shares increased by 963,086 (2,350,132) to 33,667,437 (25,851,452). The number of outstanding stock options amounts to 2,000,000 (3,017,225), which entitle the holder to subscribe for 2,000,000 (3,118,948) shares, distributed over one (two) program:

STOCK OPTIONS

INVISIO Communications AB currently has one outstanding stock option program:

- **Stock options 2008/2013 no. 6**

A total of 2,000,000 stock options, which gives the shareholder the right to subscribe for 2,000,000 shares in INVISIO Communications AB at an issue price of SEK 25.00 per share during the period April 30, 2008 through April 30, 2013. Upon full exercise of the options, the share capital can increase by a maximum of SEK 2,000,000. The stock options have been granted free of charge to Motorola.

Note 22 Assets pledged and contingent liabilities

Pledged assets

	Group		Parent Company	
	2011	2010	2011	2010
For liabilities to credit institutions, December 31				
Shares in subsidiaries	-	-	2,517	2,517
Pledged accounts receivable	5,668	10,169	-	-
<i>Total</i>	<i>5,668</i>	<i>10,169</i>	<i>2,517</i>	<i>2,517</i>
Contingent liabilities	None	None	None	None

Note 23 Disputes in the Group

The Group has had no disputes during the 2011 financial year. During the 2010 financial year, judgment was pronounced on the case between former employees and INVISIO Headsets A/S and INVISIO Communications AB respectively, which resulted in INVISIO Communications being ordered to pay SEK 5.1 m. A provision of SEK 3.2 m was made in 2008 for future costs stemming from this dispute. See Note 8 for further information.

Note 24 Earnings per share in the Group

	2011	2010
Earnings per share before dilution		
Loss for the year	-28,625	-39,814
Average number of shares outstanding (thousands)	25,919	22,723
<i>Earnings per share before dilution</i>	<i>-1.10</i>	<i>-1.75</i>

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

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

Only the option programs whose issue price is less than the average share price for the period can lead to a dilutive effect. The average price for 2011 was SEK 8.44. The outstanding option program does not meet the conditions. In addition, the dilution effect is not observed, as the Company shows a loss. Earnings per share before dilution therefore agree with the result per share after dilution.

As shown in Note 21, INVISIO Communications has one outstanding option program, providing the right to subscribe for a total of 2,000,000 shares.

Calculation of dilution

Number of shares after dilution for 2011	32,704
Average exchange rate 2011	8.44

Option program 2008/2013

Number of options	2,000,000
No. shares	2,000,000
Subscription price	25.00
Redemption upon full utilization	50,000,000

Note 25 Accounts receivable – trade

As at December 31, 2011, accounts receivable of SEK 540 thousand (802) were due within the Group. The write-down requirement has been assessed to be SEK 227 thousand (353). Other accounts receivable are for customers who have not previously exhibited problems with making payments. An age analysis of the Company's accounts receivable is shown below. The Group has no accounts receivable.

31 December	Group	
	2011	2010
Past due but not written-down accounts receivable		
Not due	5,128	9,367
Past due 1-30 days	289	215
Past due 31-60 days	24	0
Past due 61-90 days	22	35
Past due 91-120 days	2	42
Past due 121 days or more	203	510
<i>Total</i>	<i>5,668</i>	<i>10,169</i>
Provision for bad accounts receivable		
Provision at start of year	353	631
Confirmed losses	-62	-967
Recovery of bad accounts receivable	-292	-
Exchange rate differences	1	-29
Recovery of expected losses	227	718
<i>Provision at year-end</i>	<i>227</i>	<i>353</i>
Reserve for bad accounts receivable according to		
Not due	-	-
Past due 1-30 days	-	-
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Past due 91-120 days	-	-
Past due 121 days or more	227	353
<i>Total</i>	<i>227</i>	<i>353</i>

Note 26 Costs divided by type

Group	2011	2010
Costs divided by type		
Changes in stocks of finished products and products in progress	-21,162	-14,955
Costs for employee remuneration (Notes 10 & 11)	-14,684	-15,347
Research and Development costs (Note 3)	-16,257	-19,698
Depreciation and write-downs (Notes 13 & 14)	-8,085	-12,224
Other costs	-6,527	-8,429
<i>Total cost of goods sold, sales and marketing, administration, research and development</i>	-66,715	-70,653
Parent Company		
Costs divided by type	2010	2010
Costs for employee remuneration (Notes 10 & 11)	-2,025	-2,138
Depreciation and write-downs (Notes 13 & 14)	-	-
Other expenses	-4,568	-7,666
<i>Total administrative expenses</i>	-6,593	-9,804

Note 27 Related party disclosures

Lage Jonason (with family and companies) is the Company's largest single shareholder. Lage Jonason has personally acted as guarantor for some of the Company's liabilities to credit institutions, in the amount of SEK 12.0 m (12.0), in addition to providing security for supplier obligations. The SEK 12 m loan was repaid by the Company as per February 28, 2011. The Company has not compensated Lage Jonason for the obligations incurred in acting as guarantor.

