

# INVISIO®

NO NOISE. ONLY YOUR VOICE.

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**ANNUAL REPORT**  
**2012**

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## INVISIO AT A GLANCE

INVISIO specializes in voice communications in difficult conditions. The company develops, manufactures, markets and sells communication solutions such as advanced headsets, control units and associated equipment for use with two-way radio, primarily for professional users who are often working in difficult environments. Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. INVISIO's patented technology and expertise in sound transmission and communication solutions enables disruption-free and clear voice communications even under extreme conditions, such as loud noise, heat, and underwater. Certain of the company's communications products also offer protection against hearing loss and tinnitus. INVISIO Communications AB (publ.) is a Swedish limited liability company with its registered office in Stockholm, Sweden. The company is listed on First North Premier Segment, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm.

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# THE YEAR AT A GLANCE

	2011	2012
Sales	41.5	43.0
Gross profit	20.3	18.1
Gross margin	49.0	42.1
Operating profit	-24.2	-25.8
Profit after tax	-28.6	-29.5
Earnings per share	-1.10	-0.83

## Important events in 2012

### Orders received and communicated:

- A customer in the us placed an order worth around SEK 6 million relating to the INVISIO M3 headset.
- The Australian armed forces placed an order worth SEK 1 million via its australian distribution partner Defcon Technologies, and an order worth a further SEK 1.8 million for the INVISIO M3 headset.
- Military special forces placed an order worth around SEK 3 million for the INVISIO X6 headset with the intelligent control unit INVISIO X50.
- Special police forces in a european country placed an order worth around sek 1.3 million relating to the INVISIO M3H headset with hearing protection.
- A customer in the US placed an order worth around SEK 3.5 million relating to the INVISIO X5 headset with associated control units and accessories.
- The army in a NATO country placed an order totaling SEK 32 million via a leading radio producer for invisio's new INVISIO V60 communication system.

### New products:

- Launch of INVISIO V60, an advanced new communication and hearing protection system for modern military forces.

### Other:

- Thomas Larsson was appointed the new CFO of INVISIO, and Bengt Nilsson, who had been the CFO up to that point, retired.
- New issue of shares equivalent to around 7.4 percent of the total number of outstanding shares, injecting a total of SEK 7.75 million into the company.
- Loan of SEK 5 million from Erik Penser Bankaktiebolag.
- New issue of shares equivalent to around 6.3 percent of the total number of outstanding shares, injecting a total of SEK 10.0 million into the company.

## Important events after year-end

- In March 2013, INVISIO received an order from a new customer worth SEK 6.3 million relating to the INVISIO V60 communication system.
- Loan of SEK 15 million from a leading Swedish business bank, reducing the overall cost of financing by around SEK 700 thousand on a yearly basis.
- Three-year loan of SEK 4.2 million from Almi Företagspartner AB. This loan will require no repayments in 2013.

# SEK 32 million

Was the new record order received at the end of the year from the army of a NATO country via a leading radio producer. This order related to a large number of units for the new INVISIO V60 communication system.

# ANOTHER RECORD YEAR FOR OUR PROFESSIONAL PRODUCTS

2012 was a good year for INVISIO. As well as enjoying another record year for our professional product, with a 12.6 percent increase in sales, we received a very important breakthrough order totaling SEK 32 million from the army of a NATO country via a leading radio producer. This new record order provides INVISIO with a breakthrough on the volume market, with orders for thousands of units, and also means that we start 2013 with a recordbreaking backlog of orders. However, this major order was received a quarter or so later than expected, so the increase in sales for the whole year was lower than expected. Total sales for the whole year 2012 were up 3.8 percent compared with the previous year, but 2011 included income from the consumer partnership with Motorola.

With its current gross margin and expenses, INVISIO needs an annual turnover of almost SEK 100 million in order to turn a profit. INVISIO is starting 2013 with a list of orders totaling almost SEK 30 million, and we are expecting to see significant growth in sales for the year. We have a range of customer tests and outstanding quotations for significant sums, but it is very difficult to work out when such business potentially will be placed with us. Therefore, there is potential for profitable business for the whole of 2013 and the following years, but it is too early as yet to make a statement on the expected results for 2013.

Since INVISIO changed its strategy in 2008, with full emphasis on the market for professional users, we have seen a range of significant advances:

- Increases in sales every year.
- An expanded product portfolio, from just headsets to communication solutions with headsets, control units and peripheral equipment for use with two-way radio. The latest addition is the INVISIO V60 communication system.
- A significant increase in the number of sales leads, inquiries and full-scale customer tests.
- An increase in the customer base and considerably more repeat customers.
- An increase in the number of resellers and important strategic partnerships with manufacturers of radio equipment for two-way communications and others.
- A reduction in costs.

When we changed our strategy, we did not predict that lead times for our sales work focusing on military users in particular

would be as long as they turned out to be. From establishment of our products and creation of trust among smaller groups of users, known as "early adopters", who in our case include military special forces, for example, the process of establishing ourselves among larger groups of users has taken longer than anticipated. In terms of earnings, therefore, we have still not reached our target of turning a profit and achieving a positive cash flow from operations, but we are on the right track.

## New record order totaling SEK 32 million

At the end of the year, we were given the biggest order ever in the history of the company – an order worth SEK 19 million and a supplementary order worth SEK 13 million from the army of a NATO country via a leading radio producer. This new record order is encouraging evidence that INVISIO's communication solutions are now also capable of achieving success on what is known as the volume market, with orders for thousands of units. This order related to a large number of units for the INVISIO V60 communication system – our new advanced communications and hearing protection system devised especially for modern military forces – and is the result of a vital success in a procurement process within a military modernization program affecting thousands of users. You can find out more about our new communication system and our new record order on pages 8 and 15 respectively.

We have previously communicated the opportunities for sales within these programs, which are taking place all over the world. Programs which involve radio and communication solutions often demand in-ear headsets and hearing protection, which is what INVISIO offers. Since the change of strategy in 2008, INVISIO has devoted a significant amount of effort to developing a product portfolio, building an organization, and entering into partnerships which together give us the opportunity to tender successfully for major military programs. Of the three major tenders for such programs which we have submitted over the year, the first feedback we received was very positive and we believe we have a good chance of winning additional contracts. We are expecting to see notifications for the other tenders in 2013.

In all, we received a number of important orders over the year. For instance, we received our third biggest single order ever, totaling SEK 6 million from a customer in the US. We received a number of orders totaling SEK 3.5 million from the Australian armed forces via Defcon Technologies, our distribution partner. Since INVISIO products and communication

"2013 looks bright, with major opportunities

solutions first began to be used in Australia in 2002, we have managed together to build up great faith in INVISIO products among the demanding users of the Australian armed forces. We are building up this kind of trust among customers all over the world thanks to extensive testing and usage in customers' own environments. We received other orders over the year, too: an order totaling SEK 3 million from a military special forces, an order totaling more than SEK 1 million from special police forces in a European country, which purchased products from INVISIO a year ago, and an order totaling around SEK 3.5 million from a completely new customer in the US. A positive general trend for our smaller orders as well as the larger ones is that they often come from repeat customers, who have seen how well our communication solutions work after a while and buy more products for additional units or groups as they are granted new funding.

#### **Advanced new communications and hearing protection system with major potential**

We worked intensively over the year on the development and launch of the new advanced communications and hearing protection system INVISIO V60, the communication solution purchased as part of the new record order. This is a lightweight, compact, flexible communication system with built-in hearing protection and electronic hear-thru for 360-degree situational awareness. Like all our solutions, this communication system provides crystal-clear communication even under very extreme and noisy conditions, and protects users' hearing at the same time. INVISIO V60 has been produced to meet the stringent demands of modern military forces in respect of tactical communication systems, and we have invested a lot of effort in reducing its size and weight while also increasing performance and flexibility in the form of functionality and connection options. We have also simplified the interface to include only the things soldiers need, nothing more. INVISIO V60 was launched during the fourth quarter at the defense trade fairs AUSA in Washington and FSEC in Prague, and it received a lot of interest from customers.

We very much welcome continued sales opportunities for INVISIO V60 and are seeing a lot of interest from existing and new customers in this communication solution, which is currently being tested by a number of potential customers in various countries. One trend which we are seeing more and more is the demand for hearing protection in communication solutions, which suits INVISIO well as we have world-leading technology in the field, and besides INVISIO V60 we have a number of very good solutions which hold hearing protection certification. Find out more about problems with

hearing loss and solutions which counter these problems on pages 22-23.

#### **No division of business areas in 2013**

From first quarter of 2013, we will no longer differentiate between the professional products and consumer products business areas. As stated previously, INVISIO is now focusing its resources on professional products ahead of new cooperations on the consumer market. However, there is still a need for consumers and professional groups of people who use cellphones in their work to be able to communicate in noisy and harsh environments. This is why we maintain our opinion that there will be good opportunities in the longer term for INVISIO's world-leading technology on the consumer market.

Our considerable institutional and long-term ownership structure is one of our strengths. We implemented two directed new share issues over the year, which injected more than SEK 17.7 million into the company and serves as further proof of investors' confidence in us. After year-end, we also improved our finances by means of a loan of SEK 15 million from a leading business bank so that we could pay of earlier loans. This arrangement is allowing us to reduce the overall cost of finance, as well as ensuring a longer term financing solution.

I would like to thank all our talented staff who have helped us to achieve yet another record year in 2012. 2013 looks bright, with major opportunities for continued growth.

Stockholm, March 2013

Lars Højgård Hansen  
President and CEO



**for continued growth."**



# ABOUT INVISIO COMMUNICATIONS

With world-class expertise and technology, INVISIO offers communication solutions for users in fields such as the military, fire and emergency services, police, and law enforcement. The company has 29 employees of no fewer than eight different nationalities, and roughly half of them are engineers with specialist skills in fields such as acoustics, mechanics, and software development.

## Vision

To enable people to communicate comfortably in all sound environments.

## Mission

To provide world leading communication solutions for sending and receiving high quality speech for communications in all sound environments.

## Business concept

To develop, market, and sell solutions for audio communications under our own brand and in collaboration with others.

## Business objective

To be a market-leader for communication solutions in all customer segments, featuring the best possible speech and sound quality, and to thereby achieve good profitability.

## Operations

INVISIO specializes in voice communications in difficult conditions. The company develops, manufactures, markets and sells communication solutions such as advanced headsets, control units and associated equipment for use with two-way radio, primarily for professional users who are often working in difficult environments. Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. INVISIO's patented technology and expertise in sound transmission enables disruption-free and clear voice communication even under extreme conditions, such as loud noise, heat, and underwater. Certain of the company's communications products also offer protection against hearing loss and tinnitus.

Day-to-day operations are headquartered in Copenhagen.

## Employees

Roughly half of INVISIO's employees are engineers with specialist skills in fields such as acoustics, mechanics, and software development. They work to develop and adapt the company's different products and solutions. No fewer than eight different nationalities are represented among the company's 29 employees. INVISIO attracts people who want to work in an international environment at the forefront of technological development. The company has a very low staff turnover: two-thirds of the company's staff have been employed for five years or more.

## Research and development

Research and development is INVISIO's core activity and is conducted mainly internally within the company. The focus is on developing communication solutions such as advanced headsets, control units and associated equipment for use with two-way radio. Quality is a lodestar in INVISIO product development, with demanding requirements for systematic procedures. As a consequence, the organization has a well developed process for product development with special documentation and quality management systems. The patent strategy involves actively developing and applying for patents in the fields of communications and audiology. INVISIO's own resources and expertise in the field of research and development are used for its own development projects which are run in-house under the company's own brand, INVISIO®, and also for development cooperations with external parties. As well as the two current patent families, INVISIO also has a patent application in the US, *INVISIO Custom Protect Hearing Protection*, a technology for protecting against hearing loss.

## Production

Product quality and delivery reliability are of decisive importance in the professional market. As such, all manufacturing of INVISIO's professional products takes place in Scandinavia, conducted by carefully selected companies, including Swedish firm PartnerTech in Vellinge.

## Sales and partner strategy

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

### Strategic partnerships

INVISIO's sales strategy aims to increase the number of cooperations with radio producers, system integrators and resellers. This is because many existing and potential end customers prefer to buy a complete system of equipment, including radio, from a single supplier. INVISIO's sales strategy also aims to achieve geographical diversification of sales, as well as expanding sales to a number of customer segments.

### Greater scope and breadth

Sales were previously concentrated in a few markets and customer segments, but between 2010 and 2012 development continued in order to expand their scope and breadth. With the company's new, expanded product portfolio and a greater number of partners in all customer segments, INVISIO is now in a position to reach out to many more potential end customers. One characteristic of sales of the professional products is that they may vary from quarter to quarter due to

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

### Sales via system integrators and radio producers

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

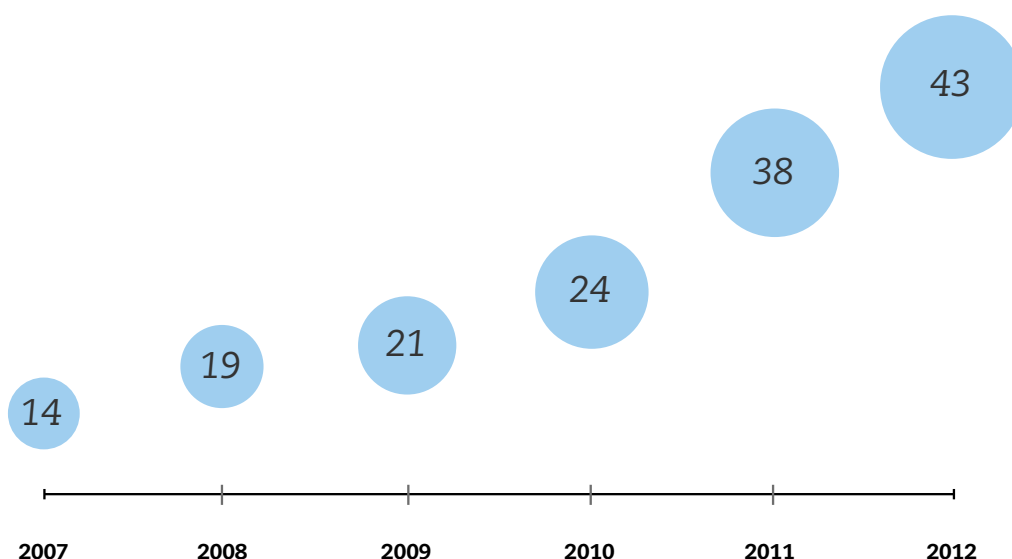
### Sales via resellers

Sales take place via a fairly large number of specialist resellers. A number of new resellers were added between 2009 and 2012 in Europe, North America, and parts of Asia. In some cases, INVISIO's sales are to dealers that sell in turn to resellers in their markets. An important example is Television Equipment Associates Inc, which acts as INVISIO's main dealer in the American market.

### Direct sales

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

## Sales, Professional Products (SEK million)





## Record order

# BREAKTHROUGH ON THE VOLUME MARKET AND WITHIN MILITARY MODERNIZATION PROGRAMS

The end of 2012 saw INVISIO receiving its biggest order ever amounting to a total of SEK 32 million from a leading manufacturer of military radios for system delivery to the army of a NATO country. This order provides a breakthrough for INVISIO on the volume market for communication systems and within the military modernization programs taking place all over the world.

INVISIO received its biggest order to date in 2011, an order totaling SEK 11 million from the Danish army. This new record order, worth a total of SEK 32 million, is for the advanced new INVISIO V60 communication system together with the X5 headset and involves a large number of units. Quite apart from the fact that the total value of the order is almost equivalent to one year's sales for INVISIO, this order provides an important breakthrough on the volume market – for orders involving thousands of units – and within the military modernization programs taking place all over the world.

## SEK 32 million

Was the total of the new record order from the army of a NATO country, placed via a leading radio producer and involving a large number of INVISIO V60 units.

such as tinnitus, the very distressing effect of too much noise and noise which is too loud. As well as looking after their soldiers, countries' governments also have monetary reasons for providing safe equipment to protect hearing: compensation claims and sick leave cost a lot of money. Users in the field being able to communicate without interference can be crucial to the success of an operation. It could literally mean the difference between life and death.

### INVISIO V60 meets requirements for next generation of communication systems

The huge order of the V60 communication system for the army of this NATO country is strong evidence that INVISIO's solutions meet the requirements specified by demanding military users.

The customer chose INVISIO because in short, this communications system works very well in the field and comes with advanced, built-in hearing protection. When developing this new world-leading product, INVISIO has also invested a lot of effort in reducing its size and weight, while at the same time increasing its performance in the form of functionality and connection options. The tactical control unit is 50 percent smaller and lighter than most of the competing products on the market. It is also extremely resistant to heat, cold,

### Well respected supplier to soldiers the world over

INVISIO has been supplying communication solutions to armed forces and military special forces – the most demanding users in the world – for a number of years. User friendliness and communication options under extreme conditions while allowing the user greater situational awareness and protected hearing are just some of the strengths of these products which users appreciate.

