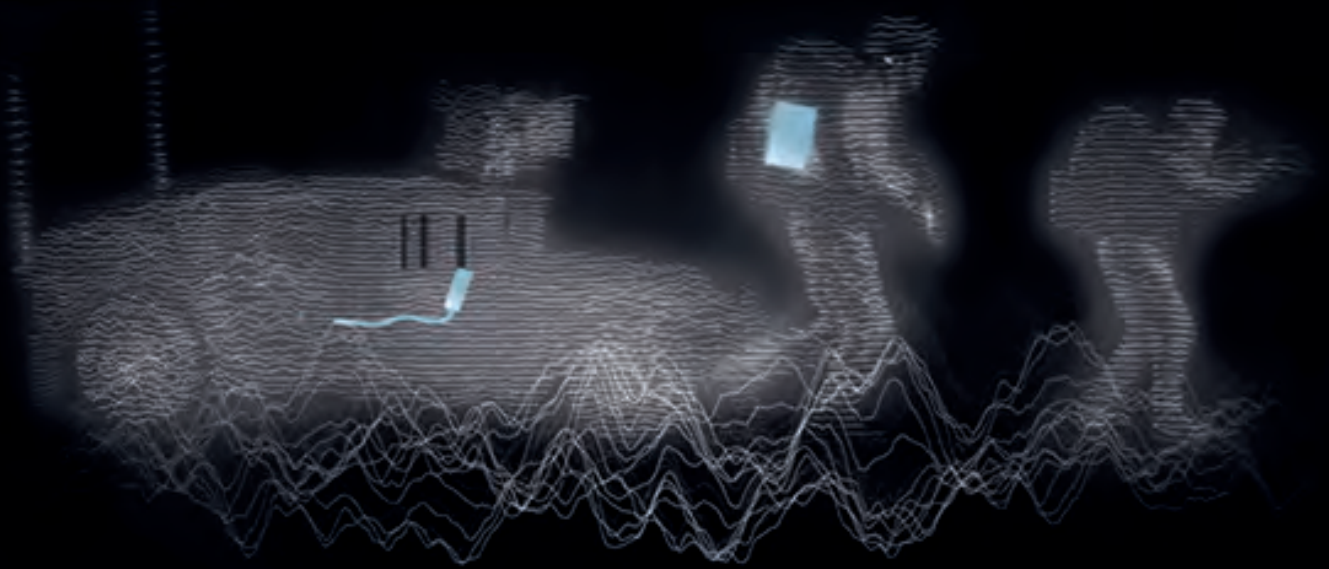


INVISIO®



Annual Report 2017



INVISIO strives to constantly push the limits of technologies in order to protect and enable professionals so that they can operate and communicate clearly and safely in all environments with the highest possible operational performance.

INVISIO makes a difference in demanding environments

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

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

INVISIO's systems are technical leaders. The company combines its knowledge of the user's needs with innovative and advanced technologies to develop complete

systems that are integrated to the benefit of the user. Manufacturing is done mainly by contract manufacturers.

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

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2017 in brief

Large addressable market

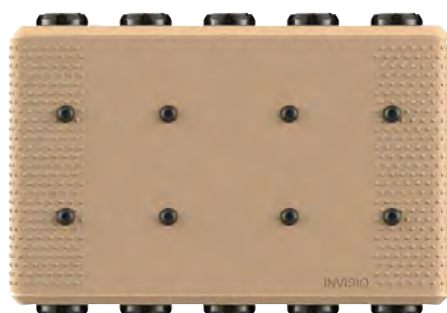
Throughout the world, countries continued to modernize their military with equipment providing better protection and operative advantages. INVISIO has only taken a minor share of the target market and the company sees ample opportunity to grow. More information on market driving forces and potential can be found on pages 10-11.

Increased market penetration

INVISIO has good and close relationships with the major countries in NATO. During the year INVISIO was awarded two new long-term contracts by defense authorities in the USA and UK, and received important orders from existing contract customers and from the US Army specialist unit SFAB. At the same time demand grew from special units within the police. Read more on pages 12-13.

New product category

During the year INVISIO continued to focus on expanding its product portfolio. The company launched a new control unit and presented a new product category for communication in vehicles. On page 4 you can read about how the products work together.



Growth initiatives

With the aim of increasing the customer base in defense and security, INVISIO augmented its R&D and sales resources and built up its own sales teams at the offices of subsidiaries in the US, France and Italy. Read CEO Lars Højgård Hansen's view of the growth initiatives during the year on pages 2-3.

KEY RATIOS

	2017	2016	%
Revenue, SEK m	365.7	330.0	11
Operating profit/loss, SEK m	78.6	90.4	-13
Profit/loss for the year, SEK m	62.3	91.8	-32
Cash flow from operating activities, SEK m	10.9	105.8	-90

MARGINS

Gross margin, %	55.3	51.8
Operating margin, %	21.5	27.4
Profit margin, %	17.0	27.8

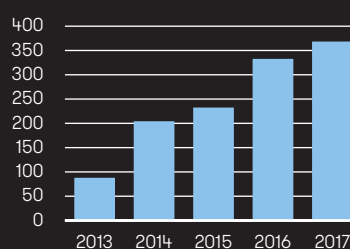
CAPITAL STRUCTURE

Equity ratio, %	76	80
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PER-SHARE DATA

Earnings per share, SEK	1.42	2.14	-34
Shareholders' equity per share, SEK	5.89	4.82	22
Share price at year-end, SEK	79.25	63.75	24

Sales (SEK m)

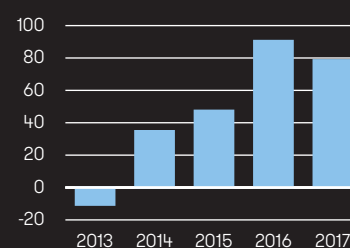


365.7 SEK m

Sales

Sales increased to SEK 365.7 million in 2017. This is an increase of 11 per cent compared to the previous year (330.0).

Operating profit (SEK m)



78.6 SEK m

Operating profit

Operating profit was SEK 78.6 million (90.4). The operating margin was 21.5 per cent.

INVISIO is broadening its product offer and increasing its market presence

INVISIO continued to deliver on its growth plan in 2017. With the aim of building a greater company with a broader product offer and stronger market presence, we increased our efforts in research and development and strengthened our organization with more employees and our own sales teams.

After a strong close to the year, sales for 2017 increased by 11 per cent to SEK 365.7 million (330.0). Sales include large deliveries to existing and new contract customers, as well as a number of smaller orders from other customer groups in defense and security. The gross margin rose to 55.3 per cent (51.8). The growth investments, mainly the increase in R&D and sales personnel, will depress operating profit somewhat in the short perspective, but will ensure the long-term objectives of increasing sales and earnings.

The operating profit was SEK 78.6 million (90.4), corresponding to an operating margin of 21.5 per cent (27.4).

New product category for communication in vehicles

INVISIO's innovation work continued intensely in 2017. Development of a new product category for communication in vehicles was announced during the year and the first product in the category is expected to be commercially available at the end of 2018.

The intercom system was developed for use together with INVISIO's personal communication equipment and is intended to make communication simpler and more accessible for users who move in and out of vehicles. The system allows the user to share in information and discussion without needing to change equipment. It is a plug-and-play system, giving the customer an innovative, simple, cost-effective and considerably more flexible solution than can be found on the market today.

For INVISIO the new product means that we reach a broader customer group and take on a greater role as supplier. We estimate that the new intercom system has potential to make a significant contribution to INVISIO's development over time.

Continued high pace of product development

At the same time, we are extending the product offer for personal communication. The modern soldier may carry up to three radio or communication units – driven by battery or external power supply – as needed. With the launch of the INVISIO V50 in 2017 we have an even stronger product offer and can support our customers in the best way. The unit is based on the same technology platform as other control units in the V series and can be combined with our other products.

Greater supplier to our customers

Several factors are interacting to benefit our market. Communication is ever more important in conflicts, crises and situations with high security requirements. Increasingly, soldiers and specialist units are being equipped with radios, which boosts demand for our products. Greater awareness of the costs of hearing loss is another driver. We are pleased to be able to help meet the increasing structural need for communication and hearing protection.

In 2017 we received further confirmation that INVISIO holds a strong position among important defense

forces in NATO. During the year several of them submitted new orders for our products for new users in their operations. In both the USA and the United Kingdom we won new long-term contracts with the respective defense ministries. Two strategically important orders from the U.S. Army's new specialist unit, the Security Force Assistance Brigades (SFAB) are further examples of our strong position in one of the world's most demanding and reputable defense forces.

Innovation and market expansion are keys to continued growth

Innovation in close cooperation with our customers is a success factor for INVISIO. Going forward, we will continue to invest heavily in research and development.

INVISIO's growth plan also includes further strengthening market presence. In 2017 we built up our own sales teams in the USA, France and Italy. A local presence gives us better opportunities to monitor and follow procurements and continue to work closely with the customer when the contract has been signed. Already this year we have seen sound results from these efforts.

At the same time, we continued our preparations in new geographical markets in selected countries in Asia, the Middle East and South America. Market penetration is a long-term project and lead times are long in our industry, but we expect a good return over time from these investments.



Corporate social responsibility

Corporate social responsibility is a matter of course for INVISIO. We contribute to sustainability by developing products that protect the user from hearing loss, which saves the individual and society great cost and suffering. In the business itself we continued to focus sustainability work on the code of conduct and follow-up of our major suppliers.

Performing according to stated strategy

Our efforts during the year have further strengthened our position and improved our market opportunities. The year's successes with our own sales offices, contracts won, stronger relations with our customers, as well as an entirely new product category for communication in vehicles, give us a good starting position for the future.

Without the committed work of our employees and support from our shareholders our successes would not have been possible. I would like to conclude by extending my thanks and appreciation to you.

Copenhagen in March 2018

Lars Højgård Hansen,
President and CEO, INVISIO

"For INVISIO the new product means that we reach a broader customer group and take on a greater role as supplier."

Communication and safety in tough, demanding environments

For military and security forces, hearing and communication play a crucial role for safety and operational capacity. Failure to register a warning signal, share observations or be able to assess the surroundings may endanger life. INVISIO offers a communication system with many options to suit the needs of professional users during critical operations.

INVISIO's system facilitates and makes communication more effective for military and security forces that move in and out of different vehicles and other

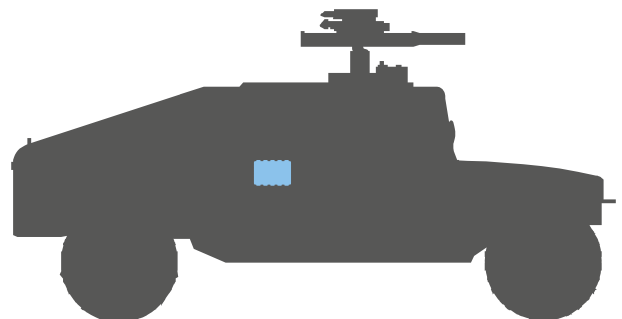
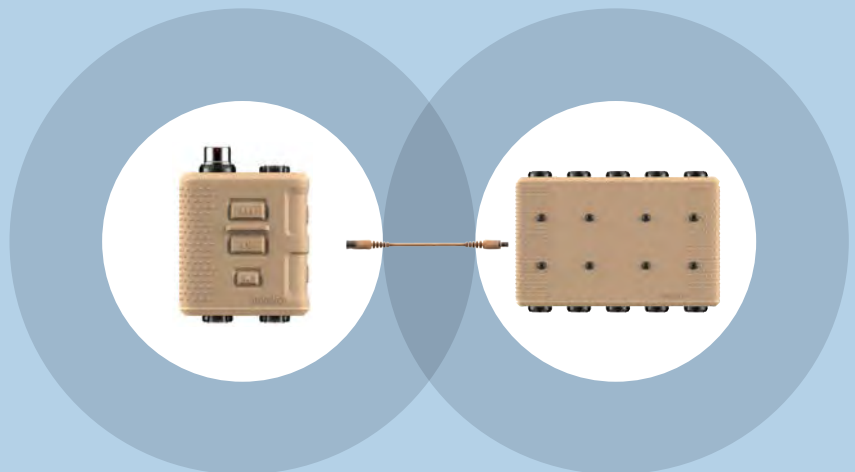
forms of light transport, such as boats and helicopters. The system allows the user to be interoperable with both personal communication equipment and

vehicle communications without having to change equipment.

The world's most flexible communication system

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

The system consists of two parts that are combined: Personal communication equipment, including a headset and a control unit, and a portable intercom system.



The INVISIO Soldier System has communication ports for connection to radios, computers, the Intercom and other external units.

The Intercom is a small and light-weight unit. It can either be carried by soldiers on the go or be mounted in the vehicle.

Mounted soldiers can connect their soldier systems to the INVISIO Intercom, providing them with internal voice communication and access to all vehicle communications.



INVISIO's power of innovation drives market growth

INVISIO drives the market by developing innovative solutions that replace traditional products. The solutions are based on a true understanding of the customers' situation and needs. The corporate culture is one of INVISIO's most important competitive advantages.

MARKET CONDITIONS

Good growth potential

Two related factors drive demand for INVISIO's products. Defense and security authorities throughout the world are modernizing the equipment of their personnel. For example, soldiers and security forces are being equipped with modern radio communication at the same time as their communication headsets and hearing protection are being reviewed. The latter development contributes to increased awareness of the effects of hearing loss on individuals and society.

Strong market position

The professional market is generally characterized by long selling processes, in which several years may pass from the first contact with a customer to the final order, via inquiry, customer tests and public procurement bids. The entry barriers are high and once a company has established itself in the market it has a great advantage.

Companies that want to compete are forced to make major investments in time and resources, including prod-

uct development. This has led to the market structure among suppliers being characterized by a few actors with long-standing relations to their customers.

The fact that INVISIO has won several major contracts with some of the world's foremost defense forces is an indication that the company's products hold a strong position and that INVISIO is a well-established partner.



THE COMPANY'S STRENGTHS AND STRATEGY

Customer understanding

Innovation strategy and product development are governed by vision and long-term goals. Close collaboration with customers and a good understanding of their needs is an integrated and critical part of the innovation model.

The offer is characterized by high user-friendliness, functionality and effectiveness. This applies to everything, from product quality, features and design to customer service and technical support.

Technical expertise

INVISIO's engineers are specialists in acoustics and hearing and combine broad engineering expertise in software, materials technology and integration. As an innovative company, INVISIO has developed flexible and effective solutions over the past ten years that meet the communication needs of users in noisy and mission-critical environments.

Partnership in the value chain

Local knowledge and customer proximity are crucial factors driving INVISIO's growth. The company's strategy is to select sales channels according to the local market conditions. This means that INVISIO sells via partners, resellers as well as its own sales organizations. Strategic partnerships with systems integrators and radio manufacturers are established in cases where the customer wishes to make purchases from one and the same supplier.

Focus on the core

INVISIO is a prominent innovation company focusing on the core competencies R&D, marketing and sales. The products are manufactured by a few contracted partners, which means flexibility and ability to handle the industry's uneven order volumes.

Corporate culture

Committed, skilled and quality aware employees are of decisive importance for INVISIO's capacity to develop innovative product solutions and reach out to the market. Effective cooper-

ation in combination with technical innovation at the leading edge means that INVISIO is now an important supplier in the market for advanced communication solutions.

The corporate culture is based on the following common values:

- Innovation and Action
- Structure and Flexibility
- Passion and Dedication
- Openness and Teamwork

Niche strategy and geographical expansion

INVISIO's sales strategy focuses on achieving geographical breadth in a growing global niche market.

The favorable experience of leading special forces has created great market confidence in INVISIO's systems and paved the way for larger deliveries to regular army units in the USA, the United Kingdom, Australia and France, among others.

Based on strong customer references, INVISIO participates in relevant procurements expected to start within the framework of modernization programs.



Financial targets

INVISIO's overall objective is to create value for shareholders by generating sustainable growth and sound profitability. The company aims to increase sales by 20 per cent per year on average and to maintain an operating margin of 15 per cent or more.

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

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

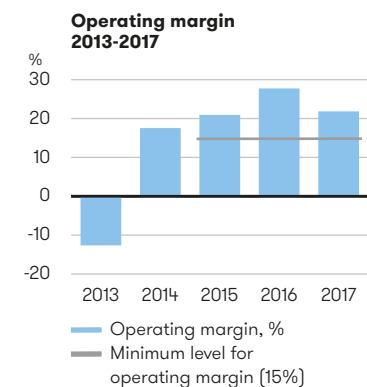
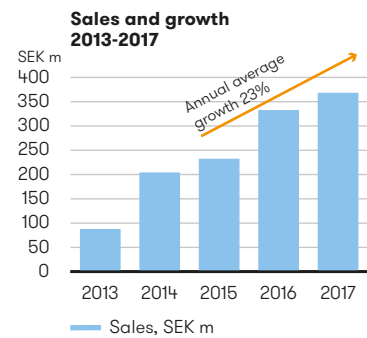
The targets were presented at the time of the company's listing on Nasdaq Stockholm in May 2015.

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

Over the past three years, average annual sales growth was 23 per cent. For 2017 sales growth was 11 per cent. This year's outcome mirrors the industry's uneven order and revenue flows.

The operating margin should not fall below 15 per cent

The operating margin was 21.5 per cent for 2017. The change in operating profit compared to previous year is explained by planned growth initiatives, and hence cost increases for research and development as well as sales and marketing.





Strategy for profitable growth

Achieving the financial targets requires continued innovative product development, marketing and expansion, and cost effectiveness in the company and in manufacturing. The overall growth strategy is reflected in four areas.

1 Increase market share in existing markets

Follow-up orders in the context of awarded contracts are of great importance for INVISIO. The company must therefore retain, take care of and develop business with customers in defense and security in North America, Europe and Oceania.

2 Expand to new geographies

INVISIO will continue marketing in selected countries in Asia, the Middle East and South America with a view to expanding to new markets with growth potential. This marketing is mainly together with selected resellers and partners.

3 Broaden the product portfolio through innovative development

INVISIO intends to continuously broaden its portfolio with user-friendly, flexible and cost-efficient products. This broadening will be through innovative product development close to the customer.

4 Conduct business cost effectively

Sound profitability with continued growth will be maintained by focusing on costs internally in the company and for manufacture of the company's products. INVISIO and its manufacturing partners will continue their close collaboration to safeguard volume gains and production costs.



Market, drivers and trends

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

Greater operational capacity requirements

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

In recent years the proportion of soldiers with access to one or more radios has increased considerably. The percentage of radio users is growing continually and is mainly driven by the increased operational capacity, safety and efficiency requirements of defense forces during missions. In addition to a personal radio, the user often needs to be able to communicate unimpeded via various vehicle intercom systems. The soldier's increased use of communication radio has meant growing interest in INVISIO's systems.

INVISIO's equipment reduces hearing loss

The effects of hearing loss on individuals and society is another factor

that has been given more attention over the years. Hearing loss and tinnitus are the most common injuries among veterans in the US armed forces. According to data from the US Department of Veterans' Affairs, the number of individuals receiving compensation for hearing damage or loss has increased three times over the last ten years, from 0.9 million in 2006 to 2.7 million at the end of 2016. The direct costs of care and support to the veterans amount to billions annually (USD). In addition, there's loss of income for individuals, loss of tax revenue and the suffering for those affected and their relatives that may be hard to measure. Procurement of hearing protection has increased as employers and authorities have become more aware of the problems and the costs for these injuries, benefiting INVISIO.