On February 18, 2011, INVISIO Communications AB signed an agreement with Alecta Pensionsförsäkringar regarding a subordinate loan of SEK 20 m. This loan proceeded with an interest rate of 10 percent and was repaid in full as per January 20, 2012 at the time of the preferential share issue. Alecta controls more than 10 percent of shares and votes in INVISIO, for which reason the loan is to be considered as a transaction with a related party. Over the period, two short-term loans for SEK 3 m and SEK 10 m were secured at INVISIO Communications AB. The loan for SEK 3 m was repaid as per October 28, 2011 and the loan for SEK 10 m was repaid as per December 30, 2011 at the time of the preferential share issue.

Other related parties consist of the Board of Directors and management. No other transactions took place with these individuals other than those reported in Note 11, Remuneration of senior executives.

Note 28 Events after the close of the financial year**Sales**

INVISIO has received a large order from a customer in the USA. The order is for the INVISIO M3 headset with PTT (Push to Talk). The total value of the order is approximately SEK 6 m.

INVISIO has received another order from the Australian armed forces through its Australian distribution partner Defcon Technologies. This order is also for the INVISIO M3 headset. The total value of the order is approximately SEK 1 m and the products will be supplied during the second quarter of 2012.

Organisation

Thomas Larsson has been appointed the new Chief Financial Officer for INVISIO Communications. Larsson's employment will commence in April, allowing him to take up his position in the summer when current Chief Financial Officer Bengt Nilsson leaves the company on his retirement.

Financing

As per January 20, 2012, INVISIO has signed an agreement with the occupational pension company Alecta regarding a SEK 10 m loan. This is a one-year loan and must be repaid to Alecta in January 2013. Alecta is permitted to require early repayment of the loan if INVISIO should carry out a share issue with pre-emption rights. The loan is at 12.5 percent interest. INVISIO has provided security in the form of a secondary mortgage in the shares in its subsidiary Nextlink IPR AB. This loan constitutes a part of the finance solution which INVISIO described in a press release and prospectus at the time of the share issue with pre-emption rights in the autumn, which also means that as per January 20, 2012, INVISIO paid back the earlier loan of SEK 20 m from Alecta. Alecta controls more than 10 percent of shares and votes in INVISIO, for which reason the loan is to be considered as a transaction with a related party.

As per April 19, 2012, the Board of INVISIO Communications AB has decided upon the directed new issue of a maximum of 2,500,000 shares to TAMT AB, equivalent to approximately 7.4 percent of the total number of outstanding shares. This share issue will increase the company's share capital by SEK 2,500,000. The subscription price is SEK 3.10 per share. The new issue of shares will inject a total of SEK 7,750,000 into the company. There are no issue costs. This share issue came about due to the fact that the share issue with pre-emption rights which the company executed during the period November 21 to December 7, 2011 was subscribed to just under 91 percent, and so the company still has a capital requirement. To meet this capital requirement and hence reinforce the financial position of the company, the Board has decided on the present directed issue of shares. The subscription price is estimated to be equivalent to the market value of the share. In addition to this, INVISIO has received a pledged loan of SEK 5.0 m from Yggdrasil AB. Yggdrasil controls 8.7 percent of shares and votes in INVISIO, for which reason the potential loan is to be considered as a transaction with a related party.

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on April 20, 2012 for adoption.

The Board of Directors and the CEO certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The annual report has been prepared in accordance with good accounting practise and provides a true and fair picture of the financial position and result of the parent company

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

Stockholm, April 24, 2012

Lars Röckert
Chairman

Anders Persson
Board member

Mats Warstedt
Board member

Jan Samuelson
Board member

Lars Højgård Hansen
President and CEO

Stockholm, April 24, 2012

Michael Bengtsson
Authorized Public Accountant
PricewaterhouseCoopers AB

AUDIT REPORT

To the Annual General Meeting of INVISIO Communications AB
Org.no 556651-0987

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts for INVISIO Communications AB for 2011. The company's annual accounts and consolidated accounts are included in the published version of this document on page 38-68.