Both the special forces and regular military units are exposed to very loud noises in the field, from heavy vehicles, helicopters, explosions, and gunfire. INVISIO's communication solutions provide necessary protection against hearing loss

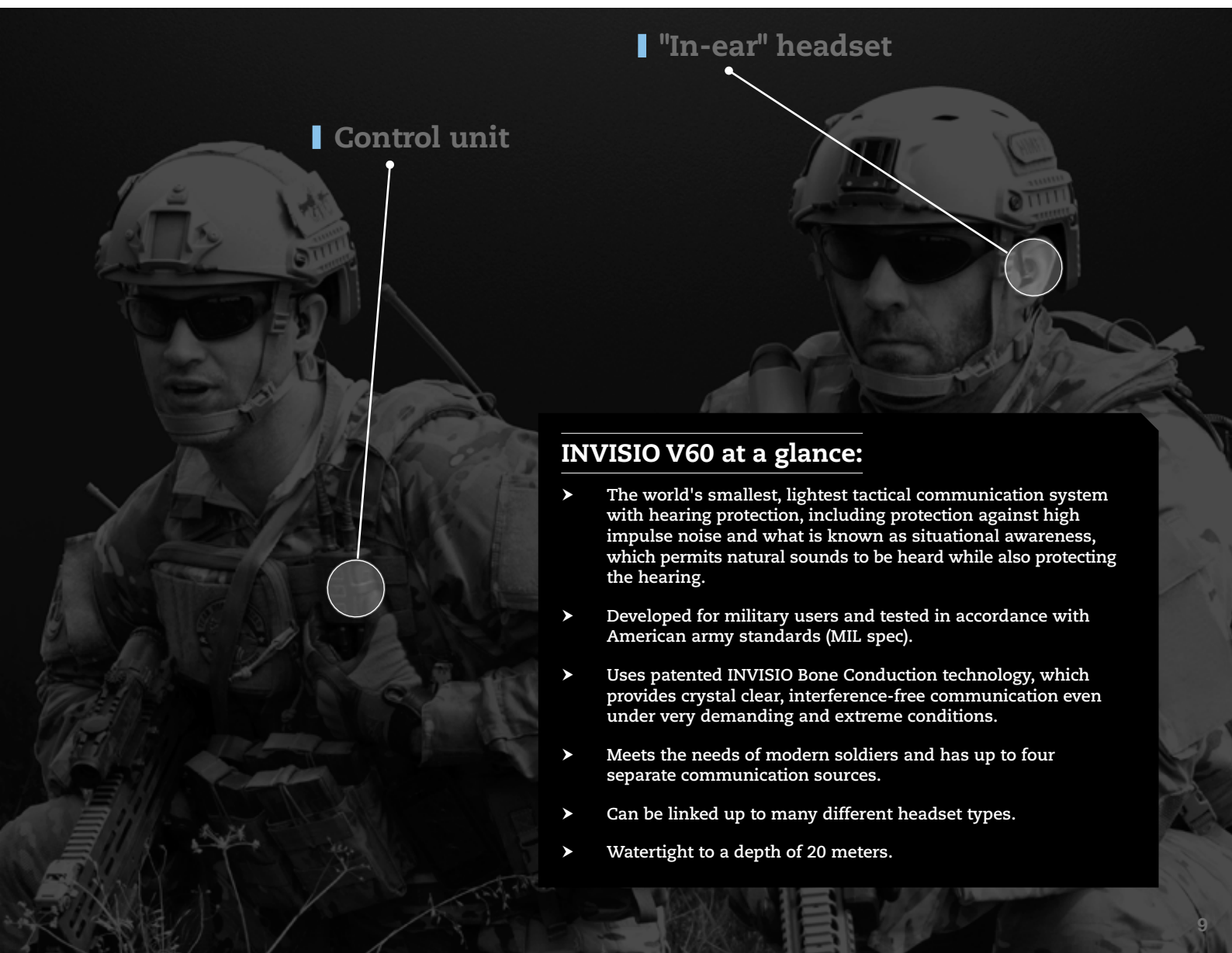


moisture, chemicals, sand, and dirt, and can be used underwater to depths of 20 meters. The interface has also been simplified to include only the things soldiers need, nothing more. INVISIO V60 is a lightweight, compact, flexible communication system with built-in hearing protection and electronic hear-thru for 360-degree situational awareness. Together with the INVISIO X5 headset, which uses patented INVISIO Bone Conduction technology, users can access crystal clear, interference-free communication even under demanding and extreme conditions which may be encountered during all kinds of missions and scenarios, both on foot and in vehicles. "We have developed INVISIO V60 in order to meet the stringent demands of modern military forces for tactical communication systems. We have invested a lot of effort in adapting the solution to meet soldiers' needs. We have reduced the size and weight, as well as increasing performance and flexibility so as to offer the best functionality and connection options," says Lars Højgård Hansen, CEO of INVISIO Communications.

### Military modernization programs

Many countries are now involved in what are referred to as modernization programs, in which old equipment is upgraded or replaced; everything from new weapons and advanced technology to modern personal protective equipment. In-ear headsets and hearing protection are often a must for programs which include radio and communication solutions, and the INVISIO product range meets this requirement well. There are currently more than 49 such programs in the pipeline or in progress in 38 countries, and a number of military procurement processes for communication solutions are expected to take place over the next three years. Most of these programs are in the US and Europe, but also in Asia, South America and Africa. The new record order, together with previous orders from both the Danish army and the Swedish armed forces, is strong evidence and provides important reference orders for other military customers and military modernization programs considering working with INVISIO. INVISIO's solutions are proven in combat, which is very important.

▼ Military modernization programs are upgrading or replacing existing equipment: everything from new weapons and advanced technology to modern personal protective equipment. Some of these programs are also procuring advanced, radio and communication where in-ear headsets and hearing protection are often a must. The illustration shows soldiers using a communication solution with hearing protection from INVISIO.



Control unit

"In-ear" headset

### INVISIO V60 at a glance:

- The world's smallest, lightest tactical communication system with hearing protection, including protection against high impulse noise and what is known as situational awareness, which permits natural sounds to be heard while also protecting the hearing.
- Developed for military users and tested in accordance with American army standards (MIL spec).
- Uses patented INVISIO Bone Conduction technology, which provides crystal clear, interference-free communication even under very demanding and extreme conditions.
- Meets the needs of modern soldiers and has up to four separate communication sources.
- Can be linked up to many different headset types.
- Watertight to a depth of 20 meters.

# EXTREME SITUATIONS REQUIRE EXTREME SOLUTIONS

In certain professions, extreme situations and environments are the norm rather than the exception. In jobs where people work in teams and sometimes in difficult or dangerous conditions, communication is vital. The ability to be heard and to receive instructions, despite not being able to hear one's own voice, can mean the difference between life and death. Such as when firefighters are in a burning building, police are managing a crowd, or military forces are under attack.



## Military

In regular military units and special forces, extreme noise from helicopters, heavy vehicles, explosions, and gunfire are a part of everyday life. For these groups, communication can mean the difference between mission success and failure, between life and death. In order for the units to conduct their missions effectively, strict demands are placed on advanced communications equipment that can also be integrated with new and existing communication systems and have hearing protection.



## Firefighters

For firefighters who save lives and coordinate actions, clear communication is a must. When the flames are roaring and consuming all the oxygen in the air, sound waves have trouble traveling, and when building structures collapse and rumble, it is difficult to hear anything in regular headphones or to make oneself understood via a microphone. Holding on to a communications radio while handling equipment at the same time is completely unthinkable, but firefighters have to be able to communicate with both colleagues and fire officers without interruption. The materials used in the communications equipment must also be able to withstand heat.



## Police officers

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



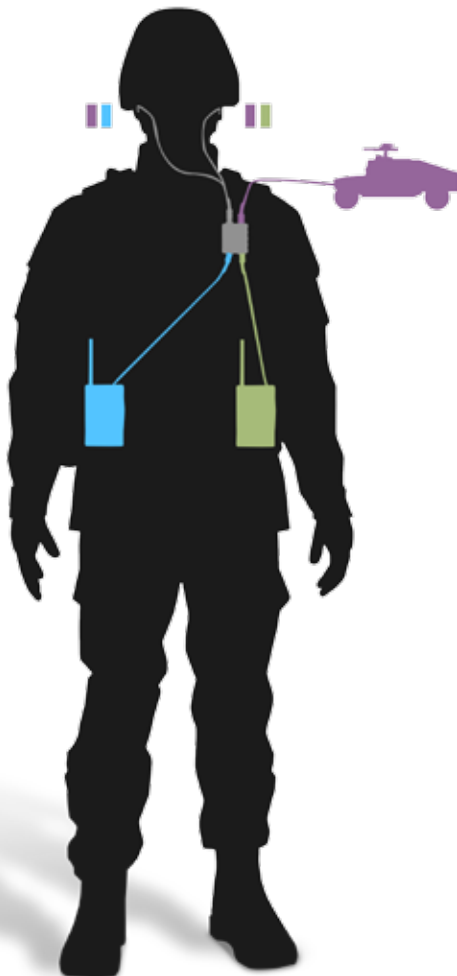
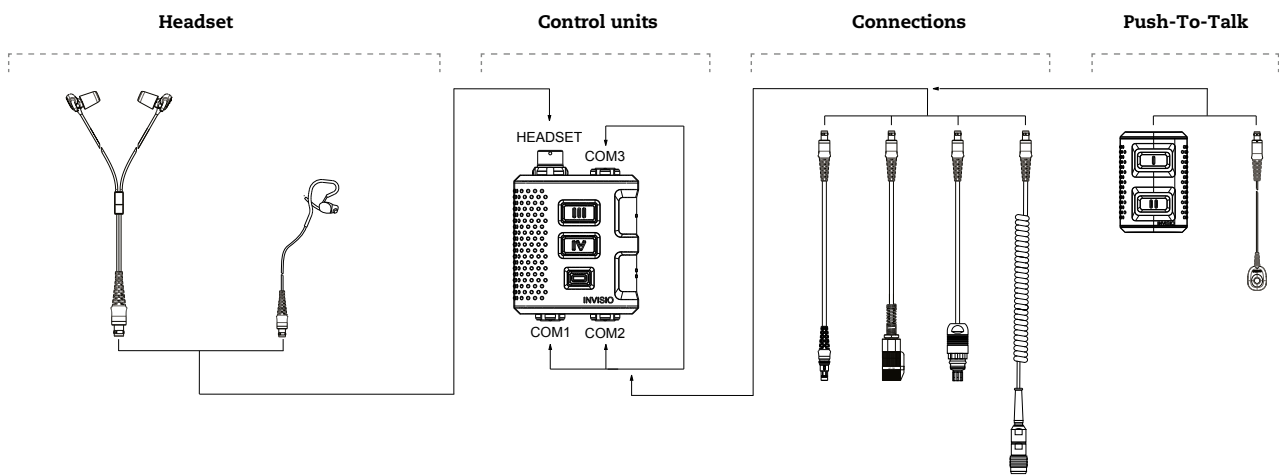
## Heavy industry

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

# COMPLETE COMMUNICATION SOLUTIONS

The common denominator for INVISIO products is the extremely stringent requirement for the equipment to work in all conceivable environments and for it to be compatible with existing communications equipment.

INVISIO's now broad range of products includes everything in the communication chain besides from the radio itself: headsets, control units, PTT solutions and other peripherals for use with two-way radio (see the drawing) which can be connected to all available communication sources, and more besides. No matter what is connected – a vehicle radio, personal radio, computer, or cellphone – INVISIO has the equipment required to create a custom communication solution offering the best possible functionality, comfort and safety.



Users such as soldiers, for example, use radios over a network and hear communications in both ears. If the user is connected via the radio to two networks at the same time, the networks are divided over the left and right ears, and the control unit can be used to manage everything needed.

## Connection options

**Radio**  
Connect to any type of radio, including full duplex and several parallel networks.



**Minesweeper**  
Connect to a mine detector and the sound will be heard in the headset, not broadcast to the surrounding area.



**Computer**  
Connect to a computer, allowing information to be taken from the computer.



**iPod/MP3 player**  
Connect to a music player and listen to audio playback of mission notes. Alternatively, music playback can be used for headset training.



**Cellphone**  
Connect to a cellphone at the same time as the tactical communications equipment.



**Medic cable**  
Intercom mode between medics and soldiers for direct, unhindered communication.



**Intercom system**  
Connect to any intercom platform with full accessibility to the intercom platform's radio.



**Power supply**  
Can be connected to an INVISIO Power Pack, which is available as an optional extra.



# PRODUCTS

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

INVISIO develops communication products for different application areas. It is developing advanced in-ear headsets, advanced control units, PTT (Push-To-Talk) and other peripheral equipment for use with two-way radio. All of INVISIO's headsets feature INVISIO Bone Conduction, a patented technology wherein a jawbone microphone sensitive to vibrations captures the voice without disruptive background noise. Certain models use advanced digital signal processing to further enhance the clarity of the sound. The sound is reproduced by miniaturized speakers that deliver high quality sound. INVISIO X5 and X6 models use a specially designed speaker with hi-fi specifications, which means even better sound quality. The headsets are supplied either with a standardized ergonomic design using INVISIO's Soft Spring™ system, which comfortably and effectively keeps the headset in place in the ear, or individually customized for the individual user.

### World-class quality and certification

Companies and government agencies demand products that fulfill accepted norms and standards. Certifications provide quality assurance in terms of expertise and credibility. As a

consequence, INVISIO has focused on certifying its products according to both current and possible future expectations.

### INVISIO fulfills the following directives and certifications:

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

## Product summary

### Tactical headsets



For all types of users  
M3 · M4



Hearing protection  
M3h · M4h



Waterproof  
M3s · M4s

### Specialized safety solutions



Protection against fire and high temperatures  
INVISIO Fire



Explosive environments  
M3 Ex

### Tactical hearing protection systems





Advanced hearing protection systems  
X5 · X6 · V60 · X50 · S10



















PTT Push-To-Talk  
M15 · M20 · M30 · M80

### Tactical PTT-solutions

# INVISIO's tactical headset Summary

<p><b>Universal fit</b> Precision-manufactured headsets, standard size, offering outstanding comfort and reliability.</p>		<p><b>Custom fit</b> Customized headsets offering unsurpassed comfort and a secure fit while also being easy to use.</p>	
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<p><b>For all types of users</b> Simple, lightweight headsets for use in noisy environments or shallow water.</p>		 <p><b>M3</b></p>	 <p><b>M4</b></p>
<p><b>For use even underwater</b> Waterproof headsets which can also be used to depths of 60 meters.</p>		 <p><b>M3s</b></p>	 <p><b>M4s</b></p>
<p><b>With hearing protection</b> Single-sided headset with passive hearing protection for use in extremely noisy environments.</p>		 <p><b>M3h</b></p>	 <p><b>M4h</b></p>
<p><b>With hearing protection and hear-thru</b> Double-sided headset with hearing protection and hear-thru.</p>		 <p><b>X5</b></p>	 <p><b>X6</b></p>
<p><b>For use in explosive environments</b> ATEX and IECEx-certified headsets for use in explosive environments, including mining.</p>		 <p><b>M3 Ex</b></p>	
<p><b>For use in extreme heat</b> Headset for use in extreme heat such as when firefighting.</p>		 <p><b>M3 Fire</b></p>	





# Advanced hearing protection systems

X5 · X6 · X50 · S10 · V60

## INVISIO X5

### Natural hearing

Natural hear-thru of ordinary sounds around the user.



### Hearing protection plugs

Foam plugs available in six sizes for the best possible fit and protection.

### INVISIO Bone Conduction

Vibration-based Bone Conduction microphone for crystal clear speech and elimination of background noise.

## Properties

### Double headset

with hearing protection (SNR 32dB).

### Hearing protection

in both standard (SNR 32dB) and custom fit (SNR 29dB).

### Electronic hear-thru

with unhindered 360-degree situational awareness.

### Blocking of acoustic impulse noise

for reliable hearing protection and natural hearing.

### Volume control

for both radio and hear-thru.

### Waterproof

(IP68) to a depth of two meters.

### Unequaled comfort

with the option of choosing a headset with standard or customized fit.

### Precision-made protected components

for use in extreme environments.

### Multichannel with full duplex support

with maintained situational awareness.

## INVISIO X6



Customized fit

**The world's smallest**

and lightest multichannel control unit, water-proof to a depth of 20 meters.

**INVISIO V60**



**Four channels**

Speak and listen over four simultaneous communication sources, portable or vehicle-mounted.

**Connect anything**

The ultimate military communications center for headsets, radio, remote PTT and computers.

**Plug & Go**

No training required, ready to use when it has been connected and the radio has been switched on.

**Properties**

**Flexible headset interface**

Can be adapted to fit existing and future headsets. The V60 system can be connected to several different headset types, including headsets for one ear or both ears, waterproof headsets, lightweight and simple headsets. There is also an adapter cable so that existing third party headsets can be used.

**Data connection**

Direct connection to units. INVISIO V60 comes with data connection at all communications ports, which permits communication between the control unit and other units. This makes it possible to upgrade the system software in the V60 units as well as controlling other units.

**Cable recognition**

Automatic adaptation. INVISIO V60 permits automatic recognition of hot swap units when connecting devices such as a radio, intercom system, or cellphone. The control unit automatically sets sound and system parameters when the unit is connected. This is a major advantage as the V60 unit does not then need to be programmed when new equipment is rolled out within the organization.

**Multichannel control unit**

Four channels. The INVISIO V60 unit's four communications ports automatically detect what type of unit is connected and immediately changes the settings so that it can work with the newly connected unit. Units which can be connected include radios, intercom systems, cellphones, computers,

and external power supplies. All communications ports have double audio channels (stereo) and double PTT so that the latest communication systems can be used.

**Power supply via connected units**

Simplified, with no integrated battery. INVISIO V60 has no integrated battery. Instead, a connected radio or other external power source is used to run it. This reduces both the complexity of the system and its size and weight.

**Four Push-To-Talk buttons**

Four dynamically allocated PTT buttons. All PTT buttons are allocated automatically, depending on connected units and user configuration. The two side buttons are designed for primary use, while the two front-mounted buttons are for secondary use.

**Hear-thru control**

Simplified volume control. INVISIO V60 uses a single control for hear-thru volume adjustment, which reduces the number of controls and makes it easier to set the correct audio volume in all situations. Hear-thru is started automatically when the radio is started and can be shut off by holding down the hear-thru control.

**Automatic start**

Starts with the radio without calibration. INVISIO V60 starts automatically when the first radio connected is started and is shut off at the same time as the last radio connected.

**INVISIO X50**



**Properties**

**Natural hearing**

with state-of-the-art hearing protection and electronically amplified hearing.

**Compatible**

with all two-way radios, intercom systems, and cellphones.

**Two-channel system**

with wireless Push-To-Talk and automatic sensing.

**Simultaneous unhindered hear-thru**

and communication, even in full duplex.

**Properties**

**Natural hearing**

with state-of-the-art hearing protection.

**Crystal clear communication**

in noisy environments.

**Simple use**

provides additional functionality for troop radio in the field.