INVISIO drives the market

While the percentage of radio users and the need for good hearing protection is increasing, INVISIO drives growth by developing new, innovative solutions that gradually raise the

industry's performance, functionality and user experience requirements.

Major procurement accounts for most purchases

Around the world, soldier modernization programs are underway, focusing on providing armies with modern equipment that improves both operational ability and safety in military settings. The programs that require advanced communication and hearing protection systems are most relevant for INVISIO. The largest are being implemented in North America and Europe but investments are also being made in Asia, South America and the Middle East.

In recent years INVISIO has won a number of contracts within the framework of modernization programs. The company has long-term framework contracts with defense authorities in the USA, the UK, Canada, Australia and Denmark, among others.

INVISIO is also an important supplier to military special forces. This group is also a significant partner in product development and carry great weight as reference in marketing.

A selection of contract awards

USA, TCAPS (2013).

UK, THPS (2015) Four years. Option for three more years.

Canada, ISSP (2015) Four years.

Australia, LAND 125 (2015) Five years. Option for four more years.

UK, MoD (2017) Four years. Option for a fifth year.

USA, DoD (2017) Two years.

Denmark, Army (2018) Five years. Option for two more years.

Large potential for future growth

2 million potential users

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

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



Current target market for personal system

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

Target market for communication in vehicles

The coming product category for communication in vehicles broadens INVISIO's product offer to the defense and security industry, and the company considers that it has the potential to make a material contribution to the company's future development. The company estimates that the market for the new intercom system in the long run may be at least as great as the current market.

INVISIOs competitors

Personal hearing protective communication systems are traditionally composed of noise-reducing cups over

the ears and an external microphone placed in front of the mouth. The market for this type of product is large, mature and dominated by a small number of major actors.

Small, advanced communication headsets with microphones placed in the ear are becoming more common to use in extreme and mission critical environments. Apart from INVISIO there is a handful of other suppliers in the market.

As a whole INVISIO's communication system is unique and strengthens the company's role as leading supplier of advanced communication systems for demanding environments.

The offer is further enhanced by the new product category for communications in vehicles, which represents a number of combined features and needs.

INVISIO considers that it has an advantage over its competitors as regards innovation capabilities, well-established relationships with customers and understanding of their needs.

¹ The Military Balance, the International Institute for Strategic Studies. 2017.

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

Security in large cities

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

Special units within the police

The need for effective and flexible communication equipment with hearing protection not only exists in the defense sector, but also in special units within the police. For example,

police units specializing in counter terrorism, hostage negotiation and bomb disposal operate in environments where hearing and communication are decisive factors for effectiveness, endurance and the outcome

of the work. The security services have similar needs. These groups are currently a smaller but growing customer group for INVISIO.



French Army



Since spring 2016 French army forces use INVISIO's communication system to enhance efficiency and security during events with a heightened security level.

For meetings and events

Security forces in the French army needed reliable communication and hearing protection system for use during major national events and meetings. The system they were looking for was to incorporate hearing protection, situational awareness and communication via a militarized smartphone. Each user was to have

control of their own area, but also an overall check of the general and shared situation.

A mobile-adapted solution

INVISIO was tasked with developing a custom version of the INVISIO V60 that allowed for use of two radio networks, one being the militarized smartphone, the other being the radio network of the homeland security radio. This was coupled with the INVISIO X5 in-ear headset to supply a high level of hearing protection in case of any detonation, as well as good situational awareness.

Cédric, a French Army Infantry Sergeant, describes how the system ensures preparedness during mission:

- The product permits mixing amplification of the environment and voice management of radio systems with the Auxylium smartphone. It is the only available system which enables communication in loud and noisy conditions.

INVISIO's system is used on a daily basis in Paris and has been used for major events such as the 2016 European Football Championship, the Tour de France cycle race and the French National Day.

Customer understanding and innovation behind INVISIO's flexible communication system

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

Extreme conditions

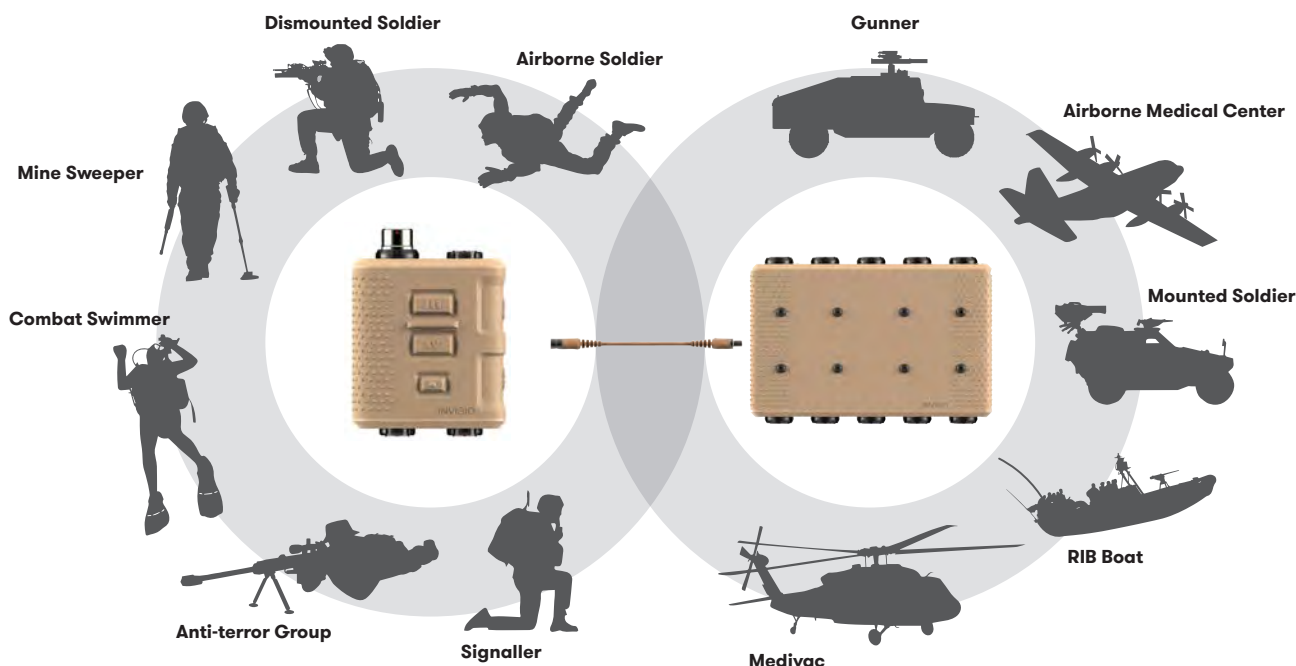
For military and security forces, hearing, communication and situational awareness play a crucial role for safety and operational capacity. When defense and security agencies procure communication solutions they set a number of requirements, both technical and operational. The aim is to enable users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

Control and safety

INVISIO's communication system lives up to the high requirements of the industry, while the company's innovative capacity and approach raises the quality and creates new opportunities for users. With true customer insight as a basis and pairing customer needs with the company's own project requirements, INVISIO builds relevancy and customer value into the products from the start.

The system's two parts are used together with one or more radios and meets a variety of communication needs that improve users' safety and operational capacity.





Effective personal equipment

INVISIO's personal communication system includes a headset and a control unit. Using the system, the users can communicate efficiently in all environments, hear what is going on around them and at the same time protect their hearing against harmful sound. The system offers a level of high situational awareness, it is simple to use and can be worn for many hours.

Industry-unique compatibility

The system is compatible with most radio and headset models and can be connected to several radios, utilizing multiple radio networks, and connect to other types of communication equipment simultaneously, for example vehicle intercom systems, computers and mobile phone smart devices as well as medic cables and mine-sweeper equipment. The solution is plug-and-play, which means integration with other equipment and users is without the necessity of installation or programming.

Communication in vehicles

INVISIO's new product category for communication in vehicles is in the completion phase and is expected to be commercially available in the later part of 2018. The solution focuses on sound quality and communication, and is adapted for use in light to medium weight land vehicles, helicopters and RIB boats. The solution includes an intercom system as well as connection cables with up to five users and four radio networks, that can be used in a portable method, or mounted in a vehicle permanently.

Crucial advantages in relation to traditional systems

Compared to many existing systems, the intercom facilitates and makes communication more easily accessible and reliable. The system was developed to work seamlessly together with INVISIO's personal equipment, and is compatible with other headset systems. One of the fundamental advantages is that the user can be interoperable with both personal com-

munication equipment and vehicle communications without needing to change equipment when getting in and out of a vehicle. Vehicle communication is also controlled via the personal communication system.

Plug-and play

To resolve common sound problems and facilitate deployment of new equipment the connection of users and radio units is plug-and-play, which means integration with other equipment is more flexible, less time-consuming and more cost effective. The improvement means that people who switch between moving inside and outside vehicles, and who normally have limited access to vehicle communication, can be given access to the system.

For increased flexibility and broader use, the system can be mounted or carried in a backpack.

A selection of INVISIO's communication and hearing protection systems

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



Radio 1



INVISIO V20

1 Com Port
Powers From Comms.



Radio 1 Radio 2



INVISIO V50

2 Com Ports
Powers From Battery/Comms.



Radio 1 Radio 2



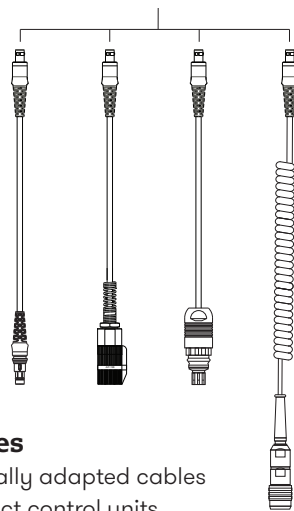
INVISIO V60

3 Com Ports
Powers From Comms.



INVISIO X5

In-ear headset with passive and active hearing protection, situational awareness and INVISIO Bone Conduction microphone.



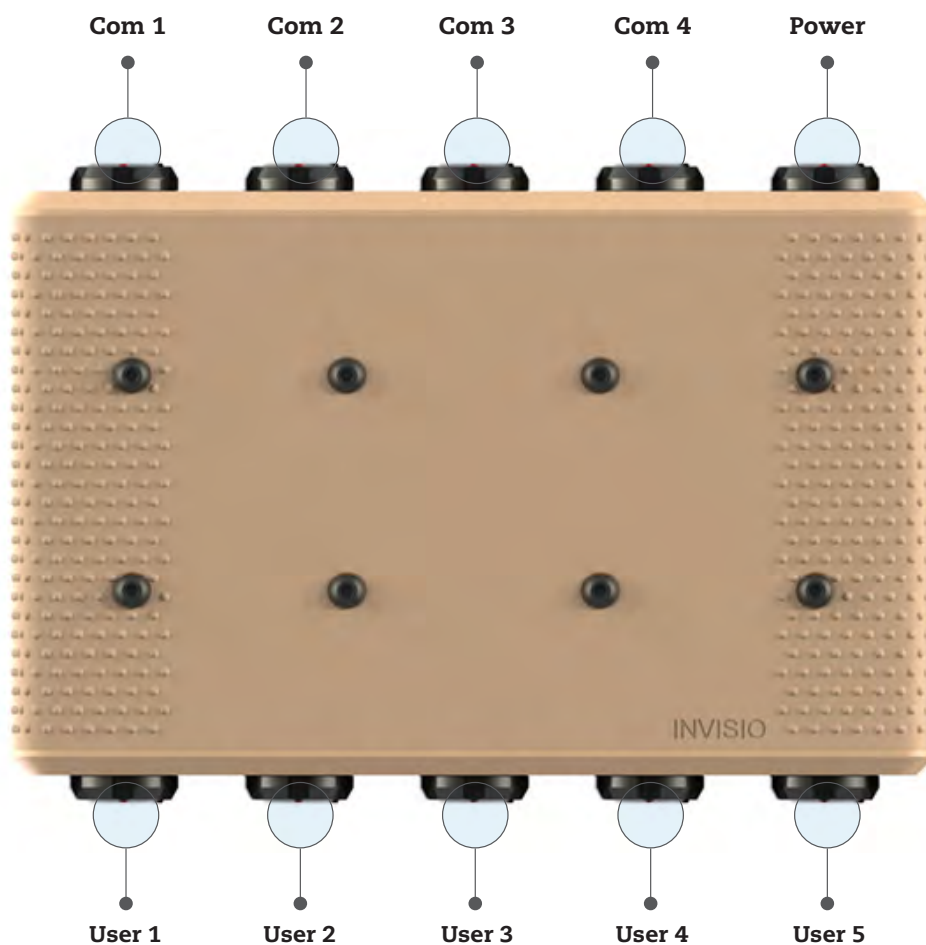
Cables

Specially adapted cables connect control units, headsets and external connection devices.



Third party products

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

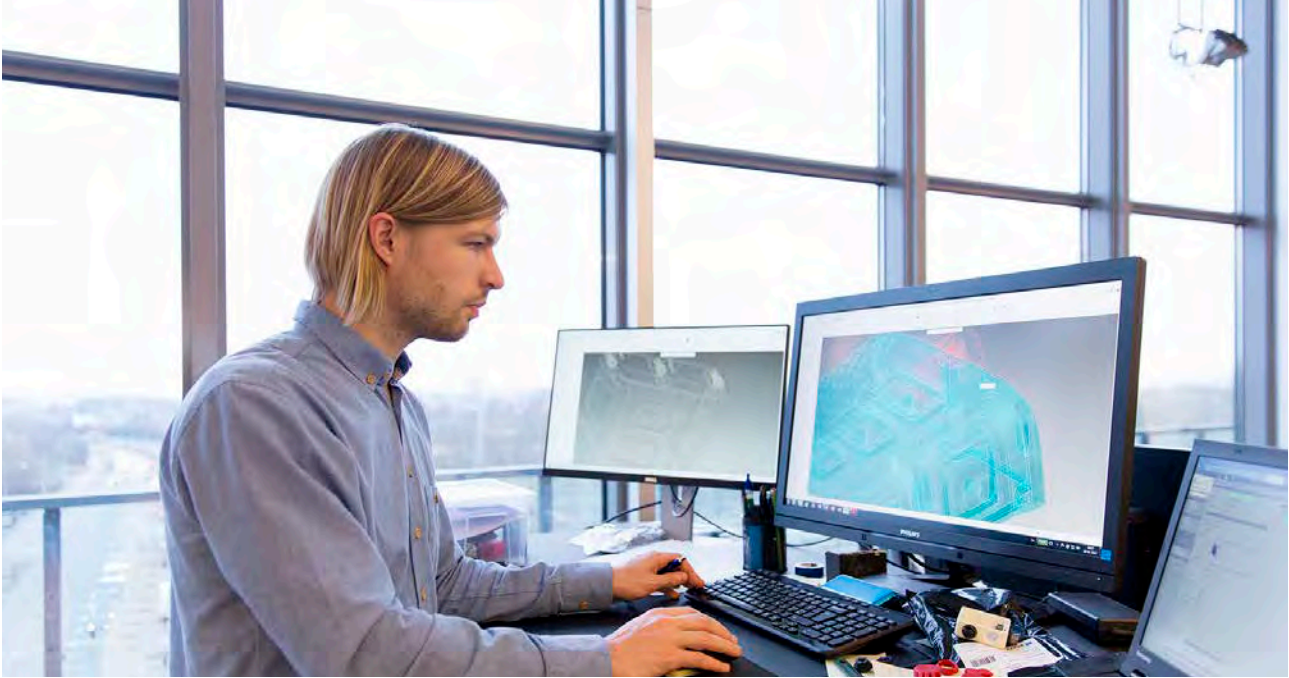


INVISIO Intercom System

By expanding the Soldier System with the Intercom any vehicle communications platform is easily integrated with minimal effort. The system is lightweight, plug and play and unparalleled in size, letting troops move while maintaining their communications. It narrows the distinction between dismounted and mounted troops and

creates a true communications hub no matter the circumstances. A system that allows seamless transitions between land, sea and air assets while maintaining situational awareness at all times. Five user ports enable all users vehicle communication. Four com ports to access critical vehicle and command level coms. One power port that connects to the vehicle's

power or external battery. 500 grams reduces the burden when users are on the move. The size makes it ideal for a backpack. Auto cable sensing ensures plug and play capability for all audio devices and radio coms.



The technology

To be able to develop a communication system that meets the requirements of professional users INVISIO combines insights in acoustics and human hearing with broad engineering know-how in software, materials technology and interface.

In-ear-headset Passive protection

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

Situational awareness

A sound reaches a person's ears at different times and is reflected by the complex shape of the outer ear. These are major factors in allowing people to tell where sounds are coming from.

To enable correct perception of sounds in the environment when wearing hearing protection, INVISIO's headsets have special microphones placed at the start of the ear canal. In that way, the sound is recorded in the same place as it normally reaches the auditory canal. The system allows the wearer to determine where the sound comes from and keep track of what is happening in the environment.

Disruption-free speech – Bone Conduction

Human speech creates sound waves through the air but also vibrations in the jawbone. INVISIO's Bone Conduction technology transfers vibrations from the jawbone with a specially developed microphone placed in the ear. The signals then travel through an advanced filter to be converted into clear speech. The construction of the Bone Conduction microphone and its location inside the ear blocks surrounding sounds and only transmits the wearer's voice to the communication radio.

Control unit Active protection

The active electronic protection in the control unit mitigates the effects of both continuous noise over long periods and sudden acoustic shocks and reduces them immediately. The system can attenuate continuous noise from aircrafts with up to more than 40 dB, or acoustic shocks from grenades with up to 52 dB(C). Harmless noise

reaches the ear unchanged, almost as if the wearer were not wearing a headset.

Signal processing

The control unit can also amplify sound in the environment up to three times, to be able to hear things that a human ear does not normally perceive. The headset amplifies sound up to 80 dB(A) in a natural way, and reduces harmful acoustic pressure so that the volume from the speakers never exceeds 85 dB(A).

Intelligent cables

Seamless plug-and-play integration between control units, intercoms, headsets and interface cables is key to the versatility of the INVISIO system, as it allows for deployment of new equipment without the need for updating existing INVISIO equipment. All INVISIO systems feature INVISIO IntelliCable™, a unique identification that enables all equipment to be interchangeable across current and future INVISIO systems.

dB Decibel. Unit used to measure sound level.

dB(A) A-weighted decibels. A measure of perceived sound level. Used for industrial and environmental noise at moderate levels.

dB(C) C-weighted decibels. A measure of perceived sound level. Used at high sound pressure levels such as acoustic shocks and airplane noise.