Liability of the Board of Directors and CEO for the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for ensuring that the annual accounts give a true and fair view of the Group's financial position in accordance with the Swedish Annual Accounts Act and that the consolidated accounts give a true and fair view of the Group's financial position in accordance with international financial reporting standards IFRS, as adopted by the EU, and the Swedish Annual Accounts Act, and for the internal inspection which the Board and CEO deem necessary to prepare annual accounts and consolidated accounts which are free of material misstatement, whether due to fraud or in error.

Liability of the auditor

Our responsibility is to express an opinion on the annual accounts and consolidated accounts based on our audit. We have carried out the audit in accordance with International Standards on Auditing and generally accepted auditing practise in Sweden. These standards require us to comply with ethical requirements and to plan and perform the audit in such a manner as to obtain reasonable assurance that the annual accounts and consolidated accounts are free of material misstatement.

An audit involves using various measures to obtain audit evidence concerning the amounts and other disclosures in the annual accounts and consolidated accounts. The auditor decides which measures are to be implemented, including by assessing the risk of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or in error. During this risk assessment, the auditor takes into account the parts of the internal inspection that are relevant to how the company prepares its annual accounts and consolidated accounts in order to provide a true and fair view with a view to formulating audit procedures that are appropriate given the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal inspections. An audit also includes evaluation of the appropriateness of the accounting principles applied and the plausibility of the estimates of the Board of Directors and CEO in the report, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We are of the opinion that the audit evidence which we have acquired is sufficient and appropriate as a basis for our statements.

Statements

In our opinion, the annual accounts have been compiled in accordance with the Swedish Annual Accounts Act and in all material respects provide a true and fair view of the parent company's financial position as per December 31, 2011 and of its financial performance and cash flows for the year in accordance with the Swedish Annual Accounts Act, and the consolidated accounts have been compiled in accordance with the Swedish Annual Accounts Act and in all material respects provide a true and fair view of the Group's financial position as per December 31, 2011 and of its performance and cash flows in accordance with international accounting standards as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' Report is in accordance with the annual accounts and other parts of the consolidated financial statements.

We hereby recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the statement of comprehensive income and balance sheets of the Group be adopted.

Report on other requirements in accordance with legislation and other statutes

In addition to our audit of the annual accounts and consolidated accounts, we have audited the proposal for appropriation of the Company's profit or loss, and the administration of the Board and the CEO of INVISIO Communications AB for 2011.

Liability of the Board of Directors and CEO

The Board is responsible for the proposal for appropriation of the Company's profit or loss, and the Board and CEO are responsible for administration in accordance with the Swedish Companies Act.

Liability of the auditor

Our responsibility is to provide, with reasonable assurance, a statement on the proposal for appropriation of the Company's profit or loss and on the administration based on our audit. We have performed this audit in accordance with generally accepted auditing practise in Sverige.

As a basis for our opinion concerning discharge from liability, we have examined significant decisions, actions taken and circumstances of the company in addition to our audit of the annual report and consolidated financial statements in order to be able to determine the liability, if any, to the company of any Board member or the Managing Director. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Swedish Articles of Association.

We are of the opinion that the audit evidence which we have acquired is sufficient and appropriate as a basis for our statements.

Statements

We recommend to the Annual General Meeting of shareholders that profit be appropriated as proposed in the Board of Directors' Report and that the Board members and CEO be discharged from liability for the financial year.

Auditor's statement on the corporate governance report

Allocation of liabilities

We have reviewed the corporate governance report for 2011 on pages 28-37. The Board of Directors is responsible for the corporate governance report and for ensuring that it is compiled in accordance with the Swedish Company Accounts Act. Our responsibility is to express an opinion on the corporate governance report based on our audit.

Orientation and scope of examination

The examination has been carried out in accordance with RevU 16, Auditor's Report on the Corporate Governance Statement. This means that we have planned and performed the audit to obtain reasonable assurance that the corporate governance report is free of material misstatement. An audit includes examining a selection of documents for information supporting the information in the corporate governance report. We believe that our audit provides a reasonable basis for our opinion set out below.

Statement

We are of the opinion that a corporate governance report has been compiled and is consistent with the annual accounts and consolidated accounts.