**Full radio functionality**



**INVISIO S10**



# PTT Push-To-Talk

M15 · M20 · M30 · M80

## INVISIO M15

**Large button for ease of use,**  
even with gloves on.

**Precision-made polymer casing**  
for use in extreme environments.

**Robust rotating belt clip**  
for attaching to clothes and equipment.

**Various cable options**  
for the most demanding situations.



## INVISIO M30

**Ultralight and small format,**  
weighing less than 6 grams.

**Various cable options**  
for the most demanding situations.

**Precision-made casing,**  
watertight to a depth of 2 meters.

**Comfortable, hardwearing belt**  
with Velcro strip for attachment.

## INVISIO M80

**Simultaneous wireless use**  
of two communications units.

**Military-class 64-bit encryption.**

**IP68 and waterproof**  
to a depth of 2 meters.

**Robust Picatinny rail**  
for easy fitting to weapons.



## INVISIO M20

**IP68 and waterproof**  
to a depth of 20 meters.

**Precision-made sealed**  
and filled plastic casing for use in extreme  
environments.

**Various cable options**  
for the most demanding situations.

**Large button**  
for reliable and easy use.

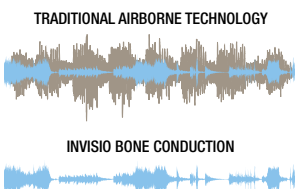
# FROM AUDIOLOGY TO COMMUNICATIONS

A prerequisite for being able to produce world-class communication solutions is a deep understanding of how sound, human hearing, electronics, and different materials work. To be able to develop a communication solution that meets the demands of professional users for clear communications, good ergonomics, reliability and durability, expertise in a number of different disciplines must be combined. It demands good knowledge of acoustics, radio technology, electronics, materials, and ergonomics – INVISIO's expert fields.



INVISIO Bone Conduction  
– jawbone microphone

All of INVISIO's headsets are placed in the ear and are made of a material which will not irritate, and they feature the patented INVISIO Bone Conduction technology, the jawbone microphone.



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

A deep understanding of how communication solutions work out in the field is a prerequisite for deciding which requirements must be fulfilled to aid the user's success. INVISIO has spent many years listening to the views of the most demanding users of communication solutions and adapted its products on the basis of this. This covers everything from communication itself to hardwearing materials, user friendliness and ergonomics. Besides its expertise in sound and communication, INVISIO offers further benefits in that special forces the world over have been using INVISIO solutions for many years. The fact that these users are of the opinion that INVISIO products work well out in the field is the best rating available.

## Solutions to meet all needs

INVISIO's technology includes communication solutions such as headsets in various forms, advanced control units, Push-To-Talk solutions and other peripheral equipment for use with two-way radio. Special applications, such as cables which can withstand heats of up to 300 degrees which are required for people who work in burning buildings, solutions which can be used in environments where there is a risk of explosion, and watertight structures which can be used when diving have been produced. INVISIO is a leading expert in interfaces as well as system solutions, radio technology, and

digital communications, which is important in efforts to produce comprehensive solutions in which communications radio, control unit, headset and software design must work together to create the best solution.

## Vibrations into sound

When we talk to each other, the sound of our voices moves through the air in the form of sound waves. Since most things around us generate or reflect sound waves, our voices must compete with many other sounds if we are to be heard. A microphone gathers all sounds, without discerning, and mediates them through a speaker. When the ear receives this information, all the sounds come from the same direction, making it difficult for the brain to interpret the information. This sometimes chaotic stream of sound can, of course, be processed electronically to dampen or filter out irrelevant sound, but if the interference is too great, signal processing is insufficient.

INVISIO bases its headsets on a technology called INVISIO Bone Conduction, where the microphone is replaced with a patented technology that senses vibrations in the jawbone. The vibrations are created by the wearer's voice when he or she speaks. The vibrations are then captured from the jawbone by a specially developed transducer, as it is called. The signals then undergo advanced signal processing to convert them







into clear speech. The design of the Bone Conduction microphone and its position inside the ear block ambient noise and mean that only the wearer's voice is transmitted to the communication radio. The combination of technology with advanced signal processing and hearing protection in communication solutions based on in-ear headsets are one of several initiatives which make INVISIO unique in the industry. The result is a number of product families with custom characteristics for different types of users who have one thing in common – the need to communicate in extreme environments.

#### **Hearing protection as part of the body**

For a headset to be used continuously for many hours, it must have an ergonomic design and be made of a material that does not irritate the ears. Moreover, it must allow external sounds to pass so that the user can conduct a regular conversation without removing the unit from his or her ear. Parallel to this, damaging and loud sounds, such as weapons being fired or the roar of an airplane engine, must not be allowed to pass. The placement of the microphone inside the ear together with its design block ambient sounds, which means only the wearer's voice is mediated to the communications radio. This means that the control unit acts as intelligent hearing protection in combination with the headset. The same solution can also be used to amplify sounds from the environment by a factor of up to five, enabling the user to hear things that the human ear normally cannot perceive, as well as replicate the direction of the source (situational awareness).

Besides an ergonomic design and dense materials which protect the hearing, INVISIO also includes advanced electronic signal processing in some of its communication solutions in order to prevent harmful high levels.

#### **Unique technology and expertise**

INVISIO products are designed for the most demanding environments. It is not unusual for it to be a matter of life and death when the user must feel able to fully rely on his or her communication equipment. To produce world-leading communication solutions for professional users, companies have to have very broad yet specialized expertise. The work

to develop INVISIO's communication solutions requires extensive knowledge and the development of new materials and technology in several fields, such as acoustics, miniaturization, and production. Most of this development work has taken place at INVISIO's laboratory in Copenhagen. In order to ensure the highest possible quality, INVISIO employs quality assured manufacturing and an extensive testing program and knowledge of how users' environments can be simulated in order to test the products. The designers use advanced and specially customized CAD programs to produce and assure the quality of the designs, reducing the time from idea to finished product. The ability to convert communication into electronic signals and back to clear speech while attenuating harmful noise forms part of INVISIO's own algorithms, which process and optimize the sound quality, and software which implements the technology in the products. In order to run this type of advanced program with the best results, the smallest format, and the lowest energy consumption, INVISIO has defined the hardware in the form of circuits and other components that are used to run the integrated software. The quality of the programming is decisive in attaining the highest possible sound quality while minimizing size and energy consumption.

#### **Specialist electronics production**

INVISIO production differs considerably from regular electronics production. INVISIO extensively uses special tools, and sometimes also microscopes for assembly, which means that the company has developed an expertise all of its own in the field of electronics production. The occasionally microscopically small components place unusually stringent demands on the tools used for production. Tolerances must be kept within very tight margins, which means production tools can only be manufactured using special methods employed by only a small number of suppliers in the world, with whom INVISIO has built up good relations. The products themselves are manufactured by companies such as PartnerTech in Vellinge, Sweden.



# PROFESSIONAL PRODUCTS MARKET

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

A couple of decades ago, several of the areas where INVISIO products are currently used lacked any form of viable technology. This means that the technical development itself contributes to market growth. Since the introduction of technically sophisticated headsets and control units offering two-way communication and hearing protection, these products have been in demand among professional users with stringent requirements on reliability, durability, and sound quality. These professions – which include military units and special forces, police and SWAT teams, emergency services such as firefighters and paramedics, and heavy industry – have gained considerably from such innovative solutions. The new products enable disruption-free communication almost regardless of the situation or sound environment the user faces. Moreover, hearing loss and tinnitus can be avoided, which reduces human suffering and saves money in the form of compensation and treatment for work-related injuries.

## Mature market with potential

INVISIO estimates the current value of the entire market for communications accessories for two-way radio at more than four billion Swedish kronor. The US is the largest single market with about 45 percent of global sales, followed by Europe with 30 percent, the Asia Pacific region with 20 percent, South America with 3 percent and Africa with 2 percent. The global market for professional users of radio equipment is relatively mature. However, there is considerable potential for growth with the technology transition from analog to digital and with more and more professions realizing the advantages of advanced headsets. At the same time, demands for hearing protection for all user categories are on the increase.

## Trends and market forces

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

**SEK 4  
billion**

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

**FIND OUT MORE ABOUT  
THE MILITARY MARKET**

**ON PAGE 21**

**FIND OUT MORE ABOUT  
HEARING LOSS AND HOW  
HEADSETS CAN PROVIDE  
PROTECTION**

**ON PAGES 22-23**

**FIND OUT MORE ABOUT THE  
MARKET FOR TETRA AND  
HEAVY INDUSTRY**

**ON PAGE 24**

# THE MILITARY – FREQUENT MAJOR BUYERS OF INVISIO PRODUCTS

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

In the military, extreme noise from helicopters, heavy vehicles, explosions, and gunfire are a part of everyday life. For these groups, communication can mean the difference between mission success and failure, between life and death. In order for the units to conduct their missions successfully and effectively, strict demands are placed on advanced communications equipment that can also be integrated with new and existing systems. For special forces, which have been using INVISIO solutions for a long time, the ability to communicate in whispers is also important as they may find themselves in extremely difficult situations that require this. The ability to protect personnel's hearing is also important for the military, and a strong driving force for INVISIO's sales work to the military segment. Military commanders want to prevent acute hearing loss and deafness due to explosions and gunfire in the short term, and in the long term they also want to reduce problems with disorders such as tinnitus, which is a common occupational hazard among soldiers. There are also financial considerations for the employer in order to avoid work-related injuries that demand compensation (see page 22).

## Military modernization programs as a driving force

Most of the world's military organizations continually review their equipment through modernization programs. As part of these programs, soldiers who are to head out into the field are equipped with everything from new, advanced technology to modern personal protection equipment. The programs which include communications equipment demand modern technology with high performance that is also user friendly and can be integrated with new and existing systems. Procurement processes often demand in-ear headsets and hearing protection, which is what INVISIO offers.

There are more than 49 such current or imminent programs in 38 countries, most of them in the US and Europe, but also in Asia, South America and Africa. A number of military procurements for communications equipment are expected to be implemented within the next three years – and the market is growing. Military budgets are also enormous, particularly in the US, and when communications equipment is procured the prices involved are often in the millions. Other



suppliers of communications equipment with extensive experience of the industry have historically announced orders for military programs ranging from about 25 up to several hundred million kronor, even though few orders are made public.

## INVISIO and the military

For many years now, INVISIO has been supplying communications products to military forces the world over, and a number of the world's best military special forces have been repeat customers for a long time. Besides the fact that INVISIO's technology resolves the problems of military personnel, allowing them to communicate in the extreme noise that can be found in their environments while at the same time protecting their hearing, the products are considered to be very user friendly and also to provide better situational awareness. The fact that the INVISIO brand is strong among these special forces is very important.

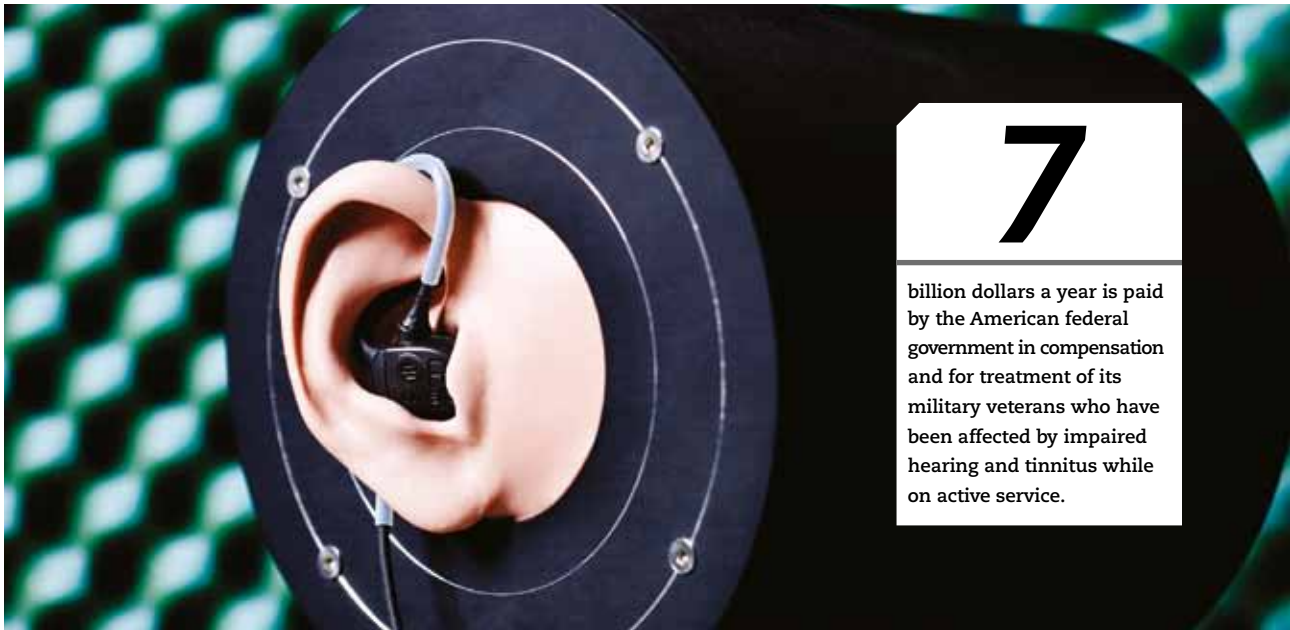
## New world-leading communication solution and new record order in 2012

In 2011, INVISIO took an important step forward with its record order from the Danish army for immediate operational use. This order was important not least because of its size, but mainly because it provides an example of how INVISIO products are used operationally; and also because it shows how the company can supply large volumes in a short time, a factor important when it comes to sales work with other major military customers.

In 2012, INVISIO saw another breakthrough within the military market – the new record order totaling SEK 32 million for a large number of units of the new advanced communication system INVISIO V60 (see pages 8-9). Quite apart from the fact that the total value of the order is almost equivalent to one year's sales for INVISIO, this order provides an important breakthrough on the volume market – for orders involving thousands of units – and within the military modernization programs. All in all, this order, together with the earlier orders from the Danish and Swedish armed forces, is particularly important as both orders have come from INVISIO's domestic markets. Together, these orders will act as reference orders on major markets outside the Nordic countries.



# HEARING LOSS AND TINNITUS – PROBLEMS WHICH INVISIO CAN PREVENT



# 7

billion dollars a year is paid by the American federal government in compensation and for treatment of its military veterans who have been affected by impaired hearing and tinnitus while on active service.

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

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

### Massive socioeconomic cost

Quite apart from the human suffering caused by hearing loss and tinnitus, noise and excessive noise may lead to problems such as sleep disturbances, impaired work performance, raised blood pressure and impaired concentration. All in all, this results in massive socioeconomic cost for employers, insurance companies and national governments. For instance, the American federal government pays more than SEK 7 billion a year in compensation and for treatment of its military

veterans who have been affected by impaired hearing and tinnitus while on active service. In Sweden, the corresponding figure between 2001 and 2006 was almost SEK 12 million. In Sweden, noise damage is also the fourth most common occupational injury. Since July 2010, the EU Noise at Work Directive has made it a requirement for companies and organizations to protect their employees from noise exceeding 85dB.

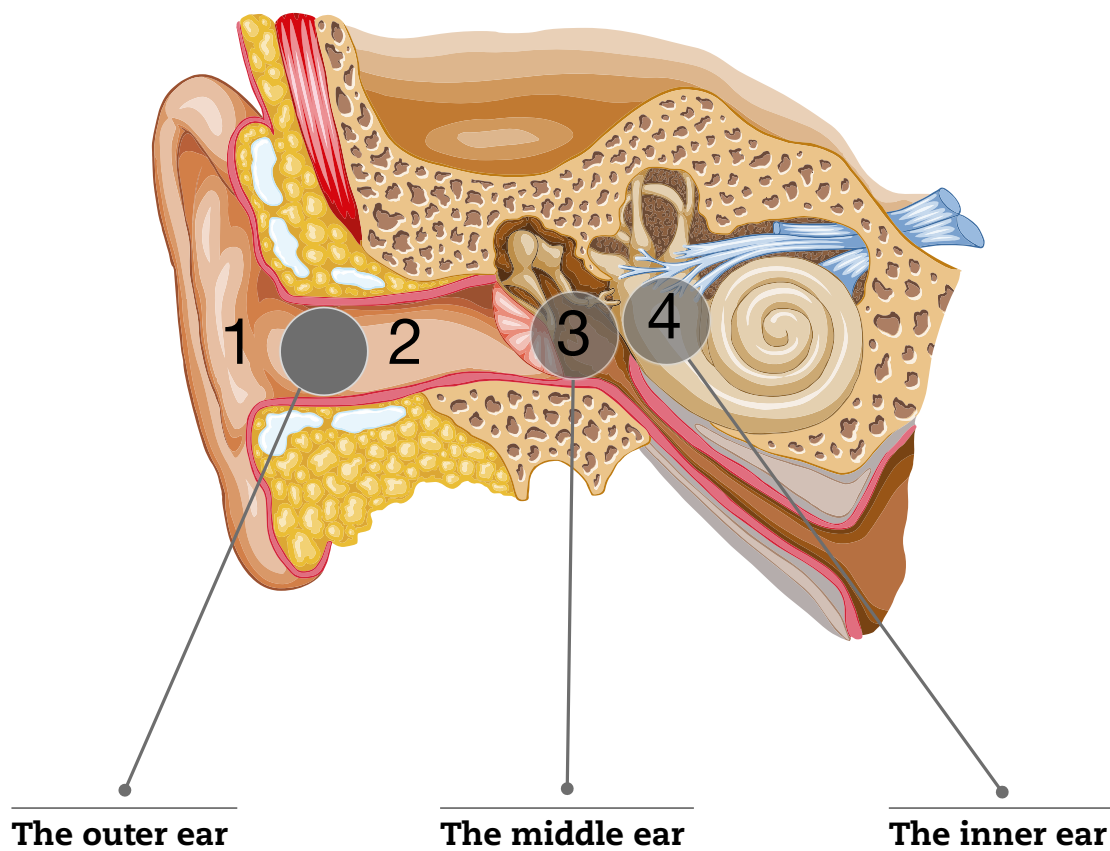
### Our sensitive hearing requires advanced protection

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

A number of INVISIO's headsets protect the hearing from loud noise, while at the same time permitting disturbance-free and clear communication. These headsets act like advanced earplugs, whereby the external microphones that mediate the sound around the user are automatically switched off immediately before potentially harmful noise can reach the inner ear. This function is particularly useful and appreciated among the military and police, and is a clear contributory factor to sales of INVISIO's communication system with hearing protection. Over the last few years, INVISIO has launched a number of solutions with hearing protection, including the X6 headset, the world's first individually customized headset with Bone Conduction and certified hearing protection. The technology in the X6 headset is specifically designed to protect against hearing loss. The INVISIO X50, S10 and the V60 launched this year are all advanced communication solutions with hearing protection. INVISIO also has a current patent application, INVISIO Custom Protect Hearing Protection.