This is how INVISIO's systems work

Three basic audio paths

Level dependent hearing protector

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

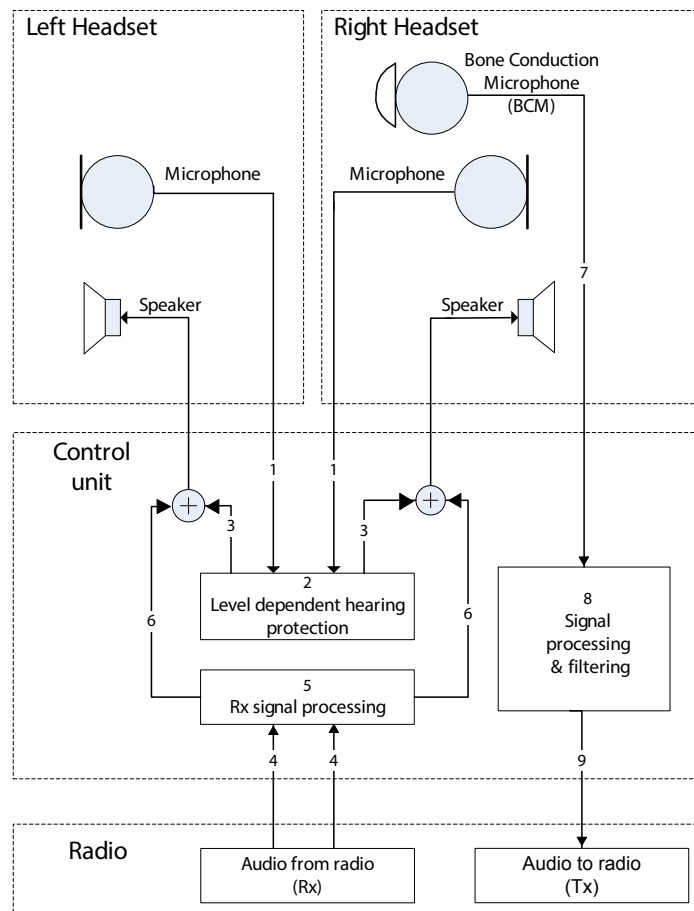
Received audio signal from radio

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

Bone conduction microphone (transmits signal to radio)

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

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





INVISIO's R&D draws on The Danish Sound

Many of INVISIO's R&D staff have roots in "The Danish Sound" - a world-renowned industrial cluster with a long tradition of excellence in acoustics, hearing and mobile communications based on collaboration between industry and academic research.

Continued investment in R&D is strategically important for INVISIO's continued growth and by the end of 2017, the number of R&D staff had increased noticeably compared to the beginning of 2016, allowing for an increase in the number of projects without risking the quality and time span of existing projects.

INVISIO's R&D is defined by close collaboration among staff and insight about users and their needs. INVISIO's strong culture and values will continue to characterize and guide R&D as the number of employees grows.

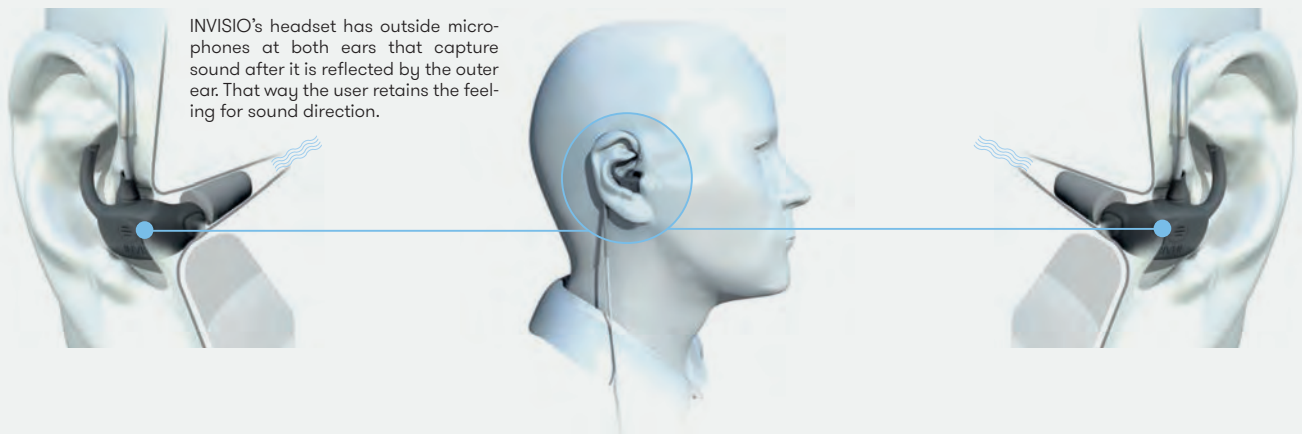
The Danish Sound

The recruitment of new employees is facilitated by INVISIO's belonging to the industrial cluster "The Danish Sound" with its long tradition of producing high quality and innovative loudspeakers, hearing aids, test equipment, audio systems and other communications equipment. Companies based in the Copenhagen region have enjoyed world-leading positions in sound technologies for more than half a century. Their success would not have been possible without the internationally recognized research done in close cooperation with Danish universities and technical colleges.

The research is mainly conducted in three areas:

- Psycho acoustics - how sound is perceived by humans
- Acoustics - knowledge about sound behavior
- Signal processing - how to manipulate sound electronically

INVISIO has been able to hire engineers with education and experience in these disciplines.



INVISIO supports natural human hearing

INVISIO's solutions build on deep understanding of sound and human hearing. Humans' ability to determine where sound is coming from is partly due to it hitting the ears at different times and to it being reflected by the outer ear. To retain as much as possible of natural hearing, INVISIO's headset is optimally positioned and is designed to give high sound quality.

Localising sound is a complicated human process that depends on a series of external and internal factors. Sound has physical qualities that in combination with our physiology help us to determine direction and distance. INVISIO's solutions are based on insights about this interaction.

Localising sound may be crucial

INVISIO's headset has external microphones at both ears so that the user does not miss information that could be of vital importance. The sound is gathered where it otherwise would have reached the auditory canal, giving a three-dimensional effect of the where the source of sound is. In acute circumstances, situational awareness and the ability to determine location is of great significance.

Time and level differences

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

For low frequencies with long soundwaves, the time difference can be used, so called Interaural Time Difference (ITD). For frequencies below 1,500 Hz,

soundwaves are so long that they reach the left and right ears slightly out of phase. When the wave reaches a peak at one ear, it will already be heading back down when it reaches the other.

For higher frequencies, where the wave length may be just a couple of centimeters, the ear detects the fact that the sound is louder in the ear nearest to the source of the sound. The difference in loudness and frequency distribution between the two ears is called Interaural Level Difference (ILD).

The shape of the outer ear

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

Reflecting sound

Further acoustic factors that help humans to determine direction and distance are that sound is actually a combination of the original sound and reflections from surfaces and objects nearby, such as walls, ceiling, floor and other reflective surfaces. The per-

son's own shoulders and upper body also influence how sound waves reach the ear. The sound will be reflected to differing extents on its way to the ear, depending on whether the source is nearby or far away.

Factors mentioned above must be dealt with at the design stage so that the headset affects them as little as possible.

Hearing problems

A person with good hearing can perceive, sort and interpret a broad spectrum of sound, from a buzzing mosquito to roaring jet engines.

When your hearing is impaired, the ability to sort sounds deteriorates. Voices you want to hear flow together with the background noise. Deterioration is often gradual and the person will perhaps not notice anything until he or she experiences distorted sound or deafness. But the deterioration may also come suddenly, for example after a sudden explosion, with immediate hearing impairment as a consequence. Speech may be difficult to hear and the person will probably have difficulty in participating in conversations.

Even a minor hearing impairment can have major consequences for work and everyday life. Impaired hearing often leads to social isolation, loss of independence and mental problems. People with hearing loss often leave the labour market early due to lack of functioning communication and social interaction.

CSR report

INVISIO develops and sells communication systems that protect users from hearing damage, thereby contributing to lower costs, direct and indirect, for individuals and society. INVISIO's CSR process is integrated into INVISIO's Quality Management System.

Guiding framework

INVISIO has established four policies that serve as a guiding framework for how the company assumes CSR.

Quality Policy

INVISIO's Quality Policy reflects INVISIO's view on quality and ensures the company's ability to consistently provide products that meet customer needs and regulatory requirements. Because the products are of critical importance to the company's customers, INVISIO aims for the highest standards in quality. The company's commitment to quality is an essential part of INVISIO's culture and shapes the way INVISIO integrates sustainability practices throughout the value chain.

Code of Conduct

The INVISIO Code of Conduct obliges all employees to uphold high ethical standards in their conduct towards each other and when representing the company. It also aims to ensure a safe working environment and equal and fair treatment of all employees. The Code of Conduct is based on the ten principles of the United Nations Global Compact. It is complemented by INVISIO's Anti-Corruption Policy, INVISIO's Supplier Code of Conduct, rules of corporate governance and internal policies.

Supplier Code of Conduct

INVISIO requires its suppliers to comply with applicable national laws and legislation on human rights, labor, environment and anti-corruption and abide by the values and principles described in the Supplier Code of Conduct. This framework makes

clear to INVISIO's suppliers that they are expected to behave responsibly and ethically in compliance with internationally recognized rules.

Anti-Corruption Policy

INVISIO considers all forms of corruption – whether it be bribery, undue pressure, fraud, money laundering or collusion – harmful to customers and suppliers alike. INVISIO has adopted an Anti-Corruption Policy to ensure adherence to INVISIO's standards among employees and present and prospective business partners.

Other policy documents

In addition to the above-mentioned policies, INVISIO has adopted policies to ensure accurate financial reporting to the capital market and that the company is governed in the manner prescribed by applicable laws and regulations.

Overview of value chain

	Product development	Supply and manufacturing	Marketing and distribution	Management and head office
Risks	Inadequate product design regarding safety, reliability and usability. Non-compliance with required standards. Use of materials detrimental to the environment and human health.	Product deficiencies. Non-compliance with INVISIO requirements regarding human rights, labour standards, environment and anti-corruption.	Bribery. Non-compliance with INVISIO requirements regarding anti-corruption.	Risks related to the relationship between employers and employees and between employees.
Policies and actions	General Policies (Code of Conduct, Code of Conduct for Suppliers, Quality Policy, Anti-Corruption Policy etc.)			
	Standardization in product development and design processes. Perform comprehensive tests according to international standards. Select materials that comply with standards and directives.	Select suppliers and contract manufacturers who fulfill our requirements. Audits.	Select partners and resellers who fulfill our requirements.	Employees are required to read, sign and follow the Code of Conduct and the Anti-Corruption Policy.
Our objectives	Continued successful implementation and maintenance of Code-of-Conduct and Anti-corruption agreements for key suppliers. Be an attractive employer with satisfied employees and a good working environment.			



Business model

INVISIO's CSR work should be seen against the background of the company's operations and business model. INVISIO develops and sells advanced communications and hearing protection systems for professional users. In addition to INVISIO's own operations, the value chain includes component suppliers and contract manufacturers (in this report referred to as "suppliers") and distributors and resellers ("partners").

INVISIO's Quality Management System

INVISIO's quality policy is made operational through INVISIO's Quality

Management System. INVISIO's Quality Management System is certified according to ISO 9001, the internationally recognized standard for Quality Management Systems, and complies with the requirements of international legislation (including EU Directives).

The Quality Management System consists of business processes covering all links in INVISIO's value chain, from customer needs identification through product development, purchasing, supplier, sales and marketing, post market and support/service processes.

The CEO, along with the Management Team, is responsible for the

Quality Management System, and the Quality Manager is responsible for system surveillance and improvements. The performance of the Quality System is reported regularly to the Board.

Product development

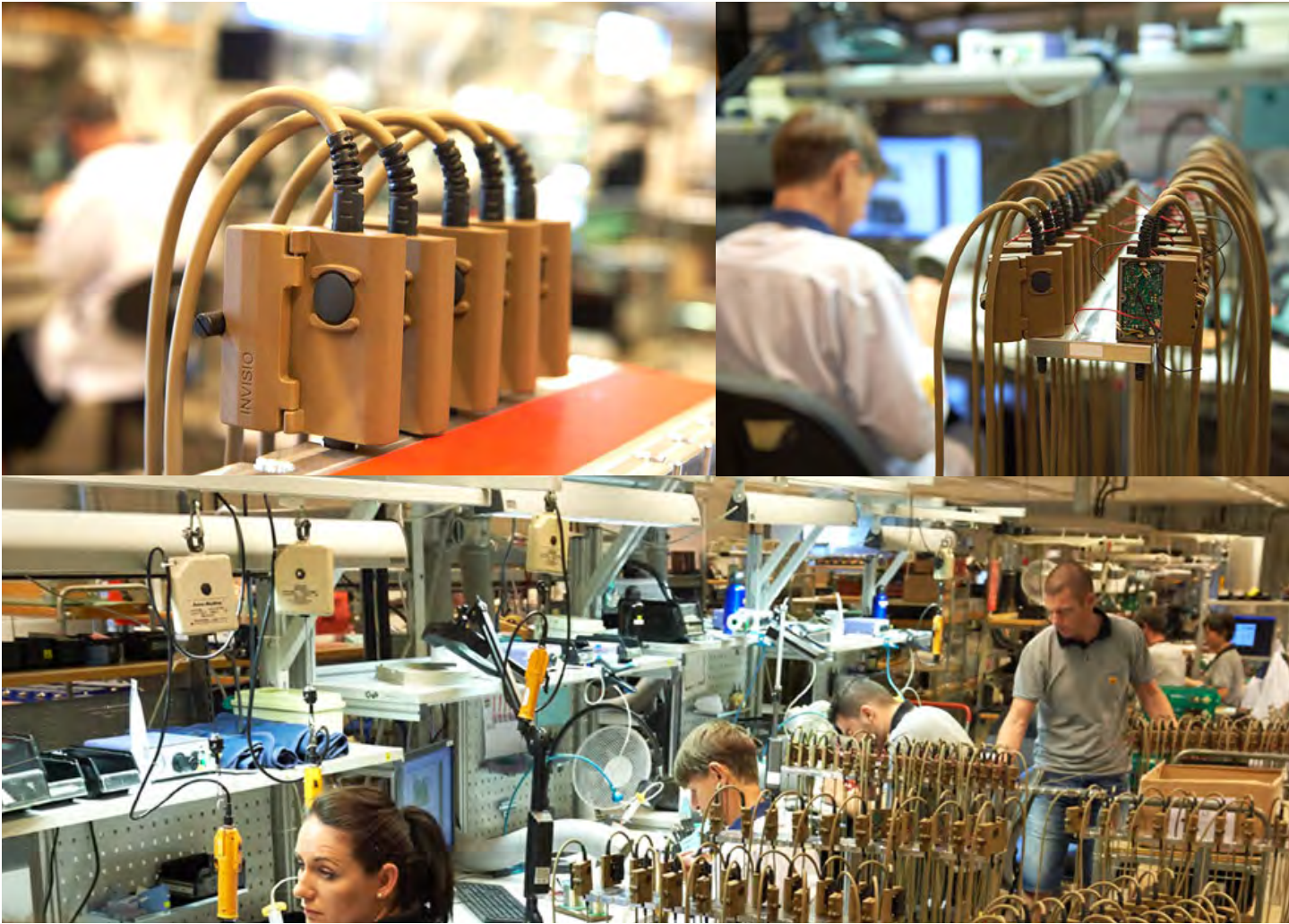
Product development is a key process in which INVISIO combines technologies in solutions that are user-friendly, compatible with different types of communications equipment and technologically advanced in terms of audio and signal processing. The products' environmental aspects are considered early in the development process, in connection with the design and specification phases.

Comprehensive tests

The performance and reliability of INVISIO's products are of great concern, since they are used in critical, sometimes life-critical, situations. The products must meet high standards of functionality and resistance to environmental factors, such as heat, cold and moisture. In the event of malfunction, products may be a threat to users, and may entail major costs to society.

To verify that the products are safe, of high quality and meet the requirements of customers, government agencies and certifying bodies, INVISIO conducts comprehensive verification and validation tests. Testing includes compliance to EU standards on the use of chemicals and hazardous substances (REACH, RoHS), electronic equipment waste (WEEE Directive), electromagnetic radiation (EMC regulation) as well as various national and military standards. As for hearing protection, INVISIO have headsets tested according to European, American and Australian standards.

Actual product performance in the field is monitored in the customer feedback processes (including complaints). The results are used for continuous improvements of both product design and processes (including testing procedures).



Supply and manufacturing

INVISIO's products are manufactured by contract manufacturers who transform semi-finished goods and assemble components into finished goods. Four of them together account for approximately 80 per cent of INVISIO's purchases.

INVISIO makes sure that major suppliers comply with the relevant rules and procedures through a supplier quality management process. Within that process the Supplier Committee, which has representatives from R&D, Supply Chain and Quality Assurance, is responsible for assessing, approving and monitoring INVISIO's subcontractors and suppliers. The committee has regular meetings to evaluate existing suppliers' performance and examine prospective suppliers.

Since 2013 major suppliers have signed a Supplier Quality Agreement (SQA). Beginning 2017, INVISIO have requested these suppliers to sign INVISIO's Supplier Code of Conduct and Anti-Corruption Policy. All of INVISIO's relevant suppliers signed in 2017.

INVISIO annually visits suppliers' manufacturing sites for audits of their manufacturing processes. A report is written and any deviations are raised with the supplier, who is then given a period to take corrective actions. Since 2017 has been a CSR roll-out year, the majority of the CSR discussions have been related to the implementation of policies and, if needed, adaptations between different CSR approaches.

Marketing and distribution

Sales are primarily via a global network of partners and resellers, as well as from the headquarters in Copenhagen and the sales offices in the USA, France and Italy. The partner may be a specialized reseller, a system integrator or a radio manufacturer.

INVISIO requires sound business practice throughout its value chain. Since 2017, business partners are asked to confirm compliance with the principles of the INVISIO Anti-Corruption Policy.

A value based culture

INVISIO has about 75 employees in four offices representing twelve different nationalities. Diversity makes the company better understand and meet customer needs. In addition, it furthers new ideas, challenges norms and thereby increases the company's power of innovation.

Outstanding expertise and top-level skills are the hallmark of INVISIO's people. Almost half the staff work on research and development, specializing in fields such as acoustics, electronics, mechanics and software. In addition, INVISIO has employees with experience from international sales and marketing, quality assurance and supply chain management.

People who come to work for INVISIO thrives. The low staff turnover is a proof of that. Apart from a challenging and stimulating job in an international environment, INVISIO also offers health insurance and supports sport and physical activities to promote employees' health.

INVISIO's head office is in Copenhagen. Since late 2016 INVISIO has offices in France and the USA and as of 2017 also in Italy.

A positive workplace of mutual respect

In its own organisation, INVISIO provides the basis for integrating sustainability into the rest of the value chain. INVISIO is taking steps to minimize its impact on the environment in its day-to-day office work. Staff are encouraged to economize on energy and other resources in everyday activities.

Questions concerning the work environment, health and safety are regulated in the company's staff manual. The work environment is characterized by respect and trust for every individual employee. Insulting behaviour and discrimination are unacceptable and employees are expected to treat each other as they wish to be treated themselves. At year-end, the number of employees, restated as full-time positions, was 73 (52) of whom 58 men (41) and

15 women (11). Staff turnover was 1.5 per cent (6.5) and the aggregate short-term sickness absence in relation to total number of hours worked was 1.5 per cent (1.2).