Stockholm, April 24, 2012

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Chief auditor

FIVE-YEAR REVIEW

INCOME STATEMENTS January – December (SEK 000s)	2011	2010	2009	2008	2007
<i>Total income</i>	41,463	32,787	61,106	40,686	22,786
Cost of goods sold	-21,162	-14,955	-18,388	-27,845	-14,720
Gross profit	20,301	17,832	42,718	12,841	8,066
Operating expenses	-36,390	-43,474	-46,676	-49,019	-71,679
Depreciation and write-downs	-8,085	-12,224	-9,480	-7,036	-3,192
Operating income	-24,174	-37,866	-13,438	-43,214	-66,805
Net financial items	-4,451	-1,948	-3,857	-1,666	-1,267
Profit/Loss before tax	-28,625	-39,814	-17,295	-44,880	-68,072
INCOME STATEMENTS December 31 (SEK, thousands)	2011	2010	2009	2008	2007
ASSETS					
Non-current assets					
Intangible assets	15,336	16,948	24,521	25,375	19,316
Property, plant, and equipment	576	834	1,611	3,238	5,984
Financial assets	678	643	769	759	3,983
<i>Total non-current assets</i>	16,590	18,425	26,901	29,372	29,283
Current assets					
Inventories	5,215	2,780	2,716	6,421	4,415
Accounts receivable – trade	5,668	10,169	13,404	5,713	6,797
Other receivables/prepaid expenses and accrued income	6,039	3,156	2,149	5,059	6,916
Cash and bank balances	17,305	12,752	5,059	864	11,633
<i>Total current assets</i>	34,227	28,857	23,328	18,057	29,761
TOTAL ASSETS	50,817	47,282	50,229	47,429	59,044
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	11,287	5,630	7,030	4,068	20,031
Current liabilities					
Liabilities to credit institutions	27,736	21,570	16,815	17,856	13,195
Accounts payable – trade	6,284	9,301	11,761	14,231	13,352
Other liabilities/accrued expenses and prepaid income	5,510	10,781	14,623	11,274	12,466
<i>Total current liabilities</i>	39,530	41,652	43,199	43,361	39,013
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	50,817	47,282	50,229	47,429	59,044

CASH FLOW STATEMENT January –December (SEK 000s)	2011	2010	2009	2008	2007
<i>Profit/Loss before tax</i>	-28,625	-39,814	-17,295	-44,880	-68,072
Adjustments for non-cash items	8,123	9,519	9,034	6,015	4,813
Taxes	-	-	-	-	-1,262
<i>Cash flow from operating activities before changes in working capital</i>	-20,502	-30,295	-8,261	-38,865	-64,521
Cash flow from changes in working capital	-9,138	-6,927	-2,433	732	11,308
<i>Cash flow from operating activities</i>	-29,640	-37,222	-10,694	-38,133	-53,213
<i>Cash flow from investing activities</i>	-6,263	-7,037	-8,475	-6,476	-15,990
<i>Cash flow from financing activities</i>	40,473	52,132	23,291	33,685	67,528
CASH FLOW FOR THE YEAR	4,570	7,873	4,122	-10,924	-1,675
KEY FIGURES	2011	2010	2009	2008	2007
MARGINS					
Gross margin	49.0%	54.4%	69.9%	31.6%	35.4%
Operating margin	-58.3%	-115.5%	-22.0%	-106.2%	-293.2%
Profit margin	-69.0%	-121.4%	-28.3%	-110.3%	-298.7%
CAPITAL STRUCTURE					
Equity ratio	22.2%	11.9%	14.0%	8.6%	33.9%
OTHER					
Number of employees	30	27	29	30	40
DATA PER SHARE					
Number of shares at end of period	32,704,351	23,501,320	21,565,126	20,646,084	19,623,779
Earnings per share, SEK	1.10	-1.75	-0.82	-2.24	-4.22
Shareholders' equity per share, SEK	0.35	0.24	0.33	0.19	1.02
Share price at year end, SEK	3.70	10.00	18.00	17.70	19.00

DEFINITIONS

Gross margin

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

Operating margin

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

Profit margin

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

Equity ratio

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

Number of shares outstanding

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

Average number of outstanding shares

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

Average number of shares outstanding after dilution

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

stock. Only the option programs whose issue price is less than the average market price of the shares during the period can lead to a dilutive effect.

Earnings per share

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

Earnings per share after dilution

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

Shareholders' equity per share

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

Average number of employees

The number of employees recalculated to full-time equivalents (FTEs).

Number of employees at year-end

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

FINANCIAL CALENDAR

Publication dates for financial information in 2012:

- ▶ Annual General Meeting 2012: May 29, 2012 in Stockholm
- ▶ Interim Report January – March: April 19, 2012
- ▶ Interim Report April – June: August 16, 2012
- ▶ Interim Report July – September: November 6, 2012
- ▶ Year-end report 2012: February 15, 2013

Design and production:

HILL+KNOWLTON
STRATEGIES

INVISIO COMMUNICATIONS AB
Box 49149
100 29 Stockholm
Sweden

INVISIO COMMUNICATIONS A/S
Stamholmen 157
2650 Hvidovre
Denmark