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

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



The visible part of the ear, known as the pinna (1), has an important part to play in directional hearing. The pinna acts as an acoustic antenna because of its shape. To achieve the best possible directional hearing with the headset, this has to be placed inside the ear so that it has as little effect as possible on the natural function of the ear. Some frequencies are further enhanced in the auditory canal (2). When a headset or something else is blocking the auditory canal, its function ceases and so compensation has to be made to permit natural tonal balance.

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

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



## TETRA – A MARKET WITH POTENTIAL

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

TETRA makes it easier to coordinate rescue missions since one and the same communication system is used by all the organizations involved, and increasingly also by the rescue services of different countries. The transition from analog systems to TETRA means that all communications equipment, from hand-held radios to exchanges and base stations, must be replaced. This means very good business opportunities for suppliers of the various components in these communication solutions. Once the TETRA system is in place, the next step for the end user is to start to review peripheral TETRA equipment such as communication solutions within the new radio network. At the end of 2009, there were TETRA projects in 114 countries, and between 2011 and 2012 even more large organizations and authorities continued to implement TETRA-based communications solutions. Despite major delays, TETRA will be implemented in even more countries and by more organizations over the next few years.



### INVISIO and TETRA

INVISIO's products are very well suited to use within TETRA systems, partly because INVISIO's communication solutions are fully digitally compatible, and not least considering the importance of clear and completely secure communication that TETRA system users need to coordinate action – and save lives. The environments in which they work can also be extreme and noisy, as with firefighters and police. With INVISIO's close collaboration with leading players, these can now easily complement their tenders with a first class communication system from INVISIO that guarantees that users can always make themselves heard, and hear, even under the most extreme and noisy conditions.

## HEAVY INDUSTRY

In heavy industry such as mining, paper mills, and the oil industry, work environments are often very noisy. Communication is very important, as these environments are often hazardous and the equipment is both complex and costly. In potentially explosive environments, the equipment must also be made safe against this.

Heavy industry is a market where INVISIO does not make major sales yet. However, there is a significant need since many major businesses handle their operational communications via a radio network and use two-way radios. Hazardous environments are often involved, as is complex and costly equipment, where shortcomings in communication can lead to both costly and hazardous accidents or mistakes. In industry, too, it is important to protect personnel's hearing while still enabling them to communicate.

### INVISIO and heavy industry

Just as for the other segments, INVISIO solutions are ideal for heavy industry. INVISIO has also produced a new version of its successful INVISIO M3 headset, which has been suffixed



EX and is IECEx and ATEX-certified. This headset has been developed for absolute safety in use in situations where the slightest little spark could cause a fire or explosion – environments common in the gas and oil industry, for example. Being able to offer IECEx and ATEX certified products enhance the company's sales opportunities to heavy industry.

**M3EX**  
Is ATEX and IECEx-certified  
and can be used in explosive environments.



# INVISIO'S COMPETITORS

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

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

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

## Noise and unwanted sounds

The alternative to ear cups is to place the speakers inside the ears – known as "in-ear" headsets – and nowadays these are common audio accessories for cellphones, MP3 players, etc. A very small speaker is placed directly in the outer ear or auditory canal and thereby avoids competing with sounds from the surrounding environment. In headsets for the consumer market, for instance, the speaker in the ear is combined with an external microphone that picks up the voice from the side of the mouth. But the microphone also picks up noise and unwanted sounds, which makes it difficult for the other party to hear what the user is saying.

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

## In-ear products

Besides INVISIO, there are a handful of other in-ear products. These suppliers' products are similar in function to



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



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

INVISIO's, but use a different voice-capture technology. INVISIO products sit comfortably in the ear, not too far in, are very user friendly, and are also very good at blocking disruptive background noise. Many suppliers of professional headsets for in-ear use are relatively small companies. Increasingly, procurement processes in, for example, the military, specify that in-ear type headsets shall be available. Ergonomics, functionality, and performance are equally or more important for this type of solution compared to the ear cup type.

# History

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

INVISIO Bone Conduction is a patented technology for converting the vibrations produced in the jawbone when speaking into sound. The technology is based on the known fact that bones conduct sound.

INVISIO used the technology to manufacture a headset that picks up sound based on jawbone vibrations. This resulted in the creation of a headset that isolates speech

from disruptive ambient sound. INVISIO's first customer was the Danish armed forces. Since the company's beginnings in 1999, the military and so-called blue light operations have been INVISIO's primary target group. INVISIO also wanted to utilize the great expertise held in sound transmission to broaden its product offering. In 2001, the company began to develop headsets for the consumer market based on Bluetooth, a technology for reliable wireless communication over short distances. A number of collaborative constellations for product development and products for the consumer market were tested, but in the end INVISIO decided to take care of its development activities on its own. The products received much praise, but also entailed major costs for INVISIO, which was forced to compete in the tough consumer market.

In 2008, INVISIO altered the focus of the company and selected a new strategy

**NEXTLINK TO A/S** established in 1999



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

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

**IN JUNE 2010, INVISIO HEADSETS AB CHANGES ITS NAME** to INVISIO Communications AB. The change is part of the company's deliberate development from a headset company into a communications company.

**INVISIO COMMUNICATIONS**

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

**IN 2008, NEXTLINK AB CHANGES ITS NAME** to INVISIO Headsets AB.

**INVISIO HEADSETS**



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

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

**SEK 25 million**



**IN 2001, UNDER THE BLUESPOON** brand, the company launches its first wireless headsets for the consumer market.



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

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



**In the second half of 2009,** the new series of professional products is launched – INVISIO X50, a new digital communication system with certified hearing protection. The system is supplied with the new two-channel headset INVISIO X5 or INVISIO X6.

1999

2004

2008

2009

2010



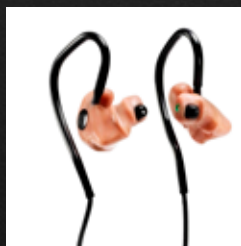
focusing on professional users of two-way radio communication. In connection with this new strategy, INVISIO signed an exclusive licensing and collaboration agreement with Motorola, one of the world's leading suppliers of Bluetooth headsets for the consumer market. This agreement gave Motorola the opportunity to use INVISIO technology such as INVISIO Bone Conduction in its products for the consumer market, so permitting disturbance-free communication in extreme conditions. The agreement expired in 2011, and nowadays INVISIO focuses its resources entirely on professional products rather than new partnerships on the consumer market.

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

its results. In 2011, INVISIO's professional products focus area took an important step forward with its record order from the Danish army for immediate operational use. This order was important not least because of its size, but mainly because it provides an example of how INVISIO products are used operationally; and also because it shows how the company can supply large volumes in a short time, a factor important when it comes to sales work with other major military customers.

In 2012, INVISIO saw another breakthrough when the company received its biggest order ever – the record order to the army of a NATO country, totaling SEK 32 million. This order provides a breakthrough for INVISIO on the volume market for communication systems and within the military modernization programs taking place all over the world. This order, together with the earlier orders from the armed forces of Denmark and Sweden in 2011, are important reference orders for INVISIO within the military segment.

INVISIO is now a small but very well established player in the market for communications solutions for professional users, offering products and services at the cutting edge of technology.



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



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

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



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

**SEK 11.5 million**

**AT THE END OF 2012, INVISIO RECEIVED** by far its biggest order ever, totaling SEK 32 million, from the army of a NATO country via a leading radio producer. This order related to a large number of units of the advanced new INVISIO V60 communication and hearing protection system.

**SEK 32 million**

**IN 2012, INVISIO V60**, an advanced new communication and hearing protection system for modern military forces, is launched. With the new system, users can benefit from a very lightweight, compact, flexible communication system with built-in hearing protection and electronic hear-thru for 360-degree situational awareness.



2011

2012

# Milestones

# SHARE DATA AND OWNERSHIP STRUCTURE

## Share capital

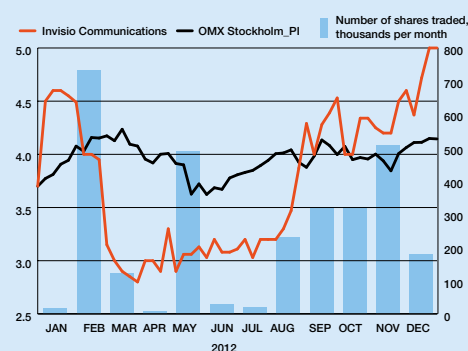
The share capital of INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company") totaled SEK 38,440,161 as per December 31, 2012, divided into 38,440,161 shares (registered number), each with a quotient value of SEK 1.00. Each share carries equal entitlement to the Company's assets and profits and entitles the same voting rights. At general meetings, each individual entitled to vote may vote for the full number of shares held by the individual without any limitation on voting rights. As per December 31, INVISIO Communications had 209 (228) shareholders.

## GROWTH IN SHARE CAPITAL

Year	Transaction	Increase in the number of shares	Total number of shares	Increase in share capital, SEK	Total share capital, SEK	Quotient value, SEK
11/11/2003	Company formation	1,000	1,000	100,000	100,000	100
3/24/2004	Split (100:1)	99,000	100,000	0	100,000	1
3/24/2004	Directed new share issue	400,000	500,000	400,000	500,000	1
6/30/2004	Non-cash issue	8,663,915	9,163,915	8,663,915	9,163,915	1
7/30/2004	Directed new share issue	1,500,000	10,663,915	1,500,000	10,663,915	1
12/22/2005	Share issue with pre-emption rights	2,132,783	12,796,698	2,132,783	12,796,698	1
9/24/2006	Option redemption	79,755	12,876,453	79,755	12,876,453	1
10/12/2006	Directed new share issue	1,270,000	14,146,453	1,270,000	14,146,453	1
10/30/2006	Option redemption	464,000	14,610,453	464,000	14,610,453	1
10/30/2006	Option redemption	53,000	14,663,453	53,000	14,663,453	1
5/4/2007	Share issue with pre-emption rights	1,947,078	16,610,531	1,947,078	16,610,531	1
5/21/2007	Share issue with pre-emption rights	147,701	16,758,232	147,701	16,758,232	1
7/4/2007	Option redemption	39,550	16,797,782	39,550	16,797,782	1
9/24/2007	Option redemption	22,600	16,820,382	22,600	16,820,382	1
11/13/2007	Share issue with pre-emption rights	2,803,397	19,623,779	2,803,397	19,623,779	1
1/15/2008	Option redemption	75,900	19,699,679	75,900	19,699,679	1
2/6/2008	Option redemption	126,005	19,825,684	126,005	19,825,684	1
6/30/2008	Option redemption	240,400	20,066,084	240,400	20,066,084	1
8/15/2008	Option redemption	90,000	20,156,084	90,000	20,156,084	1
9/30/2008	Option redemption	50,000	20,206,084	50,000	20,206,084	1
9/30/2008	Option redemption	230,000	20,436,084	230,000	20,436,084	1
11/17/2008	Option redemption	25,000	20,461,084	25,000	20,461,084	1
12/2/2008	Option redemption	185,000	20,646,084	185,000	20,646,084	1
1/7/2009	Option redemption	138,000	20,784,084	138,000	20,784,084	1
2/11/2009	Option redemption	150,000	20,934,084	150,000	20,934,084	1
3/31/2009	Share issue with pre-emption rights	83,106	21,017,190	83,106	21,017,190	1
9/25/2009	Directed new share issue	547,936	21,565,126	547,936	21,565,126	1
1/11/2010	Directed new share issue	500,000	22,065,126	500,000	22,065,126	1
3/18/2010	Directed new share issue	383,562	22,448,688	383,562	22,448,688	1
8/2/2010	Directed new share issue	1,052,632	23,501,320	1,052,632	23,501,320	1
1/11/2011	Share issue with pre-emption rights	2,350,132	25,851,452	2,350,132	25,851,452	1
12/20/2011	Share issue with pre-emption rights	4,327,402	30,178,854	4,327,402	30,178,854	1
12/29/2011	Share issue with pre-emption rights	2,525,497	32,704,351	2,525,497	32,704,351	1
1/9/2012	Share issue with pre-emption rights	963,086	33,667,437	963,086	33,667,437	1
5/7/2012	Directed new share issue	2,500,000	36,167,437	2,500,000	36,167,437	1
12/19/2012	Directed new share issue	2,272,724	38,440,161	2,272,724	38,440,161	1

## Price trend

The chart at right shows the price trend for INVISIO Communications shares (IVSO) in 2012. The closing price on December 28, 2012, was SEK 5.00, entailing a total market capitalization of approximately SEK 192 m. During the period January 2, 2012 to December 28, a total of 2,977,592 shares were traded at a value of SEK 10.9 m.



Source: [rtx.se](#)



## Trading in INVISIO Communications shares

INVISIO Communications shares are traded on First North Premier Segment Stockholm, which is operated by NASDAQ OMX Stockholm. INVISIO Communications is traded under the ticker name IVSO and has the ISIN code SE0001200015. Trading is conducted electronically, and continuously, and information on prices, volumes, and bid-offer spread are published in real time in the same manner as for shares listed on a regulated market. NASDAQ OMX Stockholm is not responsible for monitoring the companies listed on First North; instead, this is managed by certified advisers. The certified adviser for INVISIO Communications is Mangold Fondkommission, a member of and contracted partner with NASDAQ OMX Stockholm. The certified adviser monitors the Company's compliance with the requirements for First North and the applicable requirements on information. The Company complies with the First North Rule Book and other applicable stock exchange regulations, as well as the Swedish Companies Act. All shares carry equal entitlement to dividends and shares in the Company's profit, as well as a share in its assets in case of liquidation.

## Market maker

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

## Dividend policy

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

## Owners of INVISIO Communications, as per December 28, 2012.

Owner	No. shares	% votes and capital
SIX SIS AG, on behalf of clients	8,678,232	22.6%
Lage Jonason, with family and companies	6,764,298	17.6%
Alecta Pensionsförsäkringar	5,982,500	15.6%
Yggdrasil AB	3,369,255	8.8%
TAMT AB	2,500,000	6.5%
Swedbank Robur Exportfond	1,963,498	5.1%
Ingvar Kamprad	1,000,000	2.6%
JP Morgan Bank	832,575	2.2%
Erik Mitteregger Förvaltnings AB	726,645	1.9%
Svenska Handelsbanken SA	635,144	1.7%
Others	5,988,014	15.6%
<i>Total</i>	<i>38,440,161</i>	<i>100.0%</i>

## SUMMARY OF OUTSTANDING STOCK OPTIONS

Option program	Number of options	Subscription price, SEK	Possible increase in share capital, SEK	Subscription period	Dilutive effect, %	Accumulated dilutive effect, %
2008/2013 no. 6	2,000,000	25.00	2,000,000	4/30/2008-4/30/2013	4.95%	4.95%
<i>Total</i>	<i>2,000,000</i>		<i>2,000,000</i>		<i>4.95%</i>	

## Stock options

INVISIO Communications AB currently has one outstanding stock option program:

### Warrants no. 6

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

# CORPORATE GOVERNANCE REPORT

## General

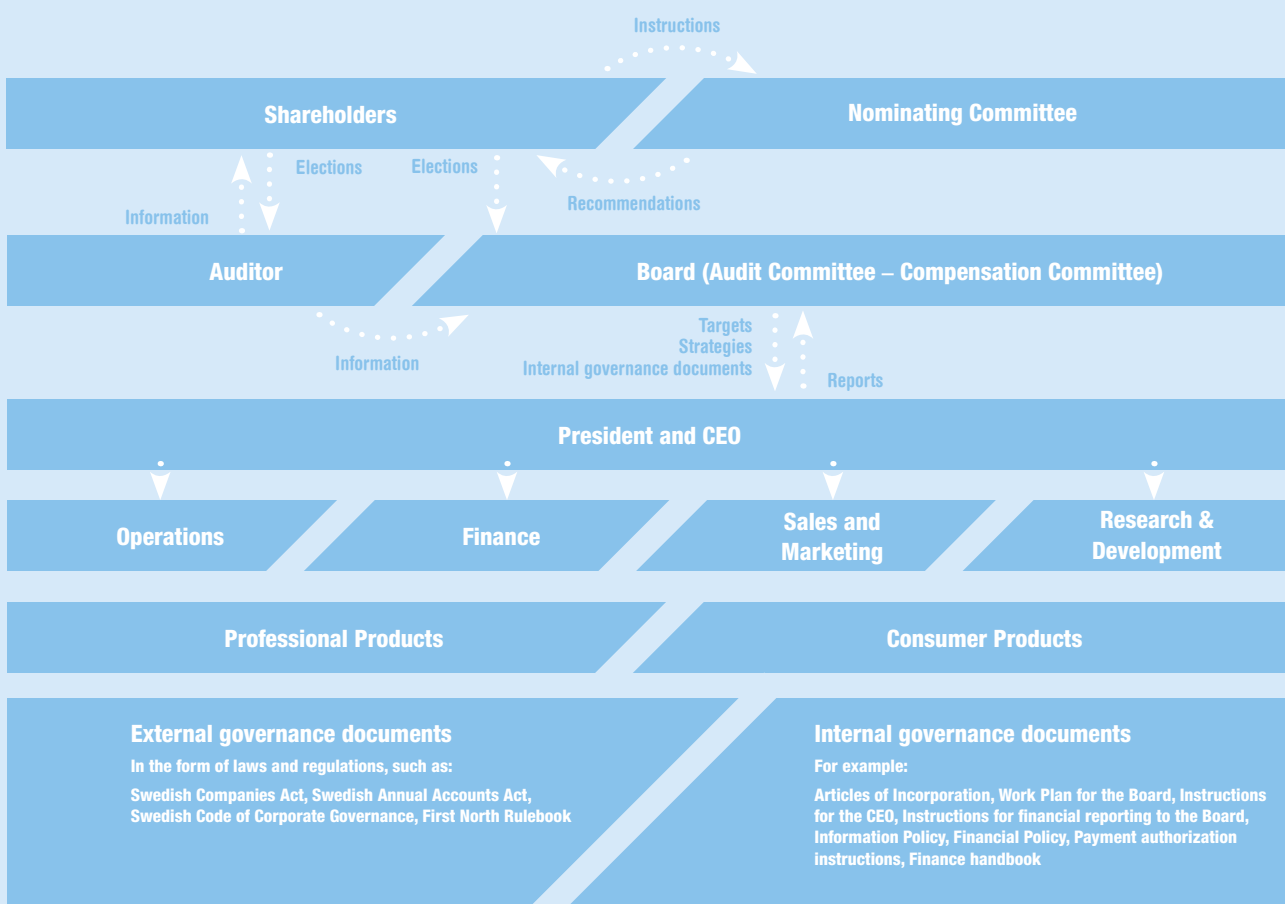
INVISIO Communications AB (publ.) ("INVISIO Communications" or the "Company") is a Swedish limited liability company with its registered office in Stockholm, Sweden. The company is listed on First North Premier Segment Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. The Swedish Code of Corporate Governance applies to Swedish limited liability companies whose shares are available for trading in a regulated market in Sweden, currently NASDAQ OMX Stockholm and NGM Equity. The rules of the Swedish Annual Accounts Act on corporate governance reporting also apply to companies whose shares are available for trading in a regulated market. Thus, INVISIO Communications is not formally bound to the Swedish Code of Corporate Governance or the rules of the Swedish Annual Accounts Act on corporate governance reporting. However, the basis of the corporate governance used by INVISIO Communications is the same as for companies listed on a regulated market and emanates from the Swedish Companies Act, Swedish Annual Accounts Act, the Swedish Code of Corporate Governance and other

applicable Swedish and foreign laws and rules. No departures from the Swedish Code of Corporate Governance have been noted. The document "Overview of INVISIO Communications' application of the Swedish Code of Corporate Governance" (original title: "Översikt av INVISIO Communications tillämpning av Svensk kod för bolagsstyrning") can be found on the INVISIO Communications website [www.invisio.com](http://www.invisio.com). This corporate governance report, which has been prepared in accordance with Swedish Annual Accounts Act and the Swedish Code of Corporate Governance, has been audited by the Company's auditor.