All employees in the INVISIO Group and its subsidiaries have a personal responsibility to read, sign and follow the Code of Conduct. The system is integrated in the Quality Management System, so every new employee, as part of their General Introduction Program, is required to read and approve the Code of Conduct. The signatures are registered in INVISIO's documentation system.

Social commitment

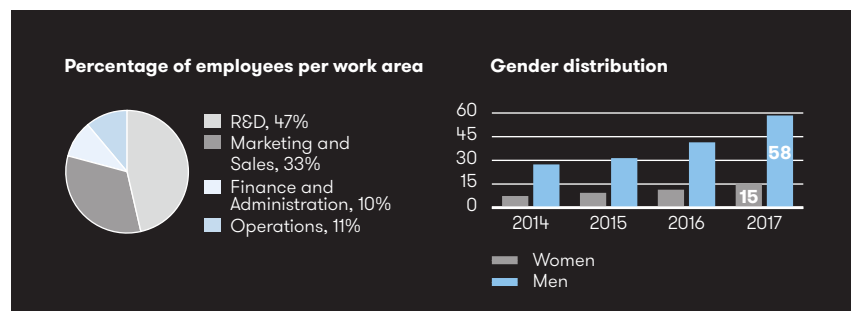
Since 2017, INVISIO supports the Danish network initiative Velkommen Hjem. The purpose is to help soldiers in their transition into civil working life. Regardless of former rank, an employee from the military will always show skills that include elements of teamwork and leadership. Activating such valuable resources into the



civilian workforce is an opportunity that benefits not only the soldier but also the employer and the whole social economy of the country.

At Velkommen Hjem, the soldier will go through an HR process, preparing for the job-hunt. Mentors from the private business community open their network up to the mentee and help to match experiences and skills with suitable work opportunities.

More about Velkommen Hjem: <http://velkommenhjem.net/>



History

INVISIO was established in 1999 in Copenhagen to develop headsets for communication based on bone conduction technology. In 2003 the company was registered in Sweden. Until 2008 the company marketed its products to the consumer market and professional users. Then operations were streamlined to focus on communication solutions with inbuilt hearing protection for professional users.¹

2017

Continued focus on building a larger company with a broader product portfolio, more markets and stronger customer relations. Own sales team in place in the USA, France and Italy. Launch of the control unit INVISIO V50 and presentation of a new product category for communication in vehicles.

2016

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

2015

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

2014

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

2013

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

2012

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

2011

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

2010

A number of reference orders were received from American and European defense customers. Through partners the company started to participate in procurements for defense modernization programs. Launch of the INVISIO X6 headset, which can be adapted to the wearer's ear shape.

2009

Launch of the first digital hearing protection and communication system for use with multiple radios, the control unit INVISIO X50 with the INVISIO X5 headset. The first volume orders for these were received from individual Nato countries' Special Forces.

2008 INVISIO leaves the consumer market to focus on communication solutions for professional users.

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

The parent company share was listed on the Nordic Growth Markets OTC list on June 7, 2004. Trading was moved to First North on May 29, 2006, and to First North Premier on July 9, 2009. On May 29, 2015, the share was listed on Nasdaq Stockholm Small Cap, and on January 2, 2016, it was moved to the Nasdaq Mid Cap segment.

The share

Share capital

At the close of 2017, share capital in INVISIO Communications AB (publ) ("INVISIO") was SEK 44,098,494 divided between 44,098,494 shares with a quotient value of SEK 1.00. Each share confers one vote and each person entitled to vote may vote at the general meeting of shareholders for the full number of shares owned and represented. All shares confer the same right to participate in the company's assets and profit.

Share capital development for the year

Date	Transaction	Increase in the number of shares	Total number of shares	Increase in share capital, SEK	Total share capital, SEK	Quotient value, SEK
Jan 1, 2017	Opening balance		43,448,506		43,448,506	1.00
May 2, 2017	Option redemption	649,998	44,098,494	649,998	44,098,494	1.00

Full development of share capital is presented on INVISIO's website, www.invisio.com/IR.

Trading in the share

The INVISIO share has been listed on Nasdaq Stockholm since May 29, 2015 and since 2016 has been included in the Mid Cap segment. The highest price paid during the year was SEK 91.75 and the lowest was SEK 64.50. The closing price on December 29, 2017, was SEK 79.25, giving a total market value of approximately SEK 3,495 million. In 2017 a total of 15.1 million shares were traded, worth SEK 1,149 million.

Shareholders

The number of shareholders at the close of the year was 4,113 (4,453) according to data from Euroclear. The ten largest shareholders controlled 65.9 per cent of the company's shares on the balance sheet date. Swedish ownership accounted for 58.2 per cent of the votes. The Board of Directors and management owned 23.7 per cent of the total shares, privately or through companies.

Dividend

The Board of Directors proposes to the Annual General Meeting 2018 that a dividend of SEK 0.60 per share be distributed for 2017 (0.50). According to the dividend policy adopted by the Board

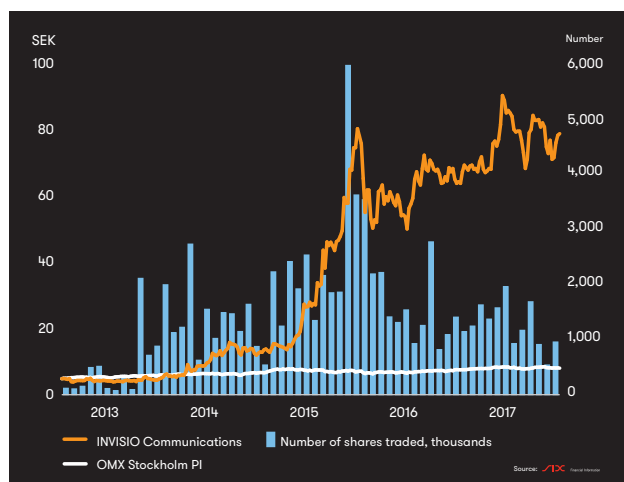
of INVISIO, dividends shall be determined with consideration for INVISIO's long-term growth and earnings development, as well as its capital requirements, with due consideration for financial targets. The goal for the dividend is to stay within an interval of 25 to 50 percent of profit after tax.

Employee Stock Option Program

An extraordinary meeting of shareholders held on April 24, 2013 resolved to offer the staff an incentive program based on stock options, the Employee Stock Option Program 2013/2017. The program was targeted at company employees in Denmark, and was completed in 2017.

To ensure access to shares in the company for transfer within the Employee Stock Option Program, stock options were issued to the wholly owned Danish subsidiary INVISIO Communications A/S. These stock options entitle holders to subscribe for a total of no more than 2,000,000 shares in the company. As shown in Note 8, 1,898,333 stock options were allocated, of which 1,858,343 were exercised in Tranche 1-3.

Share performance and turnover 2013-2017



Ticker: IVSO
Sector: Technology
ISIN: SE0001200015

INVISIO's 10 largest shareholders

Shareholder	No. shares	% votes and capital
Lage Jonason, with family and via companies	9,321,654	21.1
SIX SIS AG, on behalf of clients	7,622,039	17.3
Swedbank Robur Fonder	2,712,599	6.2
Handelsbanken Fonder	2,570,239	5.8
Aidani AB	2,025,889	4.6
The Fourth Swedish National Pension Fund	1,294,866	2.9
Ålandsbanken, on behalf of clients	1,150,955	2.6
Avanza Pension	1,000,197	2.3
State Street Bank & Trust com., Boston	769,673	1.7
Lars Højgård Hansen	600,055	1.4
Others	15,030,328	34.1
Total	44,098,494	100.0

Source: Euroclear Sweden

Corporate Governance Report

INVISIO Communications AB (publ) (“INVISIO”) is a Swedish limited liability company with its registered office in Stockholm, Sweden. Apart from the parent company the Group consists of the wholly-owned subsidiaries INVISIO Communications A/S (Denmark), INVISIO Communications SAS (France), INVISIO Communications Inc (USA), INVISIO Communications Srl (Italy), Nextlink IPR AB and Nextlink Patent AB. The headquarters are located in Copenhagen. INVISIO has applied the Swedish Code of Corporate Governance (the Code) since the shares were admitted to trading in May 2015 and reports no deviations from the Code for 2017.

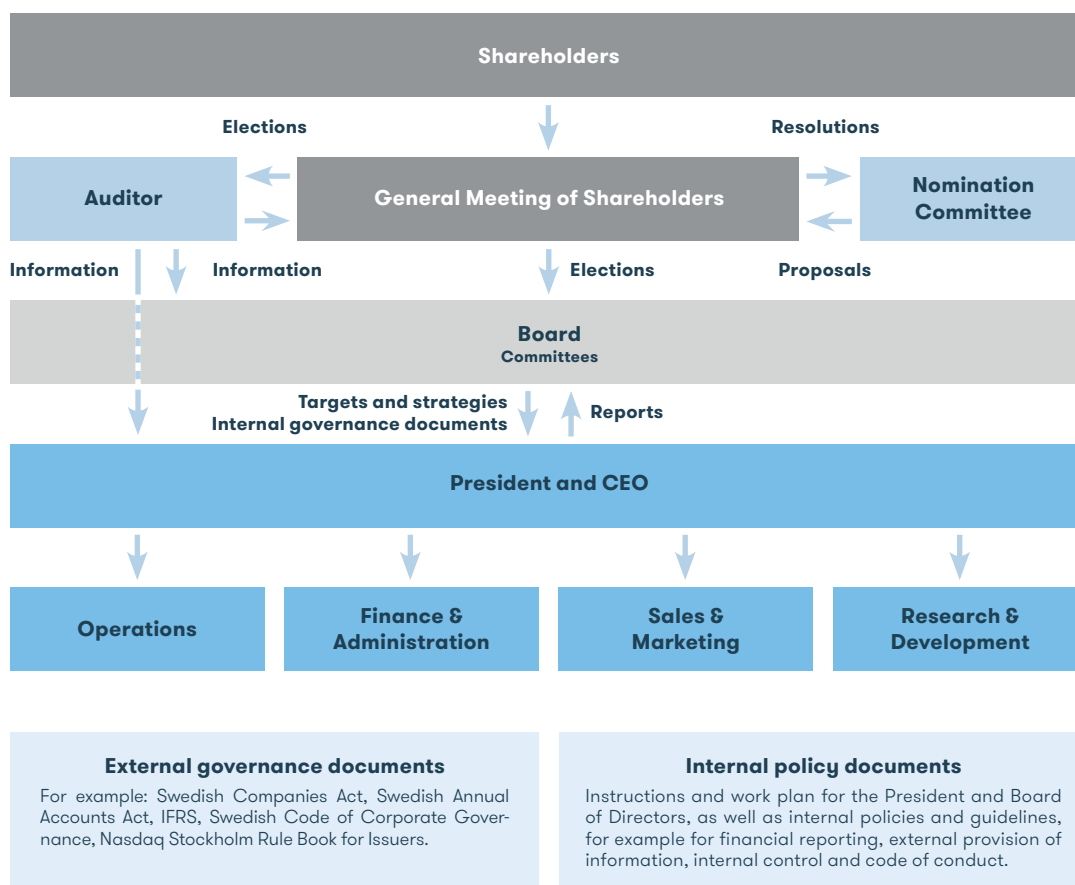
Principles for corporate governance

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

This corporate governance report is prepared as a separate document from the formal annual report.

The responsibility for governance and control of the INVISIO Group is divided between the shareholders at the general meeting of shareholders, the Board of Directors and the President/CEO. An overview of the Group’s organization, governance and control, including external and internal policy documents, is shown in the illustration below.

Overall governance structure of INVISIO Communications



Shareholders

Right to vote

The INVISIO share has been listed on Nasdaq Stockholm since May 2015. The company's share capital at December 31, 2017 amounted to SEK 44.1 million (43.4), divided into 44,098,494 shares (43,448,506), each with a quotient value of SEK 1.00. All shares have equal voting rights and there is no limit to the number of votes each shareholder may use at a general meeting.

Ownership structure

As at December 30, 2017, INVISIO had 4,113 shareholders (4,453). Major shareholders, representing at least 10 per cent of the votes, are Lage Jonason with family and companies, holding 21.1 per cent of the capital and votes and SIX SIS AG, on behalf of clients, holding 17.3 per cent of the capital and votes.

General Meeting of Shareholders

The right of shareholders to decide on the affairs of INVISIO is exercised at the general meeting of shareholders, which is the company's highest decision-making body. The Annual General Meeting must be held within six months of the close of the financial year and is usually held in April, in Stockholm. At the Annual General Meeting, resolutions are adopted concerning adoption of the company's income statement and balance sheet, disposition of the company's profit or loss, discharge of the Board members and President/CEO from liability to the company, election of members of the Board, chair of the Board and auditors, the setting of board and auditors' fees, and other items of business that are incumbent upon the general meeting pursuant to the Swedish Companies Act, the Articles of Association or the Swedish Code of Corporate Governance. Extraordinary general meetings are held when the Board considers that grounds exist pursuant to the Swedish Companies Act. The Articles of Association do not contain any special provisions concerning amendment of the Articles by the general meeting of shareholders.

Annual General Meeting 2017

The 2017 Annual General Meeting was held in Stockholm on April 26. A total of 23 shareholders or their proxies were present, representing 30 per cent of the number of shares and votes. A number of the resolutions that were passed are set out below.

The general meeting adopted the income statements and balance sheets as included in the annual report, approved the Board's proposed appropriation of earnings and granted discharge from liability for the members of the Board and the President/CEO.

The general meeting re-elected the following persons to the Board in accordance with the Nomination Committee's proposal: Annika Andersson, Charlotta Falvin, Lage Jonason, Anders Persson, Lars Röckert and Mats Warstedt. Lars Röckert was re-elected as Chair of the Board of Directors.

The general meeting voted in accordance with the Nomination Committee's proposed board fee. For more information, please refer to Remuneration to the Board and Committees presented below.

The general meeting approved principles for appointment of the Nominating Committee in accordance with the proposals of the Nomination Committee.

The general meeting approved the Board's proposal concerning guidelines for remuneration to the President/CEO and other senior executives; please refer to Remuneration to the President/CEO and other Senior Executives, presented below.

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

Annual General Meeting 2018

The 2018 Annual General Meeting will be held on Wednesday, April 26, 2017, at 13.00. The notice to attend can be found at www.invisio.com/IR.

Nomination Committee

The main function of the Nomination Committee is to present proposals to the Annual General Meeting for the composition of the Board, which are then approved by the Annual General Meeting. The work of the Nomination Committee starts by studying the evaluation of the Board's work commissioned by the Board. The Nomination Committee then nominates members and chair of the Board for the coming term of office. Further, the Nomination Committee presents proposals for the election of auditor and remuneration to the Board and auditors.

Composition of the Nomination Committee

In accordance with a resolution of the 2017 Annual General Meeting, INVISIO's Nomination Committee must be composed of the Chair of the Board and a representative of each of the three largest shareholders in terms of voting rights. The representative of the second largest shareholder has declined a seat on the Nomination Committee. The members of the Nomination Committee and the shareholders appointing them are presented in the table below. The Nomination Committee held four minuted meetings in 2017.

The Chairman of the board shall, before the end of the third quarter, contact the three largest shareholders in the company, who may appoint one member each to the Nomination Committee. If any of the largest shareholders, then or at any time during the year, refrains from such representation, the Chairman of the board shall request the owner who is next in size to appoint a member. The analysis of the ownership shall be based on Euroclear's list of registered shareholders and on any other circumstances known by the Chairman of the board. If a member voluntarily resigns from the Nomination Committee, the shareholder that appointed the resigning member shall in such case be asked to appoint a new member, provided that the ownership structure has not significantly changed. If the ownership structure in the company has significantly changed, the Nomination Committee may choose to change its composition so that the Nomination Committee adequately reflects the ownership structure in the company. Even if there are changes in the ownership structure, no changes have to be done to the composition of the Nomination Committee if the changes are minor or a change occurs less than three months prior to an Annual General Meeting, if it is not motivated due to special circumstances. The Chairman of the Nomination Committee is the member who represents the largest shareholder in terms of votes, if the members have not agreed otherwise. The Chairman of the board or another member of the board shall however not be the Chairman of the Nomination Committee.

The Nomination Committee for the Annual General Meeting 2018

Member	Representing	Share of votes
Lage Jonason	Lage Jonason with family and companies	21.1%
Lennart Francke	Swedbank Robur Fonder	6.2%
Elisabet Jamal Bergström, chair	Handelsbanken Fonder	5.8%
Lars Röckert	Member in his capacity as Chairman of the Board	Not applicable

The nomination committee is encouraged to contact both larger shareholders, which have not appointed a member of the Nomination Committee, and representatives for minor shareholders, in order to determine their views on the concerns of the Nomination Committee.

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

Remuneration to the Nomination Committee

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

Board of Directors

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

Composition of the Board of Directors

In accordance with the Articles of Association, INVISIO's Board of Directors shall consist of a minimum of three and a maximum of eight members. At the 2017 Annual General Meeting all members were re-elected: Lars Röckert, Annika Andersson, Charlotta Falvin, Lage Jonason, Anders Persson and Mats Warstedt. Lars Röckert was re-elected as Chair. The members of the Board have great experience of the industry as well as expertise in both technology and international business. For further information on the Board members, please refer to pages 32-33.

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

Independence of the Board

The composition of the Board meets the requirements of the Code of Corporate Governance concerning independent members. The independence assessments for each member are presented on pages 32-33.

The Board's Work Plan

Every year the Board adopts a work plan for its work. This is done at the time of the inaugural board meeting and the work plan is thereafter updated as necessary. The work plan includes a description of the Board's responsibilities and tasks, internal division of duties and working methods, as well as the division of duties between the

Board and the President/CEO. The current work plan was adopted on 26 April 2017.

The work of the Board

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

In 2017 the Board held eleven meetings, including the inaugural meeting, three of which was by telephone. Standing items at the meetings are the business situation, financial situation and performance monitoring. Important matters during the year included business objectives, strategic focus, R&D initiatives and organization. The attendance of the members at the meetings is shown in the table below.

INVISIO's CEO and CFO participate regularly at the board meetings. Other senior executives participate as necessary at the board meetings as presenters. The company's CFO normally acts as secretary at board meetings.

Evaluating the work of the Board

In accordance with the work plan for the Board, the Board Chair must ensure that the work of the Board is evaluated annually through a systematic and structured process aimed at developing the working methods and effectiveness of the Board. For 2017 evaluation took place partly through a questionnaire that was then compiled and commented on by an independent party, and partly through separate interviews with individual members of the Board conducted by Elisabet Jamal Bergström, representing Handelsbanken Fonder and Lennart Francke, representing Swedbank Robur Fonder. The Nomination Committee also initiated a shareholder consultation meeting in which the larger owners without representation on the Nomination Committee are given the opportunity to discuss the composition of the Board.

Attendance at board meetings

Lars Röckert, Chairman	11 of 11
Annika Andersson	11 of 11
Charlotta Falvin	11 of 11
Lage Jonason	11 of 11
Anders Persson	11 of 11
Mats Warstedt	10 of 11

Work of the Board of Directors in 2017

December

- Budget 2018
- Focus: R&D

October

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

August

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

February

- Auditors' review report
- Year-end report

March

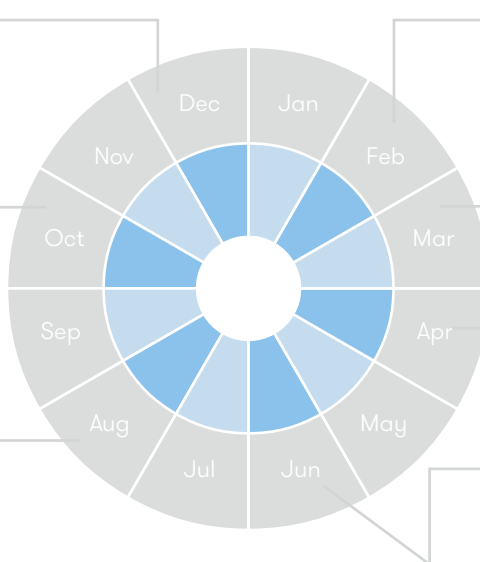
- Adoption of the annual report

April

- Interim report
- Policies and instructions

June

- Strategy meeting
- Focus: Quality assurance



Committees

Audit Committee

The Board as a whole fulfills the duties of the Audit Committee. Hence it is composed of all members of the Board and is chaired by the Board Chair. The Audit Committee's duties and responsibilities include:

- monitoring the company's financial reporting and making recommendations and proposals to ensure reliability of reporting,
- regarding the financial reporting, monitoring the effectiveness of the company's internal control and risk management,
- staying informed on the audit of the annual report and consolidated accounts as well as the conclusions of the Supervisory Board of Public Accountants' quality control,
- being able to report how the audit contributed to the reliability of financial reporting,
- examining and monitoring the external auditor's impartiality and independence and in this connection paying particular attention to whether the external auditor provides the company with services other than auditing; and
- assisting with the preparation of proposals for the resolution of the general meeting of shareholders on the election of auditor.

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

Remuneration Committee

At the statutory meeting of the Board of Directors following the 2017 AGM, the Remuneration Committee was appointed, comprising Lars Röckert (Chairman of the Committee), Charlotta Falvin and Anders Persson.

The duties and responsibilities of the Remuneration Committee 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 remuneration to company management, as well as following and evaluating the application of the guidelines for remuneration to senior executives, which by law must be determined by the Annual General Meeting, as well as current compensation structures and compensation levels in the company.

In 2017, the Remuneration Committee held two meetings, at which all of the members were present.

Remuneration to the Board and Committees

Board fees are determined by the shareholders at general meetings. The 2017 Annual General Meeting resolved that board fees totaling SEK 420,000 shall be paid to the Chair of the Board and SEK 165,000 to each of the other Board members. In addition, a total fee of SEK 60,000 shall be paid to the Chairman of the Remuneration Committee, and SEK 40,000 to the other members of the Remuneration Committee. Remuneration to the Board is described in more detail in Note 9.

Auditor

INVISIO's auditor audits the annual report, consolidated accounts, corporate governance report and bookkeeping as well as the administration by the Board and President/CEO. The auditor follows an audit plan and reports the findings to the Audit Committee at board meetings. The auditor participates at the Annual General Meeting in order to present the auditor's report, which describes the audit work and the auditor's conclusions. Apart from this the auditor also normally participates in one board meeting during the autumn and one in the spring. At the Board's request, the auditor also conducted a review of the interim report for January – September 2017.

The Company's firm of auditors, PricewaterhouseCoopers AB, was re-elected at the 2017 Annual General Meeting for the period until 2018. New auditor-in-charge is Mats Åkerlund, Authorized Public Accountant.

Remuneration to the auditor

The 2017 Annual General Meeting resolved that fees shall be payable to the auditor in accordance with an approved invoice. Remuneration to the auditors is described in more detail in Note 6.

President/CEO and management

The President/CEO is responsible for the day-to-day administration of INVISIO in accordance with the Board's guidelines and instructions. The current instruction to the President/CEO was adopted by the Board on April 26, 2017. The President/CEO prepares information and decision-making documentation for the board meetings.

The President/CEO is assisted by the Executive Group Management, consisting of heads of the company's function areas: Finance & Administration, Sales & Marketing, Operations and Research & Development, and Product Management (the latter from Feb 1, 2018). All members of the Executive Group Management are located at INVISIO's headquarters in Copenhagen. The Executive Group Management holds weekly meetings at which operational issues are discussed. Apart from that, an extended management group holds monthly meetings. A more detailed presentation of the President/CEO and the management group is given on page 34.

Remuneration to the President/CEO and other senior executives

The 2017 Annual General Meeting resolved in accordance with the Board's proposal to adopt the following guidelines for remuneration to the President/CEO and other senior executives, valid until the Annual General Meeting 2018.

The Company shall seek to offer a total remuneration that enables the group to attract and retain senior executives. Remuneration to senior executives shall both on a short and a long term basis, be based on the individual's performance and responsibility and the result of INVISIO Communications and its subsidiaries as well as align the interests and rewards of the senior executives with the shareholders'.

Remuneration to the senior executives may consist of: fixed salary, short-term variable cash remuneration, opportunity to participate in long term share- or share price-related incentive plans, and pension and other benefits. The fixed salary to the senior executives is revised annually and shall be competitive and based on the individual's competence, responsibility and performance. The variable cash remuneration to the senior executives shall be based on how well the targets set for their respective area of responsibility, INVISIO Communications and its subsidiaries are met. The result shall be linked to measurable targets (qualitative, quantitative, general and individual). The targets within each senior executive's respective area of responsibility aim to encourage the development of INVISIO Communications both on a short and a long term basis. The variable remuneration shall not exceed 50 per cent of the fixed salary and shall, to the extent permitted by applicable law, not affect pension or holiday allowance. Any pension benefit must be on a defined contribution basis.

Remuneration to the CEO and other senior executives is described in more detail in Notes 8 and 9. A new proposal for guidelines will be presented at the 2018 Annual General Meeting.

Long-term incentive program

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

Period of notice

According to his employment contract, the President/CEO has a 12-month period of notice in the event of termination by the company. The period of notice in the event of termination by the President/CEO is eight months.

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

Board of Directors



Lars Röckert

Chairman since 2011.
Member since 2010.
Born 1950.

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

Other engagements

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

Education

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

Holding

30,336 (with companies).

Independence

Independent in relation to the company, the company's senior executives and major shareholders of the company.



Annika Andersson

Member since 2014.
Born 1958.

Annika Andersson has long experience of the financial industry from organizations such as the Fourth Swedish National Pension Fund as head of research, portfolio manager and, most recently, as responsible for governance, information, and sustainability. She now divides her time between board responsibilities, nominating committees and advisory services in corporate governance.

Other engagements

Chairman of the Board of Pantor Engineering AB. Member of the Board of Clavister Holding AB, Karolinska Institutet Holding AB and Karolinska Institutet Innovations AB.

Education

M.Sc. Econ, Stockholm School of Economics.

Holding

13,000.

Independence

Independent in relation to the company, the company's senior executives and major shareholders of the company.



Charlotta Falvin

Member since 2014.
Born 1966.

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

Other engagements

Chairman of the Board of Lund Technical University and Regional Board of Handelsbanken. Member of the Board of Bure Equity AB, CLX Communications AB, Net Insight AB, Chamber of Commerce of Southern Sweden, and member of the Advisory Board for SKJ Center for entrepreneurship at Lund University.

Education

MBA, Lund University.

Holding

0.

Independence

Independent in relation to the company, the company's senior executives and major shareholders of the company.



Lage Jonason

Member since 2012.
Born 1951.

Lage Jonason has more than 35 years' experience of the financial sector. He runs his own business as an active investor and as Senior Advisor to Erik Penser Bankaktiebolag. His previous experience also covers own advisory services in corporate finance, CEO of JP Nordiska AB (now Ålandsbanken Sweden) and before that various management positions in Förvaltnings AB Ratos and Investment AB Skrinet, among others.

Other engagements

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

Education

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

Holding

9,321,654 (with family and companies).

Independence

Dependent in relation to major shareholders of the company and independent in relation to the company and the company's senior executives.



Anders Persson

Member since 2009.
Born 1957.

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

Other engagements

Chairman of the Board of Paynova AB and Hexatronic Group AB.

Education

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

Holding

25,000.

Independence

Independent in relation to the company, the company's senior executives and major shareholders of the company.



Mats Warstedt

Member since 2008.
Born 1962.

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

Other engagements

Member of the Board of Mats Warstedt AB.

Education

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

Holding

15,000.

Independence

Independent in relation to the company, the company's senior executives and major shareholders of the company.

Auditor

PricewaterhouseCoopers AB

Mats Åkerlund,
Authorized Public Accountant.
Auditor of INVISIO since 2017.

Management Group



Lars Højgård Hansen

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

Lars Højgård Hansen has long experience of international marketing, mainly in the telecom industry and has held several executive marketing positions in the Ericsson Group, Sony Ericsson Group and GN Netcom A/S.

Education

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

Holding

600,055 shares.



Thomas Larsson

CFO.
Employed: 2012. Born: 1964.

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

Education

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

Holding

240,560 shares.



Carsten Aagesen

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

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

Education

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

Holding

90,500 shares.



Jan Larsen

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

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

Education

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

Holding

126,734 shares.



Sigge Frolov

SVP Product Management.
Employed: 2018. Born: 1963

Sigge Frolov has many years' experience from leading positions in product management and marketing, focusing on commercializing new technologies and products, at GN Resound A/S and Sony Ericsson, and from the defense industry.

Education

M.Sc. Engineering Physics, Faculty of Engineering LTH, Lund University. Business Administration at Lund University School of Economics and Management.

Holding

1,200 shares.

Internal control and risk management referring to financial reporting

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

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

Control environment

The control environment forms the basis of internal control and risk assessment within INVISIO and consists of the values and the culture communicated and acted on by the Board and management, as well as the organization structure, leadership, authority, decision-making channels and employees' expertise. This includes several internal policy documents, which have been adopted by the Board. An overview of the company's organization, governance and control, including external and internal policy instruments can be found on page 28.

The Board has overall responsibility for internal control and reporting and as a whole fulfills the duties of an Audit Committee with the task and responsibility of monitoring INVISIO's financial reporting and monitoring the effectiveness of this process. See page 31 under the heading "Audit Committee" for more information.

Risk assessment

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

The company's risk management is described further in the Administration Report and in Note 2.

Control activities

In accordance with the internal control policy, the CFO is responsible for coordinating, leading and monitoring the work of internal

control including the financial reporting. Together with the accounting department and others, the CFO must ensure that the process descriptions and internal framework are set up, as well as being responsible for reporting the status of work referring to internal control and risk management within INVISIO to the Board and Audit Committee.

To ensure good internal control referring to financial reporting the company has set up control activities for the respective main processes, aimed at prevention, discovery and correction of errors and non-conformances. Areas that are controlled include approval and business transactions, reliability of business systems, compliance with laws and other requirements of listed companies, segregation of duties, application of accounting standards and other areas containing material elements of assessment.

Information and communication

The Board has established an information policy for external information provision that is to ensure that the market receives relevant, reliable, correct and current information on the company's progress and financial position. The Board has also established an insider policy aimed at safeguarding the integrity of information provision.

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

Monitoring

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

INVISIO has not set up a dedicated internal audit function. The Board 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.

Events and activities in 2017

During the year INVISIO has continued its work of continual improvement of internal control and governance in pace with the growth of the business and higher requirements, among other things through higher integration and automation of business system flows.

Auditor's report on the Corporate Governance Statement

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2017 on pages 28-35 and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Malmö, March 23, 2018

PricewaterhouseCoopers AB

Mats Åkerlund
Authorized Public Accountant

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Administration report

The Board of Directors and President of INVISIO Communications AB (publ.) ("INVISIO"), corporate identity number 556651-0987, hereby submit the annual report and consolidated accounts for the 2017 financial year. Unless indicated otherwise, all amounts in the Administration Report are stated in millions of Swedish kronor (SEK). Figures in parentheses pertain to the preceding year.

Operations

INVISIO develops and sells advanced communication systems with hearing protection that enable professionals in noisy and mission critical environments to communicate and work effectively. By combining different technologies and skills in acoustics, electronics, mechanics and hearing, the company creates innovative and customized solutions that replace traditional methods.

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

Sales and profit

Sales for 2017 were SEK 365.7 million (330.0), an increase of 11 per cent in comparison with the same period in the previous year. In comparable currencies sales increased by 13 per cent. Sales on international markets are mainly in USD, EUR and GBP. INVISIO hedges large orders to offset currency fluctuations in the short term.

At the close of the period the order book amounted to SEK 153.4 million (136.5).

Gross profit was SEK 202.3 million (171.0) and the gross margin was 55.3 per cent (51.8).

Operating expenses for the period were SEK 123.7 million (80.6). The increase refers to the larger organization and increased activities in accordance with INVISIO's growth strategy. Non-recurring costs of SEK 11.7 million were included. These referred to the discontinuation of the main distributor relationship in the USA.

During the period development costs of SEK 12.6 million (6.8) were capitalized. Depreciation of capitalized development costs of SEK 3.1 million (7.0) were included in operating expenses.

Operating profit for the period was SEK 78.6 million (90.4) and the operating margin was 21.5 per cent (27.4).

Net financial income was SEK -5.1 million (-0.1). Net financial income for the year was negatively impacted by foreign exchange effects.

Profit before tax amounted to SEK 73.5 million (90.3) and profit for the year was SEK 62.3 million (91.8). Earnings per share were SEK 1.42 (2.14).

Uneven order flow and sales

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

Cash flow and investments

The Group's cash flow for 2017 was SEK -22.5 million (101.5), of which cash flow from operating activities was SEK 10.9 million (105.8). Changes in operating receivables were SEK -86.4 million (1.1) during the period. Strong sales in December resulted in high trade receivables, which had a negative impact on cash flow. Cash flow from investing activities amounted to SEK -15.0 million (-10.5). Cash flow from financing activities was SEK -18.3 million (6.2), of which SEK 21.7 million was dividend paid.

During the period, the Group's investments amounted to SEK 15.0 million (10.5), of which SEK 12.6 million (6.8) was capitalized development costs and SEK 2.4 million (3.1) was net investment in property, plant and equipment.

Cash and cash equivalents and financial position

The Group's cash and cash equivalents at the close of the period amounted to SEK 113.2 million (133.2). INVISIO has sound financial strength and the Group had no loans at the close of the year.

Group equity at the close of the year amounted to SEK 259.9 million (209.5), which gave an equity/assets ratio of 76 per cent (80). During the year SEK 3.4 million was added to equity through exercising stock options in connection with the employee stock option program 2013/2017 Tranche 3. The employee stock option program is thereby closed.

Significant events during the year

Strengthened market position

During the year INVISIO won two new major long-term contracts with the UK and US defense ministries, with initial orders of SEK 90 million and SEK 60 million respectively. Important orders were also received from existing contract customers in the USA, Canada, the UK and Australia, as well as from the U.S. Army Security Force Assistance Brigades (SFAB). At the same time, demand increased from specialist police units.

New product category

INVISIO continued to focus on extending its product portfolio, both in existing and new product categories. The company presented a new product category for communication in vehicles (Intercom) and broadened its offer with a new control unit (INVISIO V50).

More employees and our own sales teams in three markets

With the aim of maintaining a high rate of innovation and utilizing market opportunities, both the R&D organization and the marketing and sales department were augmented with a number of new employees. Our own sales teams were built up in the USA and France and during the year a subsidiary was opened in Italy.

Organization and employees

The Group consists of the parent company INVISIO Communications AB and the wholly-owned subsidiaries INVISIO Communications A/S (Denmark), INVISIO Communications SAS (France), INVISIO Communications Inc (USA), INVISIO Communications Srl (Italy), Nextlink IPR AB and Nextlink Patent AB. INVISIO Communications AB is a holding company with no operations. The main operations are in the subsidiary INVISIO Communications A/S in Copenhagen, where the headquarters are also located. The function of the newly-started subsidiaries is mainly direct sales and market support to partners and resellers.

The number of employees in the Group, restated as full time positions, was 73 (52) at the close of the year. Of the employees, 58 were men (41) and 15 women (11). One employee (1) was employed in the parent company. There is more information in the section on sustainability on pages 22-25.

Research and development

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

INVISIO is constantly evaluating new inventions and developments which may be suitable for patenting, and it takes the potential commercial value into account in each and every case. This is done as an integrated part of the product development process. The company balances its costs, efforts and opportunities with a focus on patents of high quality.

In 2017 the company announced a completely new product category for communication in vehicles, an intercom system. The system was developed for use with INVISIO's personal communication equipment and is also compatible with other headset systems and is expected to be commercially available in late 2018. The company also broadened its product portfolio for individual communication systems with a new control unit, the INVISIO V50. The product is based on the same technology platform as other control units in the INVISIO V series and can be combined with the company's other products. In addition, a number of parallel development projects were run, aimed at strengthening the offer to customers in defense and security.

Production

INVISIO's products are mainly manufactured by contract manufacturers in Europe. Prototypes and product adaptations in smaller volumes are manufactured to some extent by INVISIO in Copenhagen.

The share and shareholders

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

Financial instruments

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

Environment

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

Parent company

Net sales for the parent company for the full year 2017 amounted to SEK 0.1 million (0.1). The operating result was SEK -5.4 million (-6.9). Profit for the year was SEK 88.9 million (23.1), of which dividends from subsidiaries amounted to SEK 95.0 million (30.0).

At the close of the period the parent company's cash and bank balances amounted to SEK 28.3 million (28.2). Equity amounted to SEK 182.9 million (112.3), which gave an equity/assets ratio of 97 per cent (98).

Corporate Governance Report

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

Risks and risk management

INVISIO is a leading supplier of technically advanced communication equipment to professional users in a global and competitive market. Technical advantage, close customer relations and longterm framework agreements are factors that reduce the company's risk level.

Structured process for risk management

Risk management is an important part of governance and control of INVISIO and affects the company's possibilities of achieving its objectives. INVISIO carries out an annual structured analysis of the company's overall risk exposure.

Risks can generally be divided into market-related, operational, and financial risks. Market-related risks and financial risks are managed mostly at board and management level. In the first instance, operational risks are managed at management group and business area management level, but can also be managed at board level if they are of strategic importance.

The most significant risks (without ranking) and how they are handled are presented below. Detailed information about INVISIO's financial risks can be found in Note 2.

Market risk

Legislation and political decisions

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

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

Demand for INVISIO's products is subject to fluctuations and volatility

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

Treatment: The company endeavours to obtain more customers and to broaden its product portfolio, which would lead to diversification of purchasing patterns and spread the risk of uneven order and income flows.

Competition

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

Treatment: INVISIO assesses that it has a technological advantage over its competitors. Since INVISIO's formation, the company has developed knowledge and experience in a number of technologies that are difficult for competitors to copy. INVISIO is receptive to its customers' wishes and needs. The close relationship to its customers constitutes an important competitive advantage. The company closely monitors its competitors.