## Overview of corporate governance at INVISIO Communications

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

### Overview of corporate governance at INVISIO Communications



## Shareholders

### SHAREHOLDERS' VOTING RIGHTS

INVISIO Communications has been listed on First North, Stockholm since mid-2006, and more specifically under the First North Premier Segment, Stockholm since July 9, 2009. The Company's share capital, at December 31, 2012, amounted to SEK 38.4 m (32.7), divided into 38,440,161 shares (32,704,351), each with a quotient value of SEK 1.00. All shares have equal voting rights and there is no limit to the number of votes our shareholders may use at a general meeting. The Company's market capitalization, based on the closing price at December 28, 2012, was approximately SEK 192 m (121).

### NUMBER OF SHAREHOLDERS

As per December 28, 2012, INVISIO Communications had 209 (228) shareholders. Major shareholders are SIX SIS AG, on behalf of clients, with 22.6 percent of the stock and votes, Lage Jonason (with family and companies) with 17.6 percent of the stock and votes, and Alecta Pensionsförsäkringar with 15.6 percent of the stock and votes.

### GENERAL MEETING OF SHAREHOLDERS

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

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

### 2012 ANNUAL GENERAL MEETING

The 2012 Annual General Meeting was held in Stockholm on May 29. A total of 6 shareholders or their proxies were present, representing 43.3 percent of the number of shares and votes. The minutes from the AGM can be found on the INVISIO Communications website [www.invisio.com](http://www.invisio.com). A number of the resolutions that were passed follow below.

Chairman of the Board Lars Röckert was elected to chair the AGM. The AGM resolved to adopt the Company's income statement and balance sheet for 2011, to adopt the consolidated income statement and consolidated balance sheet for 2011, to distribute the Company's deficit in accordance with the recommendation of the Board and the CEO in the 2011 Board of Directors' report (that is, to carry it forward), and to discharge the board members and the CEO from liability for the 2011 financial year.

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

The reason for deviating from the shareholders' pre-emption rights is to spread ownership in the Company through a listing of the Company's stock on NASDAQ OMX Stockholm or, should such a need arise, to strengthen the Company's financial position. Decisions supported by said authorization shall comprise a maximum of 3,100,000 shares in new share issues, in the exercising of stock options, and/or the conversion of convertibles, corresponding to approximately 9.2 percent of the number of shares and votes outstanding at that time. Cash issues or set-off issues conducted with deviation from the shareholders' pre-emption rights may only be carried out at a price equal to the market value of the share, stock option, or convertible and on the basis of any altered terms the Board may deem necessary in order to complete the issue.

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

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

### 2013 ANNUAL GENERAL MEETING

The 2013 AGM will be held at 13:00 on Wednesday, April 24, 2013 at the premises of Advokatfirman Westermark Anjou AB at Sergels Torg 12 in Stockholm. Notice of the AGM can be found on the INVISIO Communications website [www.invisio.com](http://www.invisio.com).

### Nominating Committee

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

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

Before the end of the third quarter, the Chairman of the Board shall contact the three to four largest shareholders of the Company, who then each appoint one member to serve on the Nominating Committee. Board members shall not comprise a majority of Nominating Committee members. One of the members of the Nominating Committee shall be appointed to serve as committee chair. If any of the three to four largest shareholders refrain from appointing a Nominating Committee member, the Chairman of the Board shall urge another major owner to appoint a member. Shareholders who have appointed a member have the right at any time to replace their designated member with another representative.

In addition, the Chairman of the Board shall be a member of the Nominating Committee, but shall not be appointed as committee chair. As part of the Nominating Committee's work, the Chairman of the Board shall report to the committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be important to the composition of the Board. Individual shareholders of the Company shall be able to submit nominations for Board members to the committee for further evaluation within the framework of the committee's work.

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

This Nominating Company instruction shall apply until a new instruction has been adopted.

The Nominating Committee prior to the 2013 AGM comprised Ramsay Brufer, who also acted as Committee Chairman and represented Alecta Pensionsförsäkringar, mutually, Lage Jonason, representing himself and his family and companies, Björn Franzon, representing Swedbank Robur fonder, and Chairman of the Board Lars Röckert.

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

## Board

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

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

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

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

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

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

### AUDIT COMMITTEE

The Board is responsible for ensuring that the Company has good internal control and formalized routines that ensure compliance with established principles for financial reporting and internal control and that the Company's financial reporting is prepared in compliance with law, applicable accounting standards, and other requirements placed on the Company.

The Audit Committee's duties and responsibilities include:

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

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

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

At Board meetings, the Audit Committee discussed the interim report for January – March 2012, the half-year report for January – June 2012, the interim report for January – September 2012, the year-end report for January – December 2012, and the 2012 Annual Report. At board meetings, the Audit Committee met with the Company's auditor to receive information on the audit plan and the result of the auditor's audit and to examine the auditor's written plans and reports.

### COMPENSATION COMMITTEE

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

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

### COMPOSITION OF THE BOARD AND ITS COMMITTEES AND DIRECTORS' INDEPENDENCE

According to the Articles of Incorporation, the Board of INVISIO Communications shall consist of a minimum of three and maximum of eight directors. The Board currently consists of five directors, who were elected for terms extending until the 2013 Annual General Meeting. These directors are Lars Röckert, Anders Persson, Mats Warstedt, Jan Samuelson and Lage Jonason. The composition of the Board's Audit Committee and Compensation Committee is shown in the table "Composition of the Board 2012" below. The same table also shows the Board's assessments of directors' independence in relation to the Company and company management and the Company's largest shareholders. The table also shows that INVISIO Communications complies with the requirement of the Swedish Code of Corporate Governance from July 1, 2008 that a majority of directors shall be independent in relation to the Company and company management and that at least two of these shall also be independent in relation to the Company's major shareholders. The Board's assessments of directors' independence is the same even in relation to the requirements in the Swedish Code of Corporate Governance from February 1, 2010 that are applied only to directors elected after July 1, 2010.

## COMPOSITION OF THE BOARD

2012	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Lars Röckert	1950	Chairman	2010	yes	Chairman	Chairman
Anders Persson	1957	Member	2009	yes	Member	Member
Mats Warstedt	1962	Member	2008	yes	Member	Member
Jan Samuelsson	1963	Member	2011	yes	Member	Member
Lage Jonason	1951	Member <sup>1</sup>	2012	No <sup>2</sup>	Member	Member

<sup>1</sup>Member as of 2012 AGM

<sup>2</sup>Lage Jonason is non-independent in relation to major shareholders and independent in relation to the Company and the company executive.

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

<sup>1</sup>Member as of 2011 AGM

<sup>2</sup>Member until 2011 AGM

## THE WORK OF THE BOARD

According to the Articles of Incorporation, INVISIO Communications' board shall meet at least eight times each year, excluding the board meeting following the election of the Board. In 2012, the Board held 15 meetings. The attendance of board members at board meetings is shown in the table "Directors' attendance 2012" below.

The main issues covered at board meetings in 2012 were:

- Year-end report 2011
- Annual report 2011
- Internal governance documents
- Evaluating the CEO and other members of management and ensuring succession planning
- Compensation of CEO and other senior executives
- Evaluating the work of the Board
- Sales processes and sales activities
- Production matters

- Follow up on goals and strategies
- Financial accounting and reporting
- Internal prognoses regarding sales, profits and liquidity
- Liquidity and financing matters, including raising external loans and new share issues
- Interim Report January – March 2012,
- Goals and strategies
- The auditor's audit plan
- Half-year Report January – June 2012,
- Interim Report January – September 2012,
- The CEO's report and business follow-up
- The outcome of the auditor's assignment

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

## BOARD MEMBERS' ATTENDANCE

2012	Position	Board meetings
Lars Röckert	Chair	15 of 15
Anders Persson	Member	15 of 15
Mats Warstedt	Member	15 of 15
Jan Samuelsson	Member	15 of 15
Lage Jonason	Member <sup>1</sup>	9 of 9

<sup>1</sup>Member as of 2012 AGM

2011	Position	Board meetings
Lars Röckert	Chair	22 of 23
Anders Persson	Member	20 of 23
Mats Warstedt	Member	23 of 23
Jan Samuelson	Member <sup>1</sup>	15 of 15
Heléne Vibbleus Bergquist	Member <sup>2</sup>	8 of 8
Magnus Ruding	Member <sup>2</sup>	8 of 8

<sup>1</sup>Member as of 2011 AGM

<sup>2</sup>Member until 2011 AGM



### EVALUATING THE WORK OF THE BOARD

According to the Board's Work Plan, the Chairman of the Board is responsible for ensuring that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work forms and effectiveness. In 2012, evaluation has been made with the Nominating Committee holding interviews with each individual director. These interviews were conducted by Ramsay Brufer and Björn Franzon.

### Auditor

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

At the Board's request, the auditor also conducted a review of the interim report for January – September 2012.

At the 2008 AGM, the certified public accounting firm PricewaterhouseCoopers AB was elected to serve as auditor for the time extending through the end of the Annual General Meeting held in the fourth financial year following the financial year in which the auditor was elected. The auditor-in-charge is Michael Bengtsson, Certified Public Accountant.

### CEO, management, departments, and employees

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

INVISIO Communications' operations up to 2012 are organized in two business areas, Professional Products and Consumer Products, and in four departments, Operations, Finance, Sales & Marketing and Research & Development. INVISIO Communications' headquarters are in Copenhagen, Denmark, which is where management and administration, business operations, some manufacturing, sales and marketing and research and development are conducted. Most manufacturing is outsourced to subcontractors. The CEO heads operations and makes decisions in consultation with the other members of management, who consist of the managers of the four business areas. The Company had 29 (30) employees as per December 31, 2012 and 13 (14) of those employed worked in Research & Development.

# BOARD OF DIRECTORS

## ■ LARS RÖCKERT (BORN 1950)

*Member of the Board since April 2010 and Chairman since April 2011*  
Lars Röckert trained as an officer at Karlberg Military College 1973-74 and the Military College Higher Course 1982-1984, which corresponds to a higher academic exam. Röckert was an active officer between 1974 and 1984. From 1984, Lars Röckert was active in the Swedish defense industry at companies such as SAAB, Ericsson and Bofors/BAE Systems. Lars Röckert held various marketing and sales manager positions there. Most lately, he was Head of Marketing at BAE Systems AB, legal owner of Bofors and Hägglunds. He left this position in 2011 when he also left BAE Systems in order to run his own company. Röckert was also a Board member at BHIC Bofors Asia Sdn Bhd from 2004 until March 2011, and he was formerly also a director and Chairman at H-B Utveckling AB.

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

<i>Assignment</i>	<i>Position</i>
L.M.R. Business Development AB	Member of the Board

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

## ■ ANDERS PERSSON (BORN 1957)

*Member of the Board since April 2009*  
Anders Persson holds an M.Sc. Eng in Engineering Physics from Chalmers University of Technology, Gothenburg. Anders Persson is a Board member at Net Insight Consulting AB and deputy Board member of Ten Tech AB, and works as deputy CEO and development manager of Net Insight AB. Anders Persson has many years of experience from the Ericsson Group, where he was most recently General Manager for Network Design and Performance Improvement. Anders Persson has also held a number of other executive positions within the Ericsson group.

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

<i>Assignment</i>	<i>Position</i>
Net Insight Innovation AB	Member of the Board
Net Insight Intellectual Property AB	Member of the Board
Net Insight Consulting AB (publ)	Member of the Board
Persson Executive Consulting AB	Board member and CEO
Net Insight AB	Executive Vice President
TEN Insight AB	Deputy Board member

Anders Persson privately owns 28,336 shares in INVISIO Communications.

## ■ MATS WARSTEDT (BORN 1962)

*Member of the Board since December 2008*  
Mats Warstedt holds an M.Sc. Econ from Stockholm School of Economics and an M.Sc. Eng in aviation technology from Stockholm's Royal Institute of Technology (KTH). Mats Warstedt is the CEO of RUAG Space AB. Former CEO of Innovativ Vision AB, and prior to that marketing director of SAAB AB (publ.) and CEO of Saab Barracuda AB.

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

<i>Assignment</i>	<i>Position</i>
Mats Warstedt AB	Member of the Board
RUAG Space AB	Board member and CEO
RUAG Sweden AB	Member of the Board

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

## ■ JAN SAMUELSON (BORN 1963)

*Member of the Board since April 2011*

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

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

<i>Assignment</i>	<i>Position</i>
Independia Invest AB	Member of the Board
Independia AB	Member of the Board
Resurs Holding AB	Chairman
Axholmen AB	Member of the Board
Business Partner Sweden AB	Member of the Board
Solid Försäkrings Aktiebolag	Member of the Board

Jan Samuelson owns 89,470 shares in INVISIO Communications via his wholly-owned company Independia Invest AB.

## ■ LAGE JONASON (BORN 1951)

*Member of the Board since May 2012*

Lage Jonason holds a BA in Legal Science and an M.Sc. Econ from Lund University. After working for the university system and the judiciary between 1974 and 1980, Lage Jonason began working for Handelsbanken before moving on later to AB Skrinet, Förvaltnings AB Ratos and Veckans Affärer. Lage Jonason has held a number of CEO positions, including six years as CEO of Bankaktiebolaget JP Nordiska (now Ålandsbanken Sverige) and a range of directorships for a large number of listed and unlisted companies, including Holmens Bruk, Scandic Hotel, NetInsight, Posen Kassa & Bank and CityMail. Over the past decade, Jonason has mainly been active as an advisor on corporate finance and independent investments in early-stage companies. In addition to his duties at INVISIO, Lage Jonason holds the following positions and/or is an owner or part-owner (owning more than five percent of the company) of the following companies:

<i>Assignment</i>	<i>Position</i>
Lage Jonason	Board member and CEO
INSPI AB	Member of the Board
Aktiebolaget Drottningholms Konsthandel	Member of the Board
Aktiebolaget Paternum	Member of the Board
Aktiebolaget G C Lapidem	Member of the Board
Aktiebolaget I.V. Numen Adest	Member of the Board

Lage Jonason, with family and companies, owns 6,764,298 shares in INVISIO Communications.



From left: Mats Warstedt, Lars Röckert, Lage Jonason, Jan Samuelsson, Anders Persson

## SENIOR EXECUTIVES

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

### ■ LARS HØJGÅRD HANSEN (BORN 1963)

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

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

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

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

### ■ THOMAS LARSSON (BORN 1964)

*CFO* since April 2012

Thomas Larsson has an economics degree from Växjö University. Larsson has been employed by INVISIO since 2012 and has previous experience from positions such as CFO at Systemtextgruppen AB and Head of Finance at Doro Nordic AB.

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

Thomas Larsson privately owns no shares in INVISIO Communications.

### ■ JAN LARSEN (BORN 1962)

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

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

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

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

### ■ CARSTEN AAGESEN (BORN 1968)

*Vice President Sales* since May 2008 and *Vice President Sales and Marketing* since January 2011 Carsten Aagesen has an M.Sc. Econ., with a major in Marketing and Strategic Management from Copenhagen Business School. Carsten Aagesen has been employed by INVISIO since May 2007, prior to which he had many years executive experience in international sales and marketing, including Sales & Marketing Manager and Marketing Manager, Nordic Region and Benelux for Apple Inc, Director Global Marketing for GN Great Nordic A/S/GN Netcom A/S, and Director Sales & Product Sourcing for F Group A/S.