Operational risks

Ability to manage growth

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

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

Dependence on key personnel

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

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

Market acceptance of newly developed products

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

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

Customer dependency

A limited number of customers accounts for a large proportion of INVISIO's net sales. The company's three largest customers accounted for 76 per cent of the company's net sales in 2017. The loss of one or more these customers could in the short term have a significantly negative impact on INVISIO's business, financial position and performance.

Treatment: The company's growth strategy builds on increasing market share and expanding to new geographical markets and product areas. New subsidiaries in INVISIO's important markets are also expected to contribute to more customers for INVISIO and thus reduced customer concentration.

Niche product portfolio

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

Treatment: The company has a product strategy aimed at launching new user-friendly and cost-efficient products, which means a broadening of the product portfolio.

Dependency on suppliers

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

Treatment: In 2016 INVISIO broadened its base of contract manufacturers. As part of its quality management system, the company has procedures for the selection and ongoing evaluation of existing suppliers, aimed at minimizing quality shortcomings.

Financial risk

Currency risk

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

Treatment: The currency risk arising from major orders is hedged.

Guidelines for compensation of senior executives

The last adopted guidelines for compensation of senior executives are described in Note 9 and will remain in force until the Annual General Meeting on April 26, 2018. The following proposed guidelines for compensation of senior executives will be presented to the 2018 Annual General Meeting.

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

The board proposes the following guidelines for remuneration to senior executives in INVISIO Communications Group and members of the board in the parent company, to the extent they receive remuneration that is not related to their board assignment.

Guidelines for remuneration

INVISIO Communications shall seek to offer a total remuneration that enables the Group to attract and retain senior executives. Remuneration to senior executives in INVISIO Communications shall both on a short and a long term basis, be based on the individual's performance and responsibility and the result of INVISIO Communications and its subsidiaries as well as align the interests and rewards of the senior executives with the shareholders'. Remuneration to the senior executives may consist of: fixed salary, short-term variable cash remuneration, opportunity to participate in long term share- or share price-related incentive plans, and pension and other benefits.

Fixed salary

The salary of each senior executive is revised annually, shall be competitive and is based on competence, responsibility and performance.

Variable remuneration

The variable cash remuneration to the senior executives shall be based on how well the targets set for their respective area of responsibility, INVISIO Communications and its subsidiaries are met. The result shall be linked to measurable targets (qualitative, quantitative, general and individual). The targets within each senior executive's respective area of responsibility aims to encourage the development of INVISIO Communications both on a short and a long term basis. The variable remuneration shall not exceed 50 per cent of the fixed salary and shall, to the extent permitted by applicable law, not affect pension or holiday allowance.

Stock option program

The general meeting shall resolve on all share- and share price-related incentive programs to senior executives, i.e. the management of the company.

The board has proposed a new stock option program, to be resolved by this Annual General Meeting, the Stock Option Program 2018/2021. The objective of the Stock Option Program 2018/2021 is to link a portion of the employees' remuneration to the long-term performance of INVISIO, and thereby align their interests with those of the shareholders.

Pension

Any pension benefit shall be of a defined contribution.

Notice period

The CEO has a period of notice of twelve months when termination is made by the company and of eight months when termination is made by the CEO. Other senior executives have a period of notice of six months when termination is made by the company and of three months when termination is made by the senior executive himself/ herself.

Remuneration to board members

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

Deviations from the guidelines

The board may, if it determines that there are specific reasons in an individual case, to deviate from the guidelines. If such a deviation takes place, the board shall report the reasons for the deviation at the following Annual General Meeting.

Evaluation of the guidelines and the auditor's statement regarding whether the guidelines have been followed

In accordance with the Swedish Code of Corporate Governance, the board monitors and evaluates the application of the, by the Annual General Meeting resolved, guidelines for remuneration to senior executives. The company's auditor has, in accordance with Chapter 8, Section 54 in the Swedish Companies Act, issued a statement regarding whether the guidelines for remuneration to senior executives for 2017 have been complied with. The board's assessment and the auditor's review has resulted in the conclusion that INVISIO Communications during 2017 has complied with the guidelines resolved on by the Annual General Meeting.

Significant post year-end events

On January 19, 2018, INVISIO signed a framework agreement with the Danish Defence Acquisition and Logistics Organization (DALO), to supply communication systems to the Danish Army. The agreement is for five years with options for another two years.

In January, INVISIO expanded its management team with a new executive position in product management. Sigge Frolov took office as SVP Product Management with the overall and strategic responsibility for INVISIO's product portfolio.

Outlook for 2018

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

Proposed appropriation of earnings

The Board of Directors proposes to the 2018 Annual General Meeting that a dividend of SEK 0.60 per share be distributed for 2017. The dividend proposed by the Board of Directors corresponds to 42 per cent of the Group's post-tax profit. According to INVISIO's dividend policy the goal of the dividend is to stay within an interval of 25 to 50 per cent of the post-tax profit. It is proposed that the remaining amount be carried forward.

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

Retained earnings	25,553,318
Share premium reserve	2,779,088
Net profit/loss for the year	88,881,105
	117,213,511

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

Dividend to shareholders, SEK 0.60 per share	26,459,096
To be carried forward	90,754,414
	117,213,511

Board of Directors' statement concerning proposed appropriation of earnings

In the opinion of the Board of Directors the proposed dividend does not impede the company from fulfilling its obligations in the short and long term. When assessing the size of the proposed dividend the Board took into consideration the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations and the company's and Group's need to strengthen the balance sheet, liquidity and financial position in general. The proposed dividend means that the parent company's and the Group's equity/assets ratio will be 97.1 per cent and 73.9 per cent respectively. Liquidity in the company continues to be good. The proposed dividend can thus be justified under the prudence concept stipulated in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2-3.

Consolidated income statement and statement of comprehensive income

January – December (SEK million)	Note	2017	2016
	1,2		
Revenue	3	365.7	330.0
Cost of goods sold	4	-163.4	-159.0
Gross profit		202.3	171.0
Operating expenses			
Sales and marketing expenses	4,6,7,8,9	-55.3	-32.3
Administrative expenses	4,6,7,8,9	-31.8	-19.1
Research and development costs	4,6,7,8,9	-36.6	-29.2
Operating profit/loss		78.5	90.4
Financial items			
Financial income		0.1	0.1
Financial expenses		-5.2	-0.2
Net financial items		-5.1	-0.1
Profit/Loss before tax		73.5	90.3
Income tax	10	-11.2	1.5
Profit/Loss for the year		62.3	91.8
(Profit/Loss attributable to equity holders of the parent company)			
OTHER COMPREHENSIVE INCOME			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Translation differences during the period from translation of foreign businesses		6.3	5.7
Comprehensive income		68.6	97.4
(Profit/Loss attributable to equity holders of the parent company)			
Earnings per share, SEK	20	1.42	2.14
Earnings per share after dilution, SEK	20	1.41	2.08
Gross margin, %		55.3	51.8
Operating margin, %		21.5	27.4
Profit margin, %		17.0	27.8
Depreciation incl. in operating expenses	11,12	-4.4	-7.5

Consolidated statement of financial position

December 31 (SEK million)	Note	2017	2016
	1,2		
ASSETS			
Non-current assets			
Capitalized development costs	11	27.7	17.5
Equipment	12	4.5	3.3
Deferred tax asset	10	25.9	34.3
Deposits for rent, long-term		1.5	1.5
Total non-current assets		59.6	56.5
Current assets			
Inventories	13	36.3	25.9
Trade receivables	14	121.1	39.4
Other receivables	16	10.1	2.7
Prepaid expenses and accrued income	17	1.9	3.2
Cash and cash equivalents		113.2	133.2
Total current assets		282.6	204.4
TOTAL ASSETS		342.2	260.9
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	44.1	43.4
Other capital contributions		272.3	269.5
Translation differences		10.5	4.2
Profit/loss brought forward including profit/loss for the year		-67.0	-107.6
Total shareholders' equity		259.9	209.5
Current liabilities			
Trade payables ¹		49.7	26.0
Derivative instruments	15		4.3
Current tax liabilities	10	0.4	1.2
Other liabilities		0.1	1.3
Accrued expenses and deferred income	19	26.5	14.3
Warranty provision		5.6	4.4
Total current liabilities		82.3	51.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		342.2	260.9

¹ All trade payables fall due within 3 months.

Consolidated changes in shareholders' equity

December 31 (SEK million)	Note	Share capital	Other contributed capital	Translation differences	Retained earnings incl. Profit/Loss for the year	Total shareholders' equity ¹
	1,2,18,20					
OPENING BALANCE AS PER JANUARY 1, 2016		42.2	264.5	-1.5	-199.6	105.6
Profit/Loss for the year					91.8	91.8
Translation differences for the period from translation of foreign businesses				5.7		5.7
Total other comprehensive income		0.0	0.0	5.7	91.8	97.4
Transactions with shareholders						
New issue through exercising employee stock options	8	1.2	5.0			6.2
Employee stock option program	8				0.2	0.2
Total transactions with shareholders		1.2	5.0	0.0	0.2	6.4
CLOSING BALANCE AS PER DECEMBER 31, 2016		43.4	269.5	4.2	-107.6	209.5
Profit for the year					62.3	62.3
Translation differences for the period from translation of foreign businesses				6.3		6.3
Total other comprehensive income		0.0	0.0	6.3	62.3	68.6
Transactions with shareholders						
New issue through exercising employee stock options	8	0.6	2.8			3.4
Employee stock option program	8				0.1	0.1
Dividend					-21.7	-21.7
Total transactions with shareholders		0.6	2.8	0.0	-21.7	-18.2
CLOSING BALANCE AS PER DECEMBER 31, 2017		44.1	272.3	10.5	-67.0	259.9

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

Consolidated cash flow statement

January – December (SEK million)	Note	2017	2016
	1,2		
Operating activities			
Profit/Loss before tax		73.5	90.3
Adjustments for non-cash items	21	7.3	13.2
Income tax paid		-2.7	-5.1
Cash flow from operating activities before changes in working capital		78.1	98.4
Changes in inventories		-9.5	-4.9
Changes in trade receivables		-80.4	-1.7
Changes in other operating receivables		-6.1	2.8
Changes in trade payables		22.5	9.2
Change in derivative instruments		-4.3	-0.6
Changes in other operating liabilities		10.5	2.6
<i>Cash flow from changes in working capital</i>		-67.2	7.5
Cash flow from operating activities		10.9	105.8
Investing activities			
Capitalization of development costs	11	-12.6	-6.7
Acquisition of property, plant, and equipment	12	-2.4	-3.1
Acquisition of financial assets		0.0	-0.6
Cash flow from investing activities		-15.0	-10.5
Financing activities			
New issues through exercising employee stock options		3.4	6.2
Dividend paid		-21.7	
Cash flow from financing activities		-18.3	6.2
CASH FLOW FOR THE YEAR		-22.5	101.5
Cash and cash equivalents at start of year		133.2	29.4
Translation differences in cash and cash equivalents		2.4	2.3
Cash and cash equivalents at year-end		113.2	133.2
Supplementary disclosures to the cash flow statement			
Interest received in the course of operations during the year		0.1	0.1
Interest paid in the course of operations during the year		-0.1	-0.1

Parent company income statement

January – December (SEK million)	Note	2017	2016
Revenue	1,2 5	0.1	0.1
Administrative expenses	4,5,6,7,8,9	-5.4	-7.0
Operating profit/loss		-5.4	-6.9
Profit/Loss from financial items			
Profit/Loss from participations in Group companies	22	95.0	30.0
Financial income		0.1	0.1
Financial expenses		-0.8	-0.1
Net financial items		94.3	30.0
Profit/Loss before tax		88.9	23.1
Income tax	10		
Profit/Loss for the year¹		88.9	23.1

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

Parent company balance sheet

December 31 (SEK million)	Note	2017	2016
	1,2		
ASSETS			
Non-current assets			
Participations in Group companies	22	83.4	83.2
Total non-current assets		83.4	83.2
Current assets			
Receivables from Group companies	22	75.3	2.5
Other receivables		0.2	0.2
Prepaid expenses and accrued income		0.3	0.2
Cash		28.3	28.2
Total current assets		104.2	31.1
TOTAL ASSETS		187.6	114.4
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital	18	44.1	43.4
Statutory reserve		21.6	21.6
<i>Total restricted shareholders' equity</i>		65.7	65.0
<i>Non-restricted shareholders' equity</i>			
Profit/Loss brought forward		28.3	24.1
Profit/Loss for the year		88.9	23.1
<i>Total non-restricted shareholders' equity</i>		117.2	47.2
Total shareholders' equity		182.9	112.3
Total long-term liabilities			
Trade payables ¹		0.1	0.6
Liabilities to Group companies	22	2.8	0.1
Other liabilities		0.1	0.0
Accrued expenses and deferred income	19	1.7	1.4
Total current liabilities		4.7	2.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		187.6	114.4

¹ All trade payables fall due within 3 months.

Parent company changes in shareholders' equity

December 31 (SEK million)	Note	Restricted shareholders' equity		Non-restricted shareholders' equity		Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings incl. Profit/Loss for the year	
OPENING BALANCE AS PER JANUARY 1, 2016	1,2,18	42.2	21.6	0.0	18.9	82.7
Profit/Loss for the year ¹					23.1	23.1
New issues through exercising employee stock options		1.2		5.0		6.2
Employee stock option program	8				0.2	0.2
CLOSING BALANCE AS PER DECEMBER 31, 2016		43.4	21.6	5.0	42.2	112.3
Previous year's disposition of earnings				-5.0	5.0	
Profit/Loss for the year ¹					88.9	88.9
New issues through exercising employee stock options	8	0.6		2.8		3.4
Employee stock option program					0.1	0.1
Dividend					-21.7	-21.7
CLOSING BALANCE AS PER DECEMBER 31, 2017		44.1	21.6	2.8	114.5	182.9

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

Parent company cash flow statement

January – December (SEK million)	Note	2017	2016
	1,2		
Operating activities			
Profit/Loss before tax		88.9	23.1
Adjustments for non-cash items	21	-95.0	-30.0
Cash flow from operating activities before changes in working capital		-6.1	-6.9
Changes in operating receivables		-8.1	-1.9
Changes in operating liabilities		2.6	0.4
<i>Cash flow from changes in working capital</i>		-5.5	-1.5
Cash flow from operating activities		-11.6	-8.4
Financing activities			
New issues through exercising employee stock options		3.4	6.2
Dividends from subsidiaries		30.0	29.9
Dividend paid		-21.7	
Cash flow from financing activities		11.7	36.1
CASH FLOW FOR THE YEAR		0.1	27.7
Cash and cash equivalents at start of year		28.2	0.5
Cash and cash equivalents at year-end		28.3	28.2
Interest received during the year		0.1	0.1
Interest paid during the year		-0.0	-0.1

Notes

Note 1 General Information, accounting and valuation principles

General information

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

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

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

Basis of preparation

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

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

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

New and amended standards adopted by the Group

None of the standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2017 have had any significant impact on the Group's financial statements.

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

A number of new standards and interpretations will come into force for the financial year commencing January 1, 2018 and have not been applied on compilation of this financial report. Those that affect INVISIO are described below. None of the other IFRS or IFRIC interpretations which have not yet come into force are expected to have any significant impact on the Group.

IFRS 9 Financial instruments

Deals with classification, valuation, and reporting of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 which relate to the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation approach but simplifies this approach in certain respects. There will be three valuation categories for financial assets, amortized cost, fair value through other comprehensive income and fair value through the income statement. How instruments are to be classified will depend on the company's business model and the characteristics of the instrument. Investments in the company's capital instruments shall be reported at fair value through the income statement, but there is also an option to report the instrument at fair value through other comprehensive income on the first reporting date. No reclassification to the income statement will then take place when the instrument is sold. IFRS 9 also introduces a new model for calculating the credit loss reserve based on expected credit losses. For financial liabilities, there will be no change in classification and valuation except when a liability is recognized at fair value through the income statement based on the fair value alternative. Value changes that are attributable to changes to the company's own credit risk must be recognized

in other comprehensive income. IFRS 9 reduces the requirements for application of hedge accounting in that the 80-125 criterion is replaced with requirements for economic relations between hedging instruments and hedged items and the fact that the hedging ratio must be the same as the one used in risk management. The hedging documentation is also altered slightly compared with the documentation produced under IAS 39. The standard shall have been applied for the financial year commencing January 1, 2018.

The transition to IFRS 9 will not have any impact on the Group's financial position as IFRS 9 does not affect the measurement of the Group's financial instruments. Based on the methodology of IFRS 9 and INVISIO's history, the implementation will not have any material impact on credit loss reserves either. IFRS 9 will be implemented using a prospective transition method, but will not affect the opening balances as at January 1, 2018.

IFRS 15 Revenue from contracts with customers

Regulates how income shall be reported. The principles on which IFRS 15 are based shall provide users of financial reports more useful information about the company's income. The extended disclosure requirement means that information about type of income, the date of settlement, uncertainties related to revenue recognition and cash flow attributable to the company's customer contracts shall be provided. According to IFRS 15, revenue shall be recognized when the customer gains control over the sold product or service and has the opportunity to use and receive benefit from the product or service. IFRS 15 replaces IAS 18 Revenues and IAS 11 Construction Contracts, plus associated SIC and IFRIC. IFRS 15 was adopted by the EU in October 2016 and comes into force on January 1, 2018.

The Group has carried out an analysis of the effects of IFRS 15 for material revenue streams. No revenue streams were identified where IFRS 15 is expected to have any material effect on INVISIO's financial statements. The transition to IFRS 15 will be made using a retrospective approach, which means restatement of comparative periods.

IFRS 16 Leases

In January 2016 the IASB published a new leasing standard that will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities referring to all leasing agreements, with some exceptions, be recognized in the balance sheet. This accounting is based on the view that the lessee has the right to use an asset for a specific period of time and at the same time an obligation to pay for this right. The accounting for the lessor will be unchanged in all material respects. The standard was adopted by the EU in October 2017 and is applicable to financial years starting on or after January 1 2019. Early application is permitted. The Group will be mainly impacted as a result of the Group's office lease contracts. For more details on current rental contracts and leases, see Note 7.

Consolidated Accounts

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

The consolidated accounts have been prepared in accordance with the historical cost method except as regards available for sale financial assets and financial assets and liabilities (including deriv-

Note 1 cont. General Information, accounting and valuation principles

ative instruments). 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 settlement also includes the fair value of all assets or liabilities that result from an agreement on conditional purchase sum. Acquisition related costs are expensed as they arise. Identifiable acquired assets and transferred liabilities in a business combination are initially measured 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 on the date of acquisition of previously acquired shareholdings exceeds the fair value of the Group's share of identifiable acquired net assets is reported as goodwill. If there is a shortfall in the value of the acquired company's assets, this is reported directly in the income statement.

Foreign subsidiaries

Items included in the financial statements for the various entities in the Group have been valued in the currency used in the economic environment in which the respective companies mainly operate (functional currency). The consolidated financial statements use the Parent company's functional currency as the presentation currency, which is the Swedish krona (SEK).

The earnings and financial position of all Group companies with other functional currencies than the presentation currency have been translated as follows: assets and liabilities for each of the balance sheets have been translated using the exchange rate on the balance sheet date, and income and expenses for each of the income statements have been translated using the average exchange rate. All exchange rate differences that arise are reported in other comprehensive income. When translating subsidiaries, the following exchange rates were used:

Currency	Income statement	Balance sheet
DKK	1.2949 (1.2720)	1.3229 (1.2869)
USD	8.5380 (8.5613)	8.2322 (9.0971)
EUR	9.6326 (9.4704)	9.8497 (9.5669)

Estimates and assumptions

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

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

Impairment testing of capitalized development costs

Costs arising in development projects are reported as intangible assets when it is likely that the project will be successful in terms of its commercial and technical opportunities and when the expenses can be measured reliably, in accordance with the project plan prepared in accordance with the company's development process. As soon as an indication exists, capitalized development expenditure is subjected to impairment testing in accordance with the described accounting principle. The recoverable amount has been determined through calculation of the value in use. For these calculations, certain estimates must be made, as shown in Note 11. As at December 31, 2017 total intangible assets amounted to SEK 27.7 million (17.5). See Note 11 for a sensitivity analysis.

Deferred tax in respect of loss carry-forwards

Deferred tax assets are recognized as tax loss carryforwards insofar as it is likely that they can be utilized via future taxable profits. An individual assessment is made of each company, taking into account historical performance and opportunities to use tax loss carryforwards, based on future multi-year forecasts. Tax loss carryforwards are described in Note 10. As at December 31, 2017 deferred tax assets amounted to SEK 31.4 million (34.3). If the forecast performance were to be 5 per cent lower/higher per year, all other variables being constant, the deferred tax asset as at December 31, 2017 would have been SEK 0.0 million (0.0) lower/higher.

Warranty provision

A provision is made when the Group has a legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources is required to settle the obligation and the amount can be reliably measured. Reported provisions refer to any future commitments for warranties for products sold. The amount is calculated on a continuous basis during the year, based on previous outcomes and current sales, plus a supplement for other known circumstances. As at December 31, 2017, warranty provision was SEK 5.6 million (4.4). If the historical outcome had been 5 per cent lower/higher than the actual outcome, all other variables being constant, the warranty provision as at December 31, 2017, would have been SEK 0.3 million (0.3) lower/higher.

Income

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

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

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

Note 1 cont. General Information, accounting and valuation principles

Segment reporting

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

Remuneration to employees

Variable remuneration

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

Pension obligation

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

Share-related benefits

The Group has share-related remuneration plans in which settlement is made with shares. Fair value for the service that entitles employees to allocation of options is expensed. The total amount to be expensed during the vesting period is based on fair value of the allocated options, excluding any effect from non-market-related vesting conditions (e.g. profitability and sales growth targets). Non-market-related vesting conditions are observed in the assumption concerning the number of options expected to become exercisable. The company revises, at each balance sheet date, its assessments of the number of shares that are expected to become exercisable. The potential effect of the revision on the original assessments is reported in the income statement over the remainder of the vesting period, and corresponding adjustments are made to equity. The Employee stock option program 2013/2017 was closed in 2017.

Current and deferred tax

Tax expenses for the period comprise current and deferred tax. Tax is reported in the income statement. Current tax is calculated on the basis of the tax rules applicable or adopted at the balance sheet date in the countries in which the company's subsidiaries operate and create taxable income.

Deferred tax is calculated in accordance with the balance sheet method for all temporary differences arising between the tax value of assets and liabilities and their recognized values in the consolidated financial statements. Deferred tax is calculated on the basis of the tax rates and rules applicable or adopted at the balance sheet date and is expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only in so far as it is likely that future taxable profit will be available, against which the temporary differences can be offset.

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

Financial Instruments

A financial asset or liability is shown in the balance sheet when the company becomes party to the instrument's contractual terms and conditions. Accounts receivable are shown in the balance sheet when an invoice has been sent. The liability is entered when the counterparty has delivered and has a contractual liability to pay, even if an invoice has not yet been received. Accounts payable are shown when an invoice has been received.

A financial asset is removed from the balance sheet when the rights pursuant to the agreement are realized, cease, or when the company loses control over them. This also applies to part of a financial asset. A financial liability is removed from the balance sheet when the liability under the agreement has been fulfilled or otherwise extinguished. 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.

Valuation

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

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

Classification

INVISIO's financial assets and liabilities are classified in the following three categories: Accounts receivable and Loans receivable, Financial liabilities measured at amortized cost, and Financial assets measured at fair value through the income statement.

Accounts receivable and Loans receivable

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

Significant financial problems for the debtor, the probability that the debtor will go bankrupt or undergo financial reconstruction, and failure or delays in payment are regarded as indicators that an impairment loss has occurred. The size of the provision consists of the difference between the asset's reported value and the present value of estimated future cash flows. Impairment of accounts receivable is reported in the income statement under operating profit/loss, and impairment of a loan receivable is reported under the heading financial expenses.

Financial liabilities are valued at amortized cost

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 assets at fair value through the income statement

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

Note 1 cont. General Information, accounting and valuation principles

Intangible assets

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

The development costs include salary and other costs for employees arising through the development of products, as well as directly attributable costs such as molds, testing and type approval. Other development costs are recognized when they arise. Development costs that have previously been reported as an expense are not reported as an asset in a subsequent period.

Capitalized development expenditure with a limited useful life is amortized on a straight line basis from the time commercial production of the product is started. Amortization is over the expected useful life; three to seven years.

Property, plant, and equipment

Property, plant and equipment are reported at cost of acquisition 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.

Property, plant and equipment have a limited useful life and are amortized on a straight-line basis over the expected economic life, three to five years.

Impairment losses on non-financial assets

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

Reversal of impairment losses

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

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

Provisions

A provision is recognized when an obligation exists as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The Group's provisions refer to warranty provisions for goods sold.

Inventories

The inventories have been valued at the lower of cost and net realizable value as at the balance sheet date. Cost is determined using the "first-in, first-out" principle. Net realizable value is the estimated selling price in the ordinary course of business, less applicable

variable selling expenses. Provision for obsolescence is based on the articles' age and recoverable amount.

Cash and cash equivalents

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

Receivables and liabilities in foreign currency

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

Cash flow statement

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

Calculation of recoverable amount

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

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

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.

Related party transactions

As regards salaries and other remuneration to the Board and CEO and other senior executives' costs, obligations and benefits, agreements on severance payment, see Note 9.

Inter-company transactions are presented in Note 5.

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

Parent Company's accounting policies

The parent company prepares its financial statements in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for legal entities. There are no differences between the Group's and the Parent Company's accounting policies in the annual report.

Note 2 Financial risk management and capital risk

Financial risk factors

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

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

Interest rate risk

Interest rate risk is the risk of the value of financial instruments varying due to changes in market interest rates. The Group's interest-bearing financial assets consist of bank balances. The Group has no interest-bearing financial liabilities and thus is not exposed to any material interest rate risk.

Currency risk

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

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

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

Transaction exposure

INVISIO has a strong international profile, with most of its sales being made in EUR, GBP and USD and is thereby exposed to transaction risks when buying/selling and making financial transactions in foreign currency. Components are primarily purchased in Swedish kronor. Currency risks are managed in accordance with the financial policy established by the Board, which in brief means that large sales orders received are to be hedged. As at December 31, 2017 there were no outstanding derivative instruments, however there were hedging transactions during the year. For more information on derivative instruments, please refer to Note 15.

If the average exchange rate for the Swedish krona had strengthened/weakened by 5 percent against the EUR, all other variables remaining constant, revenues for 2017 and earnings after tax would have been SEK 3.3 million (6.5) and SEK 1.5 million (3.0) lower/higher. If the average exchange rate for the Swedish krona had

strengthened/weakened by 5 percent against the USD, all other variables remaining constant, revenues for 2017 and earnings after tax would have been SEK 10.2 million (4.5) and SEK 4.7 million (1.9) lower/higher. If the average exchange rate for the Swedish krona had strengthened/weakened by 5 percent against the GBP, all other variables remaining constant, revenues and earnings after tax for 2017 would have been SEK 4.6 million (5.5) and SEK 1.8 million (2.3) lower/higher. The sensitivity analysis does not include the effect of derivatives.

Translation exposure

The Group has cash and cash equivalents, trade receivables and trade payables in foreign currencies, above all in USD, EUR and GBP. As at December 31, 2017 net exposure in USD against SEK was SEK 92.9 million (36.6), in EUR against SEK was SEK 35.7 million (60.2) and in GBP against SEK was SEK 55.6 million (1.1) referring to these items. If the exchange rate for USD had been 5 percent higher/lower compared with that on December 31, 2017, the Group's earnings after tax would have been positively/negatively affected by about SEK 3.6 million (1.4). If the exchange rate for EUR had been 5 percent higher/lower compared with that on December 31, 2017, the Group's earnings after tax would have been positively/negatively affected by about SEK 1.4 million (2.3). If the exchange rate for GBP had been 5 percent higher/lower compared with that on December 31, 2017, the Group's earnings after tax would have been positively/negatively affected by about SEK 2.2 million (0.0). The sensitivity analysis does not include the effect of derivatives. As part of hedging transaction exposure, related trade receivables are also hedged. In other respects INVISIO does not work actively with translation exposure.

Translation exposure in the balance sheet

The Group's net assets are largely in Danish kroner. If the exchange rate for DKK had been 5 percent higher/lower compared with that on December 31, 2017, the Group's earnings after tax would have been positively/negatively affected by about SEK 9.8 million (8.1). The sensitivity analysis does not include the effect of derivatives.

Credit risk

Credit risk is the risk of a party to a transaction with a financial instrument failing to fulfill its obligations. INVISIO's customers have a good ability to pay, as they mainly consist of agencies in charge of procurement for security forces and defense forces. In order to limit the risks of any credit losses, the company's credit policy includes guidelines and provisions for credit checking new customers, payment terms and procedures and processes for managing unpaid debts. For an age analysis of trade receivables, please refer to Note 14.

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

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

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in making payments. Liquidity risk is the risk of not being able to make payments when they fall due. Treatment of liquidity risk is based on prudence, which entails retaining sufficient liquidity, access to financing and sufficient agreed lines of credit. As at December 31, 2017, liquid funds amounted to SEK 113.2 million (133.2). The company had no borrowings as at December 31, 2017.

All derivative instruments mature within 12 months. All trade payables mature within three months.

Management of capital

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

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

	2017			2016		
	Value level	Loans and receivables	Assets at fair value through profit or loss	Value level	Loans and receivables	Assets at fair value through profit or loss
Dec 31 (SEK million)						
Assets on the balance sheet						
Trade and other receivables excluding accrued assets		121.1			39.4	
Cash and cash equivalents		113.2			133.2	
Total financial assets		234.2			172.6	
	2017			2016		
	Value level	Other financial liabilities	Liabilities at fair value through profit or loss	Value level	Other financial liabilities	Liabilities at fair value through profit or loss
Dec 31 (SEK million)						
Liabilities on the balance sheet						
Derivative financial instruments	2					4.3
Trade and other payables excluding non-financial liabilities		49.7	25.1		26.0	12.0
Total financial liabilities		49.7	25.1		26.0	16.3

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

Notes

Note 3 Total income by geographical area

Group	2017	2016
Sweden	5.7	17.0
Europe	120.4	223.9
North America	231.9	87.6
Rest of the world	7.8	1.5
Total	365.7	330.0

All the Group's assets, intangible assets, and property, plant and equipment, are in Denmark.

Note 4 Costs by nature of expense

Group	2017	2016
Cost of goods sold	-163.4	-159.0
Costs of employee benefits (Note 8)	-64.6	-40.6
Depreciation and write-downs (Notes 11 & 12)	-4.4	-7.5
Other costs	-54.7	-32.5
Total	-287.1	-239.6
Parent Company	2017	2016
Costs of employee benefits (Note 8)	-1.5	-2.4
Other costs	-4.0	-4.5
Total	-5.4	-7.0

Note 5 Inter-company transactions

Of the Parent Company's invoicing, SEK 0.1 million (0.1) refers to subsidiaries. The invoicing consists of services provided to subsidiaries. Invoicing from subsidiaries to Parent Company, SEK 0.3 million (0.4).

Note 6 Auditors' remuneration

	Group		Parent Company	
	2017	2016	2017	2016
PwC				
Auditing assignments ¹	0.4	0.4	0.2	0.2
Auditing activities in addition to auditing assignments	0.0		0.0	
Other services ²	0.2	1.0	0.2	0.1
Total	0.7	1.4	0.4	0.3

Notes

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

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

Note 7 Rental and leasing agreements

The Group's total rental and leasing fees for the year amounted to SEK 4.2 million (3.7).

Agreed future rental and leasing fees amount to SEK 11.4 million (10.3) and will fall due in the next three years as follows: 2018; SEK 4.1 million (3.4), 2019; SEK 3.8 million (3.2), 2020; SEK 3.5 million (-).

The Parent Company's leasing agreement for the year amounted to SEK 0.1 million (0.1). The agreement is valid up to and including October 31, 2019, at an annual cost of SEK 0.1 million.

All the Group's and Parent Company's rental and leasing agreements are operating leases. The agreements primarily include rental agreements for the company's office premises and leased cars.

Note 8 Personnel

Average number of employees	2017		2016	
	Number of employees	Of which men	Number of employees	Of which men
Parent Company	1	100%	1	100%
Subsidiaries	65	80%	45	78%
Total	66	80%	46	78%

Gender break-down, senior executives	2017		2016	
	Number of employees	Of which men	Number of employees	Of which men
Board	6	67%	6	67%
CEO and other senior executives	5	100%	4	100%

Salaries and other remuneration	2017	2016
Parent Company	1.8	1.7
Subsidiaries	73.9	43.8
Capitalized salaries for research and development	-8.8	-6.2
Group total	66.9	39.3

Social costs excl. pension costs	2017	2016
Parent Company	-0.5	0.6
Subsidiaries	-3.1	-0.1
Group total	-3.5	0.4

Pension costs	2017	2016
Parent Company	0.1	0.1
Subsidiaries	1.1	0.7
Group total	1.3	0.9

Total personnel costs	2017	2016
	64.6	40.6

Pensions

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

Employee stock option program

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

This program was targeted at all employees of the company and its subsidiary in Denmark, divided into three different categories. Provided that the participants were employed by the Group on the maturity date, the employee was offered employee stock options without charge which may entitle them to acquire shares in the company. Employee stock options must not be transferred.

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

Tranche	Allocation date	Accrual date	Maximum allocation	Actual allocation	Exercise date	Subscription price per share
1	April 30, 2013	April 30, 2016	666,666	616,672	May 2016	5.10
2	April 30, 2014	Oct 30, 2016	666,666	618,339	Nov 2016	5.20
3	April 30, 2015	April 30, 2017	666,668	663,322	May 2017	5.30

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

The target in Tranche 1 was met in the third quarter of 2013 and 616,672 employee stock options were allocated, of which 116,667 were allocated to the CEO and 150,000 to other senior executives. The target for Tranche 2 was met in 2013 and 618,339 employee stock options were allocated, of which 116,667 were allocated to the CEO and 150,000 to other senior executives. The target for Tranche 3 was met in 2014 and 663,322 employee stock options were allocated, of which 116,667 were allocated to the CEO and 150,000 to other senior executives.

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

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

The market value of the options was calculated on the basis of the Black & Scholes valuation model. Given the analysis of the historical volatility of the company's share price, volatility was assessed to amount to 35 per cent, a risk-free interest rate of 0.07, 0.04 or 0.04 per cent respectively for the three different maturities, and a share price of SEK 75.75. Any future dividends was not taken into account. The value per employee stock option was calculated to be SEK 70.65 for Tranche 1, SEK 70.55 for Tranche 2, and SEK 70.45 for Tranche 3. The cost for the 2017 financial year amounted to SEK 0.3 million (0.2), of which SEK 0.3 million (0.0) was social costs.

	Weighted average redemption number	Weighted average redemption price
Outstanding at start of period	663,322	5.30
Allocated during the period	0	0
Redeemed during the period	-649,988	5.30
Forfeited, past due during the period	-13,334	5.30
Outstanding, not redeemable at close of period	0	0

For share options exercised during the period, the weighted average share price was SEK 76.56 (60.28).

The employee stock option program 2013/2017 was closed in 2017.

Note 9 Remuneration to senior executives

Management	2017				2016			
	Salary	Pension	Other remuneration	Total	Salary	Pension	Other remuneration	Total
Lars H. Hansen, CEO ⁶	3.9	0.2	0.1	4.2	3.4	0.2	0.1	3.7
Other executive management ⁷	6.8	0.2	0.2	7.2	5.9	0.2	0.2	6.3
Total	10.7	0.4	0.3	11.4	9.3	0.4	0.3	10.0

Directors' fees ¹	2017	2016
Lars Röckert, Chairman ²	0.5	0.4
Anders Persson ³	0.2	0.1
Mats Warstedt	0.2	0.1
Annika Andersson ⁴	0.2	0.1
Charlotta Falvin ⁵	0.2	0.1
Lage Jonason	0.2	0.1
Total	1.4	1.1

¹ The Annual General Meeting 2017 resolved that directors' fees totaling SEK 420,000 shall be paid to the Chairman of the Board and SEK 165,000 to each of the other Board members. In addition a fee of SEK 60,000 shall be payable to the chair of the Remuneration Committee and SEK 40,000 each to other members of the Remuneration Committee.

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

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

⁴ Board member Annika Andersson invoices her directors' fees via AR Advisory AB.

⁵ Board member Charlotta Falvin invoices her directors' fees via Fasiro AB.

⁶ Variable salary can amount to a maximum of 50 percent of the basic salary. Variable salary 2017 amounted to SEK 1.2 million (0.9).

⁷ Variable salary can amount to a maximum of 0-30 percent of the basic salary. Variable salary 2017 amounted to SEK 1.5 million (1.0). Other management consists of four persons.

Guidelines for remuneration to the CEO and other senior executives

The last adopted guidelines for remuneration to senior executives are described below and will remain in force until the Annual General Meeting to be held on April 26, 2018.

Guidelines for remuneration

INVISIO shall seek to offer a total remuneration that enables the Group to attract and retain senior executives. Remuneration to senior executives in INVISIO shall both on a short and a long-term basis, be based on the individual's performance and responsibility and the result of INVISIO Communications and its subsidiaries as well as align the interests and rewards of the senior executives with the shareholders'.

Remuneration to the senior executives may consist of:

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

Fixed salary

The salary of each senior executive is revised annually, shall be competitive and is based on competence, responsibility and performance.

Variable remuneration

The variable cash remuneration to the senior executives shall be based on how well the targets set for their respective area of responsibility, INVISIO Communications and its subsidiaries are met. The result shall be linked to measurable targets (qualitative, quantitative, general and individual). The targets within each senior executive's respective area of responsibility aims to encourage the development of INVISIO both on a short and a long-term basis. The variable remuneration shall not exceed 50 per cent of the fixed salary and shall, to the extent permitted by applicable law, not affect pension or holiday allowance.

Employee stock option program

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

Pension

Any pension benefit shall be of a defined contribution.