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

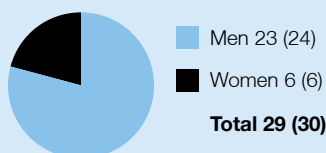
Carsten Aagesen privately owns 500 shares in INVISIO Communications, and he also participated in the Company's synthetic option program in 2007-2011.



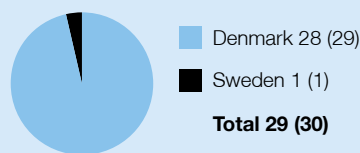
From left: Lars Højgård Hansen, Carsten Aagesen, Jan Larsen, Thomas Larsson

# EMPLOYEES AND ORGANIZATION

## GENDER DISTRIBUTION AS PER 12/31/2012



## GEOGRAPHIC DISTRIBUTION AS PER 12/31/2012



## ORGANIZATIONAL STRUCTURE



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

### DIRECTORS' FEES

Directors' fees are determined by the shareholders at general meetings. The 2012 AGM resolved that directors' fees shall be payable in the amount of SEK 275,000 to the Chairman of the Board and SEK 125,000 to each of the other directors. No additional fees are payable to members of the Audit Committee or the Compensation Committee.

Directors' fees are described in more detail in Note 10.

### AUDITOR'S COMPENSATION

The auditor's fees are decided on by the shareholders at the annual general meeting. The 2012 Annual General Meeting resolved that fees shall be payable to the auditor in accordance with an approved invoice. Auditor's fees are shown in the table below. Other services pertain primarily to consulting on accounting matters and other services.

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

SEK 000s	2012	2011
<b>PwC</b>		
Auditing assignments	419	738
Auditing activities in addition to auditing assignments	158	146
Tax consultancy	42	51
Other services	0	22
<i>Total</i>	619	957

## COMPENSATION OF THE CEO AND OTHER SENIOR EXECUTIVES

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

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

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

2012 SEK 000s	Salary	Phantom Plan	Pension	Other remuneration	Total
<b>Management</b>					
Lars H. Hansen, CEO	2,647		58	164	2,869
Other executives	4,063		138	140	4,341
<i>Total</i>	6,710	0	196	304	7,210
<b>2011 SEK 000s</b>					
<b>Management</b>					
Lars H. Hansen, CEO	2,220	1,046	133	74	3,473
Other executives	4,160	795	141	69	5,165
<i>Total</i>	6,380	1,841	274	143	8,638

Compensation of the CEO and other senior executives is described in more detail in Notes 9 and 10.



### Long-term incentive program

In 2007, the Board established a synthetic option program for all Group employees.

The option program had a term of approximately four years from the grant date and expired on June 30, 2011.

During the term of the program, participants were granted employment-related options and performance-related options.

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

The growth in value of granted options was maximized at three times the share price at the time of the launch which amounted to SEK 19.00 as per July 9, 2007.

### Option program

The option program came to an end in 2011.

In 2011, SEK 2,788 thousand was reserved for the program, of which SEK 91 thousand was for performance-related options granted for 2010 (1,035 for those granted for 2009). The final closing price as per June 30, 2011 was SEK 9.75.

### Notice period

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

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

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

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

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

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

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

### CONTROL ENVIRONMENT

The control environment encompasses the values and the ethics that the Board, the Audit Committee, the CEO, and other members of management communicate and adhere to, as well as the organizational structure, leadership, decision-making channels, authority, responsibilities, and competence held by the employees. An overview of the Company's organization, governance, and control – including external and internal governance documents that are important aspects of INVISIO Communications' control environment – is provided on page 36 in the Corporate Governance Report. INVISIO Communications is characterized by a comparatively lean and decentralized organization with clear responsibility for the respective business area managers who, together with the CEO, comprise company management.

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

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

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

As regards financial reporting, responsibility for maintaining an effective control environment and for the ongoing work on internal control and risk management is delegated to the CEO. The Company's CFO works under the direction of the CEO on continuously developing and improving the internal control and risk management with respect to financial reporting – on the one hand proactively with a focus on the internal control environment, on the other hand by quality assuring the external financial reporting. In 2012, INVISIO Communications continued the review of internal governance documents in order to ensure that they meet the Company's current needs and are in compliance with laws, applicable accounting standards, and other requirements for listed companies. As a result of this review, several internal governance documents have been updated. In addition to this, the focus in 2012, as in 2011, was on effective financial governance and control in the form of follow-ups of targets and plans and clear divisions of responsibility for income and expenses.

### Risk assessment

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



the financial reporting pertain primarily to the fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade accounts receivable. As per December 31, 2012, the assessment is that the reported value of these items corresponds to their fair value.

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

### CONTROL STRUCTURES

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

### INFORMATION AND COMMUNICATION

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

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

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

### FOLLOW-UP

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

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

### AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of INVISIO Communications AB (publ), registered company number 556651-0987

The Board of Directors is responsible for the corporate governance report for 2012 on pages 30-39 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

We have read the Corporate Governance report and based on its content and our knowledge of the Company and Group believe we have sufficient information for our opinion. This means that our statutory review of the Corporate Governance report is differently aligned and of significantly less scope than the alignment and scope of an audit according to the International Standards on Auditing and good auditing practices in Sweden.

We are of the opinion that a corporate governance report has been compiled, and that its statutory information is consistent with the annual report and consolidated financial statements.

Stockholm, March 19, 2013

PricewaterhouseCoopers AB

Michael Bengtsson  
Authorized Public Accountant

# BOARD OF DIRECTORS' REPORT

The Board of Directors and President of INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company"), registered company number 556651-0987, herewith submit their annual report and consolidated accounts for the 2012 financial year, the Company's fourteenth year of trading<sup>1</sup>. The Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. Unless indicated otherwise, all amounts in the Board of Directors' Report are specified in millions of Swedish kronor (SEK). Figures in parentheses pertain to the preceding year.

## Operations

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

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

In the Consumer Products business area, the exclusive licensing and cooperation agreement which INVISIO entered into with Motorola expired on May 31, 2012. INVISIO is now focusing its resources entirely on professional products ahead of new cooperations on the consumer market, and as of the report for the first quarter of 2013 it will no longer differentiate between its Professional Products and Consumer Products business areas.

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

## Sales and earnings

Sales for 2012 increased by 3.8 percent compared with 2011, amounting to SEK 43.0 m (41.5). This increase in sales can be attributed mainly to the focus on increased sales of professional products and the record order which the Company received in the last quarter. Gross profit amounted to SEK 18.1 m (20.3). Gross margin was 42.1 percent (49.0). It is characteristic of the Professional Products business area that gross margin may vary between years depending on the product mix and the share of direct sales to end customers (which have higher margins) compared to the share of sales via resellers. Operating expenses fell to SEK -43.9 m (-44.5). Expenses include depreciation of SEK 5.2 million (-8.1). Operating profit fell to SEK -25.8 m (-24.2). Net financial items amounted to SEK -3.7 m

(-4.5). Profit after tax is lower than in the previous year, at SEK -29.5 m (-28.6). Loss per share was SEK -0.83 (-1.10).

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

SEK 000s	2012	2011	2010	2009	2008
Sales	43,031	41,463	32,787	61,106	40,686
Profit/Loss before tax	-29,491	-28,625	-39,814	-17,295	-44,880
Shareholders' equity	-1,814	11,287	5,630	7,030	4,068
Total assets	43,971	50,817	47,282	50,229	47,429

## PROFESSIONAL PRODUCTS BUSINESS AREA

Over 2012, revenues amounted to SEK 43.0 m (38.2), representing an increase of 12.7 percent compared with 2011. Adjusted for exchange rate effects, the improvement was 16.8 per cent. This increase is mainly the result of the Company's focus on and increased efforts within the business area, such as an enhanced product portfolio, marketing and sales efforts, an increase in the number of resellers and strategic cooperations in important countries, and the new record order which the Company received in the last quarter.

Gross margin was less than in 2011 at 42.1 percent (47.1). It is characteristic of this business area that gross margin for professional products may vary between quarters depending on the product mix and the share of direct sales to end customers (which have higher margins) compared to the share of sales via resellers. In 2012 the gross margin has been affected by a high proportion of sales through resellers.

At year-end, the order book totaled a record SEK 27.9 m (3.7).

## CONSUMER PRODUCTS BUSINESS AREA

No sales have been recorded for the Consumer Products business area for 2012. Sales amounted to SEK 3.3 m in 2011, with a gross margin of 70.9 percent.

## PARENT COMPANY

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

Net sales in 2012 amounted to SEK 0.06 m (0.06). Operating profit was SEK -5.9 m (-6.5). The loss for the year was SEK -34.2 m (-43.4), of which shareholders' contributions to subsidiaries amounted to SEK -26.0 m (-33.3).

Cash and cash equivalents held by the parent company at year-end amounted to SEK 0.2 m (14.6) and equity was SEK 62.7 m (79.9), giving an equity ratio of 76.2 percent (74.7). The parent company had 1 employee (1).

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

## Research and development

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

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

## PATENTS

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

The patent strategy involves actively developing and applying for patents in the fields of communications and audiology. For example, the Company recently submitted a new patent application for INVISIO Custom Protect Hearing Protection, which is a technology for protecting against hearing loss. See intellectual property rights on page 43 for more information.

## Organization and employees

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

Senior management consists of 4 (4) persons. See page 36 for further information. The number of employees as per December 31, 2012 was 29 (30), 1 (1) in Sweden and 28 (29) in Denmark.

## Ownership structure

As per December 28, 2012, INVISIO Communications had 209 (228) shareholders. Major shareholders are SIX SIS AG, on behalf of clients, with 22.6 percent of the stock and votes, Lage Jonason (with family and companies) with 17.6 percent of the stock and votes, and Alecta Pensionsförsäkringar with 15.6 percent of the stock and votes.

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

## Environment

The Company does not conduct any operations that require permits or notification pursuant to the Swedish Environmental Code.

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

### CAPITAL EXPENDITURE

The Group's net capital expenditure for 2012 totaled SEK -6.9 m (-6.3), of which SEK -6.7 m (-5.7) comprised capitalized development costs and SEK -0.1 m (-0.6) comprised net investments in property, plant, and equipment. Capitalized development costs pertained primarily to development of future professional products.

### CASH FLOW AND LIQUIDITY

Cash flow from operations in 2012 amounted to SEK -26.8 m (-29.6). Cash flow from investing activities totaled SEK -6.9 m (-6.3) and cash flow from financing activities totaled SEK 20.8 m (40.5), of which new share issues comprised SEK 17.0 m (29.5), new share issues in progress

comprised SEK 0 m (4.8) and net amortization of liabilities to credit institutions comprised SEK 3.8 m (6.2). Cash flow for the period was thus SEK -12.9 m (4.6). Cash and cash equivalents held by the Group amounted to SEK 4.2 m (17.3) at year-end.

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

The loan structure has been changed since the end of the financial year (see page 44). INVISIO has received a loan of SEK 15 m from a leading Swedish business bank and extended an existing loan with Almi Företagspartner by SEK 4.2 m. The latter loan includes a customary condition of a minimum equity ratio of at least 10 percent as per June 30, 2013. Depending on the power of the increase in sales and earnings improvement, it may be deemed likely that a minor reinforcement shareholders' equity will need to take place before the end of the first six months of the year which, where applicable, will take place through a directed new share issue, unless the Company has previously settled the loan as a consequence of another financing solution without corresponding terms.

## FINANCING

### Loans

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

The loan structure was changed in January 2013. See Financing under Note 26 Events after the close of the financial year.

### New share issues

On April 19, 2012, the Board of INVISIO Communications AB decided upon the directed new issue of a maximum of 2,500,000 shares to TAMT AB, equivalent to approximately 7.4 percent of the total number of outstanding shares. This share issue increased the company's share capital by SEK 2,500,000. The subscription price was SEK 3.10 per share. The new issue of shares injected a total of SEK 7.8 m into the company. There were no issue costs. This share issue came about due to the fact that the share issue with pre-emption rights which the company executed during the period November 21 to December 7, 2011 was subscribed to just under 91 percent, and so the company still had a capital requirement. To meet this capital requirement and hence reinforce the financial position of the company, the Board decided on the said directed issue of shares. The subscription price was estimated to be equivalent to the market value of the share. In addition to this, in August INVISIO obtained a credit of SEK 5.0 m from Erik Penser Bankaktiebolag, and hence a previous loan commitment from Yggdrasil AB for the same amount did not have to be utilized.

A directed new issue of shares to a small group of investors, totaling 2,272,724 shares, equivalent to approximately 6.3 percent of the total

number of outstanding shares was registered on December 19, 2012. This share issue increased the company's share capital by SEK 2,272,724. The subscription price was SEK 4.40 per share. The new issue of shares injected a total of SEK 10.0 m into INVISIO before issue costs. The background to the issue was to reinforce the Company's financial position and to cover the Company's short-term operating capital requirements in the form of component purchases and manufacture attributable to the Company's record order worth a total of SEK 32 m. The subscription price was estimated to be equivalent to the market value of the share.

#### SHAREHOLDERS' EQUITY

Group equity at year end amounted to SEK -1.8 m (11.3), which gave a negative equity ratio (22.2 percent). The registered share capital increased by SEK 5,735,810 in 2012. Consequently, total registered share capital amounts to SEK 38,440,161.

#### DIVIDEND

The Board of Directors proposes that no dividend be paid for the 2012 financial year.

#### Accounting principles

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

#### Risks and risk management

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

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

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

#### MARKET-RELATED RISKS

##### Legislation and political decisions

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

##### Global economic conditions

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

##### Competition

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

##### Technical risks

Communication equipment is also expected to undergo technology shifts in the future and is exposed to changeable market trends. Technical development can lead to technical problems that mean it takes longer than planned for new products to reach the market and that costs to the Company can be considerably higher than estimated, as a result of both increased costs during the development phase and delayed market introduction. If the Company is unsuccessful in developing and launching products based on its research and development work, there is also a risk that the value of the Company's assets may need to be written down.

#### COMPANY-SPECIFIC RISKS

##### Ability to manage growth

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

##### Market acceptance of newly developed products

INVISIO is constantly developing and launching new products onto the market. There is always a risk that new products are not received positively by the market, or that products launched by competitors may have a better impact.



### Product liability

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

### Dependence on key persons and employees

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

### Customers and partnerships

INVISIO depends on collaboration agreements with external parties for production in the main. In the Professional products business area, most sales are through partners and resellers, which are individually and collectively important for the Company's future development. Most production is done through PartnerTech of Sweden and Davinci of Denmark. There is no guarantee that the companies with whom INVISIO has signed or will sign agreements will be able to fulfill their obligations under the agreements. Furthermore, there is a risk that INVISIO's size and financial position may affect the Company's chances of entering into cooperation agreements with strategic parties and winning important customer contracts. There is no guarantee that existing collaboration agreements will not be terminated or made invalid or that changes can be made in current agreements.

### Intellectual property

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

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

### Dependency on suppliers

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

### Risks affecting financial reporting

The most significant risks for errors in the financial reporting pertain primarily to the fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade accounts receivable. If the reported value of these assets is found to differ from fair value, for example in connection with a so-called impairment test of balanced development costs, these may lead to a need for write-down that could have negative effects on the Company's profits and financial position. As per December 31, 2012, the assessment is that the reported value of these items corresponds to their fair value.

### FINANCIAL RISKS

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

#### Interest rate risk

As per December 31, 2012, INVISIO had interest bearing financial liabilities of SEK 31.2 m, made up of liabilities to financial institutions in the form of bank loans and liabilities relating to invoice factoring at variable rates. This means there is a risk of the Company's profits and financial position being negatively affected by rising interest rates. Based on the level of financial interest-bearing liabilities as per December 31, 2012, a one percentage point rise in market rates of interest would affect profit by SEK 312 thousand.

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

#### Currency risk

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

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

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

Currency risk is described in more detail in Note 2.

#### Financing risk and liquidity risk

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

As per December 31, 2012, INVISIO had liabilities to credit institutions of SEK 31.2 m, SEK 10.7 m of which fell due for repayment within 3 months and SEK 6.4 m fell due between 3 and 9 months.

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



generated and added to operations through operating income, borrowing, the possible exercise of stock options, and authorization from the AGM to implement share issues.

Financing and liquidity risk is described in more detail in Note 2 and in the section on "Cash flow and liquidity" on page 41.

## Events after the end of the financial year

### SALES

In March 2013, INVISIO received an order from a new customer worth SEK 6.3 m relating to the INVISIO V60 communication system.

### FINANCING

INVISIO has received a loan of SEK 15 m from a leading Swedish business bank. This loan has been used to settle a previous loan of SEK 10 m from Alecta and a loan of SEK 5 m from Erik Penser Bankaktiebolag. The loan from the bank will require no repayments in 2013, and will then be repaid at a rate of SEK 6 m in 2014 and SEK 9 m in 2015. Yggdrasil has provided security of SEK 15 m for the loan from the leading Swedish business bank. INVISIO has pledged to Yggdrasil the securities which were previously held by occupational pension company Alecta and Erik Penser Bankaktiebolag. INVISIO will pay to Yggdrasil an annual guarantee commission of 3.5 percent. INVISIO's Board is of the opinion that the agreement with Yggdrasil has been entered into under market conditions.

INVISIO has received a three-year loan of SEK 4.2 m from Almi Företagspartner AB. This loan will require no repayments in 2013. INVISIO has provided security in the form of a pledge on shares in its subsidiary Nextlink IPR AB. A condition for the loan requires the equity ratio at Group level to amount to at least 10 percent as per June 30, 2013 and remain so over the duration of the loan. If this condition is not met, this will provide grounds for termination of the agreement.

## Prospects for 2013 – Significant growth

Increases in sales have been achieved every year since the company changed its strategy in 2008. Significant sales growth is anticipated for the whole year 2013, and the Company's costs in 2013 are expected to be at the same level as in 2012.

### Professional Products business area

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

The new record order in November 2012 from the army of a NATO country and earlier orders from both the Danish army and the Swedish armed forces in 2011 are strong evidence and provide important reference orders for other military customers. This, as well as the increase in marketing efforts, continuous efforts to increase and reinforce the number of cooperations, and the fact that the products deliver what they promise when tested and used continuously in the field, means that INVISIO expects a considerable long-term increase of sales in the business area. As stated previously, however, sales in the business area may vary from quarter to quarter due to long lead times from first contact

with customer, to inquiry, to customer testing, to quotation and to firm order.