Notice period

The CEO has a period of notice of twelve months when termination is made by the company and of eight months when termination is made by the CEO. Other senior executives have a period of notice of six months when termination is made by the company and of three months when termination is made by the senior executive himself/ herself.

Remuneration to board members

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

Deviations from the guidelines

The board may, if it determines that there are specific reasons in an individual case, to deviate from the guidelines. If such a deviation takes place, the board shall report the reasons for the deviation at the following Annual General Meeting.

Employee stock option program

In 2017 the CEO exercised 116,666 options (233,334) and other senior executives 150,000 options (300,000). For more information on the employee stock option program, see Note 8.

Note 10 Taxes

	Group		Parent Company	
	2017	2016	2017	2016
Income tax				
Current tax on the year's earnings	-2.0	-1.9		
Deferred tax	-9.2	3.4		
Total current tax	-11.2	1.5	0.0	0.0

	Group		Parent Company	
	2017	2016	2017	2016
Differences between reported tax expense and tax expense based on current tax rate				
Profit/Loss before tax	73.5	90.3	88.9	23.1
Tax 22%	-16.2	-19.9	-19.6	-5.1
Tax effect of:				
- Foreign tax rates	-0.4			
- Non-taxable income			20.9	6.6
- Non-deductible expenses	-0.1	-0.0	-0.0	-0.0
- Other deductible expenses	6.7	14.5		
- Utilization of loss carryforwards not recognized previously	0.2	5.0		
- Tax losses for which no deferred tax asset is recognized	-1.4	-1.5	-1.3	-1.5
- Reassessment of loss carryforwards	0.0	3.4		
Tax on profit for the year according to income statement	-11.2	1.5	0.0	0.0

	Group		Parent Company	
	2017	2016	2017	2016
Deferred tax asset				
Deferred tax assets on tax losses	31.4	34.3		
Deferred tax liability attributable to capitalized development costs	-6.1			
Deferred tax asset attributable to other temporary differences	0.6			
Closing balance	25.9	34.3	0.0	0.0

Deferred tax assets are recognized for tax loss carryforwards insofar as it is likely that they can be utilized via future taxable profits. Individual assessments are carried out of each company with regard to historical profit development and opportunities to use the loss carryforwards. The loss carryforwards are mostly held by the Danish subsidiary. Danish legislation limits the annual utilization of loss carryforwards in terms of amount, which means that the Danish subsidiary will pay SEK 1,0 million (1,9) in income tax for 2017.

All loss carryforwards, totaling SEK 245.1 million (251.5), of which SEK 142.7 million (155.9) are capitalized as at December 31, 2017, have an unlimited life.

At present unutilized loss carry forwards in the parent company cannot be utilized, because the parent company is a holding company with no other business activities.

	Group		Parent Company	
	2017	2016	2017	2016
Unutilized loss carry forwards				
Unutilized loss carry forwards for which no deferred tax asset has been recognized	102.4	95.7	99.6	92.5
Potential tax asset	22.5	21.1	21.9	20.3

Notes

Note 11 Capitalized development costs

Group, Dec 31	2017	2016
Opening cost of acquisition	60.2	50.8
Internally-developed assets	12.6	6.7
Exchange rate differences for the year	2.0	2.7
Closing accumulated cost of acquisition	74.8	60.2
Opening depreciation	-42.7	-34.0
Depreciation for the year	-3.1	-7.0
Exchange rate differences for the year	-1.3	-1.8
Closing accumulated depreciation	-47.1	-42.7
Closing carrying amount	27.7	17.5

Impairment testing

Intangible assets refer to internal development of products specifically for sale. A recoverable amount is estimated when there is an indication that the asset has decreased in value. During the year no events have taken place that indicate an impairment in value. Intangible assets under development are tested annually for impairment. The recoverable amount for the Group's cash generating units (CGU) is determined on the basis of value in use calculations. Calculation is by project. These calculations are based on expected future cash flows based on financial forecasts and strategies approved by the management, and which cover a five-year period. The assumptions reflect the financial targets set up by the Board, market reports concerning future growth and technological trends. From time to time the company uses a five-year period to reflect the long-term nature of customers' purchasing decisions. Cash flows beyond the five-year period are extrapolated using an estimated rate of growth. The final growth rate used is 2 per cent (2). The discount rate before tax used is 10 per cent (9). This is to reflect the specific risks applicable to the segment the company operates within.

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

Expenditure recognized in the income statement for research and development, excluding depreciation, amounted to SEK 32.9 million (22.0) for the year.

Note 12 Equipment

Group, Dec 31	2017	2016
Opening cost of acquisition	13.3	9.7
Purchases	2.4	3.1
Exchange rate differences for the year	0.4	0.5
Closing accumulated cost of acquisition	16.2	13.3
Opening depreciation	-10.0	-9.1
Depreciation for the year	-1.3	-0.5
Exchange rate differences for the year	-0.3	-0.5
Closing accumulated depreciation	-11.7	-10.0
Closing carrying amount	4.5	3.3

Note 13 Inventories

Group, Dec 31	2017	2016
Finished products	29.8	21.1
Goods in progress	6.5	4.8
Total	36.3	25.9

The year's write-down of inventories amounts to SEK 1.5 million (0.9) and is recognised in cost of goods sold.

Note 14 Trade receivables

	Group	
Age analysis of trade receivables, Dec 31	2017	2016
Not past due	96.3	28.8
Past due 0-30 days	23.1	10.3
Past due 31-60 days	0.2	0.2
Past due >60 days	1.9	0.5
Total past due	25.3	11.0
Total trade receivables	121.5	39.9
Expected losses	-0.5	-0.5
Trade receivables in the accounts	121.1	39.4
Doubtful trade receivables	2017	2016
Opening balance	-0.5	0.0
Expected losses		-0.5
Closing balance	-0.5	-0.5

Note 15 Derivative instruments

	Group	
Fair value, Dec 31	2017	2016
USD		-4.7
GBP		0.4
Total	0.0	-4.3

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

Note 16 Other receivables

Group, Dec 31	2017	2016
VAT	5.7	2.6
Receivables from supplier	3.8	
Other	0.6	0.1
Total	10.1	2.7

Note 17 Prepaid expenses and accrued income

Group, Dec 31	2017	2016
Insurance	1.0	0.8
IT expenses	0.5	0.4
Exhibition expenses	0.1	0.3
Rents	0.0	0.8
Other prepaid expenses	0.3	0.8
Total	1.9	3.2

Note 18 Share capital

As at December 31, 2017 share capital amounted to SEK 44.1 million (43.4), allocated over 44,098,494 shares (43,448,506) with a quotient value of SEK 1.00.

The number of outstanding stock options amounts to 0 (663,322), which entitle the holder to subscribe for 0 (663,322) shares, distributed over one (one) program.

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

Note 19 Accrued expenses and deferred income

Group, Dec 31	2017	2016
Salary and other compensation	11.8	3.4
Holiday pay liability	8.3	5.0
Deferred income	1.7	
Social security contributions	1.5	3.8
Rental of premises	1.0	
Audit fees	0.6	0.5
Directors' fees	0.4	0.4
Cost of goods sold		0.6
Other accrued expenses	1.3	0.6
Total	26.5	14.3
Parent Company, Dec 31	2017	2016
Directors' fees	0.4	0.4
Audit fees	0.3	0.2
Social security contributions	0.2	0.2
Salary and other compensation	0.2	0.2
Other accrued expenses	0.6	0.4
Total	1.7	1.4

Note 20 Earnings per share

	Group	
	2017	2016
Earnings per share before dilution		
Profit/Loss after tax	62.3	91.8
Average number of shares outstanding, thousands	43,881	42,781
Earnings per share before dilution	1.42	2.14

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

	Group	
	2017	2016
Earnings per share after dilution		
Profit/Loss after tax	62.3	91.8
Average number of shares outstanding after dilution, thousands	44,098	44,112
Earnings per share after dilution	1.41	2.08

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 2017 was SEK 76.15 (61.76).

Note 21 Non-cash items

Group	2017	2016
Depreciation	4.4	7.5
Unrealized gain/loss, derivative instruments		4.7
Change in warranty provision	1.0	1.5
Employee stock option program	0.1	0.2
Exchange rate differences	1.8	-0.7
Total	7.3	13.2
Parent Company	2017	2016
Anticipated dividends	-95.0	-30.0
Total	-95.0	-30.0

Note 22 Participations in group companies

Company	Corporate identity number	Registered office	Number of participations	Capital share, %	Book value
INVISIO Communications A/S	20 75 82 36	Hvidovre, Danmark	672,590	100	80.6
INVISIO Communications Inc.	38-4018124	Delaware, USA	100	100	0.0
INVISIO Communications SAS	820 683 654	Paris, Frankrike	100	100	0.0
INVISIO Communications Srl	MI - 2128807	Milano, Italien	10,000	100	0.1
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2.5
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	0.1

Parent Company, Dec 31	2017	2016
Opening carrying amount	83.2	83.0
Employee stock option program	0.1	0.2
Formation of subsidiary	0.1	0.1
Closing carrying amount	83.4	83.2

Note 23 Related party disclosures

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

Remuneration to the Board and senior executives is presented in Note 9.

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on April 26, 2018 for adoption.

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

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

Stockholm, March 23, 2018

Lars Röckert
Chairman of the Board

Anders Persson
Board member

Lage Jonason
Board member

Mats Warstedt
Board member

Annika Andersson
Board member

Charlotta Falvin
Board member

Lars Højgård Hansen
CEO

Our audit report was submitted on March 23, 2018

PricewaterhouseCoopers AB

Mats Åkerlund
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of INVISIO Communications AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 38-62 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered areas where the Managing Director and the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of the Board of Directors and the Managing Director override of internal controls, including among other matters considera-

tion of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates. There are six subsidiaries in which the operations during the year have been exclusively undertaken in INVISIO Communication A/S. The operations of these units are located abroad and we obtained reporting from our local audit teams on an ongoing basis during the year and the audit group team performs the audit of the other material unit. The group team undertook an annual assessment of the involvement required in order that we can ensure that sufficient and appropriate audit measures have been executed. During the year, the group team visited these units.

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

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

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

Key audit matter	How our audit addressed the Key audit matter
Capitalised development expenditure	
<p>The group reports SEK 27,7 million in capitalised development expenditure, classified as fixed assets in the balance sheet.</p> <p>Expenses in development projects are reported as assets when it is probable that the project will be successful on the starting point of commercial and technical possibilities applying and when the costs can be measured in a reliable manner.</p> <p>According to IFRS, an annual impairment test is to be undertaken where write-downs have not been initiated. This write-down testing is based on evaluations and assumptions which are complex and which involve a large degree of significant judgments on behalf of company management. In Notes 1 and 11, there is a description of the manner in which company management has made its evaluations.</p>	<p>Our audit activities included a review of the calculation model applied and the challenging of significant assumptions which company management has used in the impairment testing, primarily as regards estimated future cash flows based on financial forecasts and strategies approved by company management. The assumptions reflect the financial goals established by the Board of Directors, market reports regarding future growth and technology trends.</p> <p>We have also assessed the reasonability of the budget which the company management presented and which was approved by the Board of Directors, by evaluating the historical outcome against the adopted budgets.</p> <p>We have tested to determine the impact of changes in significant assumptions such as operating income and the discount rate on the margin of safety, and on the basis of these tests we have assessed the risk that an impairment requirement might exist.</p> <p>We also evaluated company management's assessment as to how the group's calculation models are impacted by changes in assumptions, and have compared this with the information presented in the annual accounts related to the impairment tests.</p> <p>We share company management's assessment regarding the reporting of capitalised development expenditure.</p>

Revenues	
<p>The group's net sales amounted, for the year, to SEK 366 million and were comprised of the sale of goods.</p> <p>Revenue comprises an identified risk area based on its importance in the financial reporting. Sales take place primarily via a global network of partners and retailers but the company also sells via its own companies in Denmark, US France and Italy. The large number of transactions implies an increased risk as regards the completeness and correctness of the revenue recognition. There is also a risk that revenues are reported in incorrect amounts and that all revenues for a given financial year are not reported in that year. Likewise, the general risk of improprieties in the revenue recognition also impacts our assessment.</p>	<p>Our audit activities have included substantive procedures applied to net sales with the help of data analyses and furthermore sample tests of customer contracts. Furthermore, we have also undertaken an analysis of revenues based on consideration of the underlying contracts and the clients' possibility to make returns.</p> <p>We have undertaken an examination of the allocation of sales and costs of goods sold to ensure that sales and costs of goods sold have been correctly reported during the financial year.</p> <p>The audit was executed with satisfactory results.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-27. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of INVISIO Communications AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, PO Box 4009, SE-203 11 Malmö was appointed auditor of INVISIO Communications AB (publ) by the general meeting of the shareholders on the 26 April 2017 and has been the company's auditor since 11 April 2008.

Malmö den 23 mars 2018
PricewaterhouseCoopers AB

Mats Åkerlund
Authorized Public Accountant

Five-year summary

Income statements, January – December (SEK million)	2017	2016	2015	2014	2013
Total revenue	365.7	330.0	229.8	201.6	85.3
Cost of goods sold	-163.4	-159.0	-111.5	-110.4	-48.2
Gross profit	202.3	171.0	118.3	91.3	37.0
Operating expenses	-119.4	-73.2	-65.4	-51.6	-42.3
Depreciation, amortization and write-downs	-4.4	-7.5	-5.6	-5.0	-5.2
Operating profit/loss	78.5	90.4	47.3	34.7	-10.5
Net financial items	-5.1	-0.1	-0.5	-2.9	-2.9
Profit/Loss before tax	73.5	90.3	46.9	31.7	-13.4
Income tax	-11.2	1.5	10.2	12.6	2.9
Profit/Loss for the year	62.3	91.8	57.1	44.3	-10.5

Balance sheets, December 31 (SEK million)	2017	2016	2015	2014	2013
ASSETS					
Non-current assets					
Intangible assets	27.7	17.5	16.9	19.0	17.5
Property, plant and equipment	4.5	3.3	0.6	0.2	0.1
Financial assets	27.4	35.7	30.1	16.5	0.7
Total non-current assets	59.6	56.5	47.6	35.7	18.3
Current assets					
Inventories	36.3	25.9	19.9	16.4	10.1
Trade receivables	121.1	39.4	35.9	18.8	16.1
Other current receivables	12.1	5.9	8.3	6.3	4.7
Cash and cash equivalents	113.2	133.2	29.4	28.4	9.1
Total current assets	282.6	204.4	93.4	70.0	40.1
TOTAL ASSETS	342.2	260.9	141.0	105.7	58.4
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	259.9	209.5	105.6	52.4	3.9
Long-term liabilities					
Liabilities to credit institutions				2.0	12.3
Total long-term liabilities	0.0	0.0	0.0	2.0	12.3
Current liabilities					
Liabilities to credit institutions				21.3	21.2
Trade payables	49.7	26.0	15.8	14.9	12.4
Other current liabilities	32.7	25.4	19.6	15.1	8.5
Total current liabilities	82.3	51.4	35.4	51.4	42.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	342.2	260.9	141.0	105.7	58.4

Cash flow statements, January –December (SEK million)	2017	2016	2015	2014	2013
Profit/Loss before tax	73.5	90.3	46.9	31.7	-13.4
Adjustments for non-cash items	7.3	13.2	4.6	6.5	5.2
Income tax paid	-2.7	-5.1	-2.7		2.9
Cash flow from operating activities before changes in working capital	78.1	98.4	48.8	38.2	-5.3
Cash flow from changes in working capital	-67.2	7.5	-18.9	-3.9	-2.1
Cash flow from operating activities	10.9	105.8	29.9	34.3	-7.3
Cash flow from investing activities	-15.0	-10.5	-4.7	-5.4	-5.2
Cash flow from financing activities	-18.3	6.2	-23.1	-10.9	17.3
CASH FLOW FOR THE YEAR	-22.4	101.5	2.1	18.0	4.7

Key figures	2017	2016	2015	2014	2013
Margins					
Gross margin, %	55.3	51.8	51.5	45.3	43.5
Operating margin, %	21.5	27.4	20.6	17.2	-12.3
Profit margin, %	17.0	27.8	24.8	15.7	-15.7
Capital structure					
Equity ratio, %	75.9	80.3	74.9	49.6	6.7
Other					
Number of employees at year-end	73	52	40	34	31
The Invisio Share					
Number of shares at end of period, thousands	44,098	43,449	42,240	42,240	42,240
Earnings per share, SEK	1.42	2.14	1.35	1.05	-0.27
Earnings per share after dilution, SEK	1.41	2.08	1.30	1.02	-0.27
Shareholders' equity per share, SEK	5.89	4.82	2.50	1.24	0.09
Shareholders' equity per share after dilution, SEK	5.89	4.75	2.39	1.20	0.09
Share price at year-end, SEK	79.25	63.75	75.75	12.80	5.05

Financial key figures, alternative performance measures and other definitions

INVISIO's financial statements include both financial key figures that are specified in current financial reporting rules, alternative performance measures ("APM") in accordance with ESMA's definition and other key figures related to the business. The APMs are regarded as relevant for an investor who wants to understand the company's results and financial position better. For the APMs that are not directly reconcilable with the financial statements, a reconciliation is provided on INVISIO's website: www.invisio.com/IR. Reconciliation is against the closest comparable IFRS financial measure.

Gross margin

Gross profit as a percentage of total revenue.

Operating margin

Operating profit as a percentage of total revenue.

Profit margin

Profit for the year as a percentage of total revenue.

EBITDA

Operating profit before depreciation, amortizations and impairment losses.

EBIT (Operating profit/loss)

Operating profit/loss after depreciation, amortization and impairment losses. INVISIO defines EBIT (earnings before interest and tax) in the same way as Operating profit/loss.

Operating expenses

Sales and marketing expenses, Administration expenses and Research and development costs.

Net financial items

Financial income less Financial expenses.

Equity ratio

Equity divided by total assets (balance sheet total).

Number of shares

Number of outstanding shares at the close of the period.

Number of shares after dilution

Number of outstanding shares at the close of the period plus the number of shares that would be added if all dilutive potential shares were converted. Only the option programs whose issue price is less than the average market price of the shares during the period can lead to a dilutive effect.

Average number of outstanding shares

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

Average number of outstanding shares after dilution

Weighted average of the number of outstanding shares during the period plus a weighted number of shares that would be added if all dilutive potential shares were converted. Only the option programs whose issue price is less than the average

market price of the shares during the period can lead to a dilutive effect.

Earnings per share

Profit for the year divided by the average number of outstanding shares.

Earnings per share after dilution

Profit for the year divided by the average number of outstanding shares after dilution.

Shareholders' equity per share

Equity divided by the number of outstanding shares adjusted for non-registered issues.

Shareholders' equity per share after dilution

Shareholders' equity divided by the number of outstanding shares after dilution.

Number of employees at the close of the period

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

Financial calendar

Interim report January-March 2018	April 26, 2018
Annual General Meeting 2018	April 26, 2018, 1:00 PM CET
Interim report January-June 2018	August 17, 2018
Interim report January-September 2018	October 26, 2018
Year-end report 2018	February 15, 2019

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

The Notice can be found at www.invisio.com/IR.

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