### Consumer Products business area

As stated previously, INVISIO is now focusing its resources on professional products ahead of new cooperations on the consumer market. This is why expectations of income from the consumer market are low in 2012, and this is not reported separately as of 2013.

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

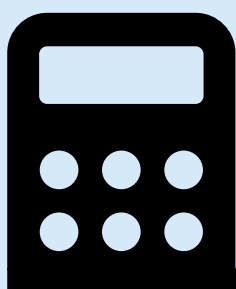
## Proposed disposition of earnings

### Parent Company (SEK)

At the disposal of the Annual General Meeting:	
Share premium reserve	22,993,855
Loss for the year	-34,193,125
	-11,199,270

### To be disposed of as follows:

The Board of Directors and CEO propose that the accumulated losses of SEK -34,193,125, of which SEK -34,193,125 comprise losses for the year, be settled with SEK 22,993,855 against the share premium reserve, which will thereafter total SEK 0, and that any remaining loss be covered by utilization of the reserve fund in the amount of SEK 11,199,270. The reserve fund will then amount to SEK 24,252,608.



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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January–December (SEK 000s)	Note	2012	2011
	1.2		
Sales	3.4	43,031	41,463
Cost of goods sold	25	-24,914	-21,162
<i>Gross profit</i>		18,117	20,301
OPERATING EXPENSES			
Sales and marketing expenses	9,10,24	-18,363	-16,211
Administration expenses	7,8,9,10,24	-10,956	-12,007
Research and development costs	9,10,24	-14,611	-16,257
<i>Operating profit/loss</i>	24	-25,813	-24,174
FINANCIAL ITEMS			
Financial income		90	117
Financial expenses		-3,768	-4,568
<i>Net financial items</i>		-3,678	-4,451
<i>Profit/Loss before tax</i>		-29,491	-28,625
Tax	11	-	-
<i>Loss for the year</i>		-29,491	-28,625
<i>Loss attributable to equity holders of the parent</i>		-29,491	-28,625
OTHER COMPREHENSIVE INCOME			
Translation differences during the period from translation of foreign businesses		-641	-6
<i>Comprehensive income</i>		-30,132	-28,631
<i>Loss attributable to equity holders of the parent</i>		-30,132	-28,631
Earnings per share (SEK)	22	-0.83	-1.10
Earnings per share after dilution (SEK)	22	-0.83	-1.10
Number of shares outstanding (thousands)	22	38,440	32,704
Average number of shares outstanding (thousands)	22	35,345	25,919
Number of shares outstanding after dilution (thousands)	22	38,440	32,704

# CONSOLIDATED BALANCE SHEET

December 31 (SEK 000s)	Note	2012	2011
ASSETS	1.2		
<b>Non-current assets</b>			
Intangible assets	12	16,832	15,336
Property, plant, and equipment	13	139	576
Financial assets	14	670	678
<i>Total non-current assets</i>		17,641	16,590
<b>Current assets</b>			
Inventories	15	3,240	5,215
Accounts receivable – trade	23	17,362	5,668
Other receivables		566	5,132
Prepaid expenses and accrued income	16	922	907
Cash and bank balances		4,240	17,305
<i>Total current assets</i>		26,330	34,227
		43,971	50,817
TOTAL ASSETS			
SHAREHOLDERS' EQUITY AND LIABILITIES	1.2		
<b>Shareholders' equity</b>	20		
Share capital		38,440	32,704
Other capital contributions		253,056	241,761
Other reserves		-1,329	-688
Loss brought forward inc. loss for the year		-291,981	-262,490
Shareholders' equity attributable to equity holders of the parent		-1,814	11,287
<i>Total shareholders' equity</i>		-1,814	11,287
<b>Current liabilities</b>	17.25		
Liabilities to credit institutions		31,245	27,736
Accounts payable – trade <sup>1</sup>		8,840	6,284
Other liabilities		126	45
Accrued expenses and prepaid income	19	5,574	5,465
<i>Total current liabilities</i>		45,785	39,530
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		43,971	50,817
Pledged assets	21	17,362	5,668
Contingent liabilities	21	None	None

<sup>1</sup>All accounts payable fall due within 3 months



# CONSOLIDATED CASH FLOW STATEMENT

January–December (SEK 000s)	Note	2012	2011
<b>Operating activities</b>	1.2		
Profit/Loss before tax		-29,491	-28,625
Adjustments for non-cash items	5	5,312	8,123
Taxes		-	-
<i>Cash flow from operating activities before changes in working capital</i>		-24,179	-20,502
Changes in inventories		1,788	-2,465
Changes in operating receivables		-7,554	1,615
Changes in operating liabilities		3,122	-8,288
<i>Cash flow from changes in working capital</i>		-2,644	-9,138
<i>Cash flow from operating activities</i>		-26,823	-29,640
<b>Investment activities</b>			
Capitalization of internal development costs		-6,797	-5,701
Purchases of property, plant, and equipment		-145	-562
<i>Cash flow from investing activities</i>		-6,942	-6,263
<b>Financing activities</b>			
New share issues		17,031	29,473
New share issue in progress		-	4,815
Loans raised		15,000	20,000
Amortization of loans		-20,700	-14,800
Change in invoice factoring		9,495	985
<i>Cash flow from financing activities</i>		20,826	40,473
<b>CASH FLOW FOR THE YEAR</b>		-12,939	4,570
Cash and bank balances at start of year		17,305	12,752
Translation differences in cash and bank balances		-126	-17
<i>Cash and bank balances at end of year</i>		4,240	17,305
<b>Supplementary disclosures to the cash flow statement</b>			
Interest received during the year		90	117
Interest paid during the year		-3,768	-4,568

# CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000s) notes 1, 2, 20	Attributable to equity holders of the parent				
	Share capital <sup>1,2</sup>	Other capital equity	Reserves <sup>2</sup>	Loss brought forward inc. loss for the year	Total shareholders' equity
Opening balance as per January 1, 2011	23,501	216,676	-682	-233,865	5,630
<i>LOSS FOR THE YEAR</i>	-	-	-	-28,625	-28,625
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-	-	-
Exchange rate differences			-6		-6
<i>Total other comprehensive income</i>	0	0	-6	-28,625	-28,631
<b>Transactions with shareholders</b>					
Ongoing new issue 12/31/2010	2,350	-2,350	-	-	0
New issue	6,853	27,412	-	-	34,265
Costs of new directed share issue	-	-4,792	-	-	-4,792
New share issue in progress <sup>1</sup>	-	4,815	-	-	4,815
<i>Total transactions with shareholders</i>	9,203	25,085	0	0	34,288
Closing balance as per December 31, 2011	32,704	241,761	-688	-262,490	11,287
Opening balance as per January 1, 2011	32,704	241,761	-688	-262,490	11,287
<b>LOSS FOR THE YEAR</b>				<b>-29,491</b>	<b>-29,491</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Exchange rate differences			-641		-641
<i>Total other comprehensive income</i>	0	0	-641	-29,491	-30,132
<b>Transactions with shareholders</b>					
Ongoing new issue 12/31/2011	963	-963	-	-	0
New issue	4,773	12,977	-	-	17,750
Costs of new directed share issue	-	-719	-	-	-719
<i>Total transactions with shareholders</i>	5,736	11,295	0	0	17,031
<i>Closing balance as per December 31, 2012</i>	38,440	253,056	-1,329	-291,981	-1,814

<sup>1</sup>Unregistered share capital comprising 963,086 shares as per December 31, 2011

<sup>2</sup>Reserves refers entirely to translation differences

# PARENT COMPANY INCOME STATEMENT

January–December (SEK 000s)	Note	2012	2011
	1,2		
<b>Revenues</b>	6	60	60
<i>Gross profit</i>		60	60
Administration expenses	6,7,8,9,10	-5,907	-6,593
<i>Operating profit/loss</i>	24	-5,847	-6,533
<b>Profit/Loss from financial items</b>			
Loss from participations in Group companies	18	-26,000	-34,007
Interest income and similar profit/loss items		361	702
Interest expense and similar profit/loss items		-2,707	-3,519
<i>Net financial items</i>		-28,346	-36,824
<i>Loss before tax</i>		-34,193	-43,357
Income tax	11	-	-
<i>Loss for the year<sup>1</sup></i>		-34,193	-43,357

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

# PARENT COMPANY BALANCE SHEET

December 31 (SEK 000s)	Note	2012	2011
ASSETS	1.2		
<b>Non-current assets</b>			
Financial assets/shares in subsidiaries	18	81,512	81,512
<i>Total non-current assets</i>		81,512	81,512
<b>Current assets</b>			
Receivables from Group companies		825	5,902
Other receivables		155	4,771
Prepaid expenses and accrued income	16	99	89
<i>Total current receivables</i>		1,079	10,762
Cash and bank balances		205	14,597
<i>Total current assets</i>		1,284	25,359
<b>TOTAL ASSETS</b>		<b>82,796</b>	<b>106,871</b>
SHAREHOLDERS' EQUITY AND LIABILITIES	1.2		
<b>Shareholders' equity</b>	20		
<i>Restricted shareholders' equity</i>			
Share capital		38,440	32,704
Statutory reserve		35,452	35,452
<i>Total restricted shareholders' equity</i>		73,892	68,156
<i>Unrestricted shareholders' equity</i>			
Share premium reserve		22,991	55,053
Profit/Loss brought forward		-	-
Loss for the year		-34,193	-43,357
<i>Total unrestricted shareholders' equity</i>		-11,202	11,696
<i>Total shareholders' equity</i>		62,690	79,852
<b>Current liabilities</b>			
Liabilities to credit institutions	17, 25	17,800	23,500
Accounts payable – trade <sup>1</sup>		523	1,826
Liabilities to Group companies		111	111
Other liabilities		21	17
Accrued expenses and prepaid income	19	1,651	1,565
<i>Total current liabilities</i>		20,106	27,019
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>82,796</b>	<b>106,871</b>
Pledged assets	21	2,517	2,517
Contingent liabilities	21	None	None

<sup>1</sup>All accounts payable fall due within 3 months



# PARENT COMPANY CASH FLOW STATEMENT

January–December (SEK 000s)	Note	2012	2011
<b>Operating activities</b>	1.2		
Operating loss before financial items		-5,847	-6,533
Adjustments for non-cash items	5	-	-
Interest received		361	702
Interest paid		-2,707	-3,519
<i>Cash flow from operating activities before changes in working capital</i>		-8,193	-9,350
Changes in operating receivables		9,683	7,920
Changes in operating liabilities		-1,213	-1,959
Cash flow from changes in working capital		8,470	5,961
<i>Cash flow from operating activities</i>		277	-3,389
<b>Investment activities</b>			
Acquisition of subsidiary/shareholder contribution	18	-26,000	-33,300
<i>Cash flow from investing activities</i>		-26,000	-33,300
<b>Financing activities</b>			
New share issues		17,031	29,473
New share issue in progress		-	4,815
Loans raised		15,000	20,000
Amortization of loans		-20,700	-14,800
<i>Cash flow from financing activities</i>		11,331	39,488
<b>CASH FLOW FOR THE YEAR</b>		<b>-14,392</b>	<b>2,799</b>
Cash and bank balances at start of year		14,597	11,798
Cash and bank balances at end of year		205	14,597
<b>Supplementary disclosures to the cash flow statement</b>			
Interest received during the year		361	702
Interest paid during the year		-2,707	-3,519

# PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000s) notes 1, 2, 20	Restricted shareholders' equity		Unrestricted shareholders' equity		
	Share capital	Statutory reserve	Share premium reserve	Loss brought forward and loss for the year	Total shareholders' equity
Opening balance as per January 01, 2011	23,501	35,452	71,470	-41,502	88,921
Previous year's disposition of earnings	-	-	-41,502	41,502	-
Ongoing new issue 12/31/2010	2,350	-	-2,350	-	-
New issue	6,853	-	27,412	-	34,265
Cost of new issue	-	-	-4,792	-	-4,792
New share issue in progress, 12/31/2011 <sup>1</sup>	-	-	4,815	-	4,815
Group contribution to subsidiaries	-	-	-	-400	-400
Tax – Group contribution	-	-	-	105	105
Loss for the year <sup>2</sup>	-	-	-	-43,062	-43,062
<i>Closing balance as per December 31, 2011</i>	<i>32,704</i>	<i>35,452</i>	<i>55,053</i>	<i>-43,357</i>	<i>79,852</i>
Opening balance as per January 1, 2012	32,704	35,452	55,053	-43,357	79,852
Previous year's disposition of earnings	-	-	-43,357	43,357	-
New share issue in progress, 12/31/2011 <sup>1</sup>	963	-	-963	-	-
New issue	4,773	-	12,977	-	17,750
Cost of new issue	-	-	-719	-	-719
Loss for the year <sup>2</sup>	-	-	-	-34,193	-34,193
<i>Closing balance as per December 31, 2012</i>	<i>38,440</i>	<i>35,452</i>	<i>22,991</i>	<i>-34,193</i>	<i>62,690</i>

<sup>1</sup>Unregistered share capital comprising 963,086 shares as per December 31, 2011

<sup>2</sup>Comprehensive income corresponds to loss for the year

# NOTES

## Note 1 General Information, accounting and valuation principles

### General information

The INVISIO Communications group consists of the parent company INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company") and the wholly owned subsidiaries

INVISIO Communications A/S, Nextlink IPR AB and Nextlink Patent AB.

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

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

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

In the Consumer Products business area, the exclusive licensing and cooperation agreement which INVISIO entered into with Motorola expired on May 31, 2012. INVISIO is now focusing its resources entirely on professional products ahead of new cooperations on the consumer market, and as of the report for the first quarter of 2013 it will no longer differentiate between its Professional Products and Consumer Products business areas.

INVISIO Communications AB (publ.) is listed on First North Premier Segment Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. These consolidated accounts were approved by the Board of Directors on March 14, 2013.

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### Conformity with standards and regulations

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

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

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

### New and amended standards applied by the Group

None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year commencing January 1, 2012 has had any significant impact on the Group.

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

A number of new standards and amendments of interpretations and existing standards will come into force for the financial year commencing January 1, 2012 and have not been applied on compilation of the

consolidated financial reports. None of these is expected to have any significant impact on the consolidated financial reports, with the exception of those listed below.

### IAS 1 "Presentation of Financial Statements", amendment relating to other total profit/loss

The most significant change in the revised IAS 1 is the requirement for the items reported in "Other comprehensive income" to be presented over two groups. This distribution is based on whether or not the entries can be reclassified for the income statement (reclassification adjustments). This amendment does not deal with the issue of which entries are to be included in "Other comprehensive income". The Group intends to apply these changes by the financial year commencing January 1, 2013 and has not yet evaluated its effects.

### IFRS 10 "Consolidated Financial Statements"

The purpose of IFRS 10 is to establish principles for the compilation and presentation of consolidated accounts when a company controls one or more companies. The standard defines the term "control" and establishes control as a basis for consolidation. The standard provides guidance to establish whether one company controls another and hence should include this company in the consolidated accounts. The standard also indicates how the consolidated accounts are to be compiled. The Group intends to apply these changes by the financial year commencing January 1, 2014 and has not yet evaluated its effects.

### IFRS 12, "Disclosures of interests in other entities"

IFRS 12 includes disclosure requirements for subsidiaries, "joint arrangements", stakeholder companies, and non-consolidated structured entities. The Group intends to apply these changes by the financial year commencing January 1, 2014 and has not yet evaluated its effects.

### IFRS 13 "Fair value measurement"

IFRS 13 "Fair value measurement" aims to make valuation at fair value more consistent and less complex by providing a precise definition and a shared source in IFRS at valuations at fair value and related disclosures. This standard provides guidelines on fair value evaluations for all asset and liability types, financial and non-financial alike. These requirements, which are largely the same in both IFRS and US GAAP, do not extend the field in which fair value is to be applied, but provides guidance on how it should be applied where other IFRS already require or permit valuation at fair value. The Group intends to apply these changes by the financial year commencing January 1, 2013 and has not yet evaluated its effects.

### IAS 32 "Financial Instruments: Classification" Amendment relating to net reporting of assets and liabilities

This change relates to the guideline application in IAS 32 "Financial Instruments: Classification" and clarifies some of the criteria for net reporting of financial assets and financial liabilities in the balance sheet. The Group intends to apply these changes by the financial year commencing January 1, 2014 and has not yet evaluated its effects.

### IFRS 9 "Financial instruments"

IFRS 9 is the first standard issued as part of the major project for replacement of IAS 39. IFRS 9 retains but simplifies the model with several valuation bases, based on two primary valuation categories: accrued acquisition value and fair value. Classification takes place on the basis of the company's business model and characteristic properties in the contractual cash flows.

The guidance in IAS 39 for impairment testing of financial assets and hedge accounting will continue to apply. The Group intends to apply these changes by the financial year commencing January 1, 2015 and has not yet evaluated its effects.

### Basis for consolidation

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

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

The purchase method is used for reporting the group's business 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 acquisition are initially valued at fair value on the date of acquisition. For each acquisition, the group decides whether all shareholdings without a controlling influence in the business acquired are reported at fair value or as the shareholding's proportion of the acquired business's net assets.

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

#### Foreign subsidiaries

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

Exchange rate differences between Group companies have not affected earnings, but have been reported as equity. The following exchange rates have been used in translating the accounts of the Danish subsidiary: for the income statement, an exchange rate of DKK/SEK 1.16962 (1.2126), and for the balance sheet, an exchange rate of DKK/SEK 1.155162 (1.2033).

#### Classifications

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

#### Income

The Group's sales are made up of sales of goods. No royalties have been received from Motorola in 2012. Sales of products are reported upon delivery to the customer, in accordance with the terms and conditions of sale. This means that income is reported when the significant risks and benefits associated with the product have been transferred to the buyer and the seller ceases to have control over the product. Sales are reported as net after VAT and discounts. Inter-company sales are eliminated in the consolidated financial statements.

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

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

#### Taxes

For items reported in the income statement, the associated tax is also reported in the income statement. For items reported directly against equity, the tax is also reported directly against equity. Deferred tax is calculated in accordance with the balance sheet method for all significant temporary differences. A temporary difference exists when the reported value of an asset or a liability differs from the tax value. Such a difference may arise, for instance, in connection with a revaluation or write-down of an asset, or when the accounting policies applied differ between an individual Group company's accounts and the consolidated financial statements, see Note 11.

#### Write-downs

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

#### Calculation of recoverable amount

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

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

#### Estimations and assumptions

Company management makes estimations and assumptions about the future, which affect the reported values. The consequence is that the reported amount in these cases seldom represents the actual value. The estimates and assumptions that involve a significant risk of considerable alteration in reported value in future financial years are attributable to capitalized development expenses.

As soon as an indication exists, the capitalized development expenditure is offset for write-down in accordance with the described accounting principle. Intangible assets under development are annually offset for write-down, even when there is no indication of a write-down requirement. The recoverable amount has been determined through calculation of the value in use. For these calculations, certain estimations must be made, as shown in Note 12.

#### Reversal of write-downs

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

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

#### Financial Instruments

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

A financial asset or liability is shown in the balance sheet when the Company becomes party to the instrument's contractual terms and conditions.



Accounts receivable are shown in the balance sheet when an invoice has been sent. The liability is entered when the counterparty has delivered and has a contractual liability to pay, even if an invoice has not yet been received. Accounts payable are 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. The same applies for components of financial assets. A financial liability is removed from the balance sheet when the liability under the agreement has been fulfilled or otherwise extinguished. The same applies for components of financial assets. Acquisition and divestment of financial assets are reported on the trade date, which is the day on which the Company commits itself to buying or selling the asset.

On each balance sheet date, the Group assesses whether objective evidence exists for the write-down of a financial asset or group of financial assets, such as whether it is unlikely that a debtor can fulfill its obligations. Write-down testing of accounts receivable is described below. INVISIO Communications' financial assets and liabilities are classified in the following categories: Accounts receivable and Loans receivable valued at the accrued acquisition value. Loans receivable and accounts receivable are financial assets that are not derivatives. They have fixed or fixable payments and are not listed on any active market. They are included in current assets with the exception of items with due dates in excess of 12 months after the balance sheet date, which are classified as fixed assets. Accounts receivable are reported in the amount at which they are expected to be received after deduction for bad debts, assessed individually. The 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 a need for write-down exists. The size of the provision consists of the difference between the asset's reported value and the present value of estimated future cash flows. A write-down of accounts receivable is reported in the income statement under operating profit/loss, and a write-down of a loan receivable is reported under the heading financial expenses. Financial liabilities are valued at the accrued acquisition value. Loans and other financial liabilities, such as accounts payable, are included in this category.

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

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

#### Research and development costs

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

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

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

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

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

#### Property, plant, and equipment

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

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

#### Depreciation/amortization

Depreciation/amortization according to plan has been carried out as per the following useful life timeframes: Intangible assets, of which Professional products 1.5-7 years, Consumer products 3 years, and Equipment, tools, fixtures and fittings 3-5 years.

#### Inventories

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

#### Receivables

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

#### Cash and cash equivalents

Cash and cash equivalents only include bank balances.

#### Segment reporting

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

#### Receivables and liabilities in foreign currency

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

#### Borrowing costs

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

#### Remuneration to employees

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

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

**Leasing**

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

**Cash flow statement**

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

**Note 2** Financial risk management and capital risk**Financial risk factors**

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

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

**Interest 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 primarily of deposits made, plus cash and bank balances. The Parent Company's interest-bearing financial assets consists of cash and bank balances.

Based on the level of financial interest-bearing assets as per December 31, 2012, a one percentage point change in market rates of interest would affect the Group's earnings by SEK 42 thousand (173). The corresponding figure for the Parent Company is SEK 20 thousand (146). The Group's interest-bearing financial liabilities pertain primarily to liabilities to credit institutions and invoice factoring. The Group uses invoice factoring for the Group's customer invoices. The limit and borrowing rate for INVISIO Communications for each customer invoice is set by individual assessment, where the borrowing rate normally amounts to a maximum of 80-100 percent of the customer invoice amount. The Parent Company's financial liabilities pertain primarily to liabilities to credit institutions. All interest-bearing financial liabilities have a variable interest rate. Based on the level of financial interest-bearing liabilities as per December 31, 2012, a one percentage point change in market rates of interest would affect the Group's earnings by SEK 312 thousand (277). The corresponding figure for the Parent Company is SEK 178 thousand (235).

**Currency risk**

Currency risks are found in the form of transaction and translation risks. Transaction risk arises from buying and selling goods and services in currencies other than the respective company's local currency.

Translation risks arise when translating the foreign subsidiaries' income statements and balance sheets into Swedish krona. INVISIO Communications operates in a global market with large parts of sales and purchases made in currencies other than Swedish kronor (SEK).

The majority of sales are in USD and EUR. The group's purchases for the Professional Products business area are partly in SEK and partly in DKK. Costs mainly arise in DKK, but also in SEK. At present, net exposure in each currency is limited and the Group does not hedge its currency exposure. The Group's balance sheet shows exposure to currency risks in respect of accounts receivable and accounts payable. If all currencies had been 5 percent higher/lower, the Group's earnings would have been affected by approximately +/- 537 (61) as a result of its exposures as per December 31, 2012. The corresponding figure for the Parent Company is approximately SEK +/- 0 thousand (0).

**Price risk**

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

**Credit risk**

Credit risk is the risk of a party to a transaction with a financial instrument failing to fulfill its obligations. The credit risks pertaining to financial assets was SEK 0 thousand (0) as per December 31, 2012 after allowing for pledged reserves. There is no material concentration of credit risks, either geographically or in a particular customer segment. The share of receivables overdue by more than 120 days amounted to 1.1 percent (3.6) of the total accounts receivable as per December 31, 2012. See note 23. There are no other financial assets overdue for payment.

**Financing risk and Liquidity risk**

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in making payments. Liquidity risk is the risk of not being able to make payments when they fall due. As per December 31, 2012, liquid funds amounted to SEK 4,240 thousand (17,305), liabilities to credit institutions to SEK 31,245 thousand (27,736), and shareholders' equity to SEK -1,814 thousand (11 287), with a negative equity ratio (22.2). During 2012 equity has been increased by new share issues of SEK 17.0 m, while liabilities to credit institutions increased by SEK 3.5 m.

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

**Fair values**

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

**Financial assets and liabilities valued at the accrued acquisition value**

December 31 (SEK 000s)	Group		Parent Company	
	2012	2011	2012	2011
<b>Financial assets</b>				
Loans receivable and accounts receivable				
Financial fixed assets – Other long-term liabilities	670	678	-	-
Receivables from Group companies	-	-	825	5,902
Accounts receivable – trade	17,362	5,668	-	-
Other receivables	566	5,132	155	4,771
Cash and bank balances	4,240	17,305	205	14,597
<i>Total financial assets valued at the accrued acquisition value</i>	<i>22,838</i>	<i>28,783</i>	<i>1,185</i>	<i>25,270</i>
<b>Financial liabilities</b>				
Financial liabilities valued at the accrued acquisition value				
Liabilities to credit institutions	31,245	27,736	17,800	23,500
Accounts payable – trade	8,840	6,284	523	1,826
Liabilities to Group companies	-	-	111	111
Other liabilities	126	45	21	17
<i>Total financial liabilities valued at the accrued acquisition value</i>	<i>40,211</i>	<i>34,065</i>	<i>18,455</i>	<i>25,454</i>

**Earnings and losses for financial assets and liabilities**

The total exchange rate difference for the Group amounts to SEK 471 thousand (240) and for the Parent Company, to SEK 0 thousand (0), and is reported in the income statement.

**Management of capital risk**

The Group's goal regarding its capital structure is to safeguard the Group's ability to continue its operations in order to be able to generate

a return to the shareholders and benefit other stakeholders, and to ensure that the capital structure is optimal in relation to the cost of capital. Dividends to shareholders, redemption of shares, issues of new shares or sales of assets are examples of measures that the Group may use in order to adjust the capital structure.

In INVISIO Communications, capital is defined as total equity as reported in the balance sheet, see page 47.

**Note 3** Income statement per segment for the Group

The Professional products segment includes the products sold by the Company to the professional market. The Consumer Products segment for 2011 includes both the products that the Company has sold to consumers and royalties from Motorola. All investments excluding the specification in Note 12 – Intangible Assets refer to the Professional products segment.

**Income statement, segmental breakdown 2012**

SEK 000s	Professional Products	Consumer Products	Other	Total
Sales	43,030	-	1	43,031
Cost of goods sold	-24,914	-	-	-24,914
Gross profit	18,116	-	1	18,117
Selling and marketing expenses	-17,626	-	-737	-18,363
Administration expenses	-6,364	-	-4,593	-10,956
Research and development expenses	-14,380	-	-230	-14,611
Operating profit/loss	-20,254	-	-5,559	-25,813
Net financial income	-918	-	-2,760	-3,678
Profit/Loss before tax	-21,172	-	-8,319	-29,491
Tax	-	-	-	-
Profit/Loss after tax	-21,172	-	-8,319	-29,491

**Income statement, segmental breakdown 2011**

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

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

Group	2012	2011
Sweden	1,535	1,240
Europe	6,563	20,082
North America	26,581	15,680
Rest of the world	8,351	4,461
Total	43,031	41,463

**Note 5** Items not included in the cash flow

Group	2012	2011
Depreciation/amortization	5,226	8,085
Translation differences	86	38
Total	5,312	8,123

Parent Company	2012	2011
Depreciation/amortization	-	-
Total	-	-

**Note 6** Inter-company transactions

Of the Parent Company's invoicing, SEK 60 thousand (60) refers to subsidiaries. Invoicing from subsidiaries to Parent Company, SEK 283 thousand (287).



**Note 7** Auditor's compensation

	Group		Parent Company	
	2012	2011	2012	2011
<b>PwC</b>				
Auditing assignments <sup>1</sup>	577	738	460	520
Auditing activities in addition to auditing assignments	0	146	0	76
Tax consultancy	42	51	15	28
Other services <sup>2</sup>	0	22	0	22
<i>Total</i>	<i>619</i>	<i>957</i>	<i>475</i>	<i>646</i>

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

<sup>2</sup>Other services pertain primarily to consulting on accounting matters.

**Note 8** Rental and leasing agreements

The Group's total rental and leasing fees for the year amounted to SEK 1,873 thousand (1,616). Agreed future rental and leasing fees amount to SEK 1,331 thousand (1,976) and will occur during the next three years, divided as follows, 2013: SEK 1,070 thousand (46), 2014: SEK 130 thousand (46), 2015: SEK 130 thousand (-). The Parent Company's leasing agreement for the year amounted to SEK 61 thousand (61). The agreement is valid up to and including December 31, 2013, at an annual cost of SEK 61 thousand. All the Group's and Parent Company's rental and leasing agreements are operational.

**Note 9** Personnel

Average number of employees	2012		2011	
	Number of employees	Of which men	Number of employees	Of which men
Parent Company	1	1	1	1
Denmark	28	22	27	22
<i>Total</i>	<i>29</i>	<i>23</i>	<i>28</i>	<i>23</i>

Share of women in executive positions, percent	2012		2011	
	Board	Senior executives	Board	Senior executives
Parent Company	-	-	-	-
Group	-	-	-	-
<i>Total</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

Salaries and other remuneration	2012	2011
Parent Company	1,444	1,541
Subsidiaries	24,014	22,863
Capitalized salaries for research and development	-4,443	-4,623
<i>Group total</i>	<i>21,015</i>	<i>19,781</i>
<b>Social costs excl. pension costs</b>		
Parent Company	476	484
Subsidiaries	725	849
<i>Group total</i>	<i>1,201</i>	<i>1,333</i>
<b>Pension costs</b>		
Parent Company	-	-
Subsidiaries	366	433
<i>Group total</i>	<i>366</i>	<i>433</i>
<i>Total personnel costs</i>	<i>22,582</i>	<i>21,547</i>

**Pensions**

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

### Option program

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

The option program had a term of approximately four years from the grant date and expired on June 30, 2011. The growth in value of granted options was maximized at three times the share price at the time of the

launch which amounted to SEK 19.00 as per July 9, 2007.

In 2011, SEK -2,788 thousand (-1,294) was reserved for the program, of which SEK 91 thousand related to performance-related options granted for 2010 (1,035 for those granted for 2009). No performance-related options were paid for 2011 as this part of the program was terminated in 2011. The final closing price as per June 30, 2011 was SEK 9.75.

## Note 10 Remuneration to senior executives

Group	2012					2011				
	Salary	Phantom Plan	Pension	Other remuneration	Total	Salary	Phantom Plan	Pension	Other remuneration	Total
<b>Board<sup>1</sup></b>										
Lars Röckert, Chairman of Board	275	-	-	-	275	275	-	-	-	275
Anders Persson <sup>2</sup>	125	-	-	-	125	125	-	-	26	151
Mats Warstedt	125	-	-	-	125	125	-	-	-	125
Jan Samuelson <sup>3</sup>	125	-	-	-	125	125	-	-	-	125
Lage Johansson	125	-	-	-	125	-	-	-	-	-
<i>Heléne Vibbleus Bergquist, Chairman of Board until 2011 AGM</i>	-	-	-	-	-	-	-	-	229	229
<i>Total</i>	<i>775</i>				<i>775</i>	<i>650</i>				<i>905</i>
<b>Management</b>										
Lars H. Hansen, CEO <sup>4</sup>	2,647	-	58	164	2,869	2,219	1,046	133	74	3,472
Other executive management <sup>5</sup>	4,063	-	138	140	4,341	4,160	795	141	69	5,165
<i>Total</i>	<i>6,710</i>		<i>196</i>	<i>304</i>	<i>7,210</i>	<i>6,379</i>	<i>1,841</i>	<i>274</i>	<i>143</i>	<i>8,637</i>

<sup>1</sup>The Annual General Meeting 2012 resolved that directors' fees totaling SEK 275,000 shall be paid to the Chairman of the Board and SEK 125,000 to each of the other Board members. In addition to this, the Board has received compensation for outlays.

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

<sup>3</sup>Board member Jan Samuelson invoices directors' fees via Business Partner Sweden AB.

<sup>4</sup>Variable salary can amount to a maximum of 50 percent of the basic salary. Variable salary 2012 amounted to SEK 471 thousand (-).

<sup>5</sup>Variable salary can amount to a maximum of 0-35 percent of the basic salary. Variable salary 2012 amounted to SEK 606 thousand (55).

### Notice period

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

**Note 11** Taxes

Group	2012	2011
<b>Income tax</b>		
Current tax	0	0
Deferred tax	-	-
<i>Total</i>	<i>0</i>	<i>0</i>
<b>Reconciliation of effective tax, Group</b>		
Profit/Loss before tax	-29,491	-28,625
Tax according to applicable tax rate 26.3%	7,756	7,528
Non-reported increase in deferred income taxes recoverable	-7,756	-7,528
<i>Reported effective tax</i>	<i>-</i>	<i>-</i>

**Note 12** Intangible assets

Group, December 31	2012		2011	
	Professional Products	Consumer Products	Professional Products	Consumer Products
<i>Opening acquisition value</i>	28,466	21,394	22,982	21,467
Internally-developed assets	6,714	-	5,658	-
Disposals for the year	-	-21,394	-93	-
Exchange rate differences for the year	-1,139	-	-80	-73
<i>Closing accumulated acquisition value</i>	<i>34,041</i>	<i>0</i>	<i>28,466</i>	<i>21,394</i>
<i>Opening depreciation</i>	<i>-13,131</i>	<i>-21,394</i>	<i>-7,869</i>	<i>-19,632</i>
Depreciation for the year	-4,661	-	-5,348	-1,843
Disposals for the year	0	21,394	19	-
Exchange rate differences for the year	584	-	67	81
<i>Closing accumulated depreciation</i>	<i>-17,208</i>	<i>0</i>	<i>-13,131</i>	<i>-21,394</i>
<i>Closing reported value</i>	<i>16,832</i>	<i>0</i>	<i>15,336</i>	<i>0</i>

Research and development expenses amounted to SEK 16,663 thousand (14,646), corresponding to 39 percent (35) of total income. Of these expenses, SEK 6,714 thousand (5,607) has been capitalized, the remainder is shown in the earnings for the period.

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

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

**Group**

All companies in the Group have accumulated loss carryforwards. These do not have a time restriction and can therefore be used to reduce taxes on future profits. As it is uncertain whether there will be opportunity – and within what time frame – to utilize these deficits, they have not been capitalized as deferred income taxes recoverable. New assessments of whether deferred income taxes recoverable for loss carryforwards shall be reported are carried out regularly. Accumulated loss carryforwards in the Group amounted to SEK 290 m (268) as per December 31, 2012.

**Disclosure on testing the write-down requirement:**

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

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

During testing for write-down requirements, the Company has applied a discounting rate of 11.7 percent.

**Note 13** Property, plant, and equipment

<b>Group, December 31</b>	<b>2012</b>	<b>2011</b>
<i>Opening acquisition value</i>	8,635	8,109
Purchases	144	562
Sales and disposals for the year	-	-
Exchange rate differences for the year	-345	-36
<i>Closing accumulated acquisition value</i>	8,434	8,635
<i>Opening depreciation</i>	-8,059	-7,275
Depreciation for the year	-565	-819
Sales and disposals for the year	-	-
Exchange rate differences for the year	329	35
<i>Closing accumulated depreciation</i>	-8,295	-8,059
<i>Closing reported value</i>	139	576

**Note 14** Financial assets

<b>Group, December 31</b>	<b>2012</b>	<b>2011</b>
<i>Opening acquisition value</i>	678	643
Change for the year	-	-
Exchange rate differences for the year	-8	35
<i>Closing reported value</i>	670	678

**Note 15** Inventories

<b>Group, December 31</b>	<b>2012</b>	<b>2011</b>
Finished products	3,240	5,215
Products in progress	-	-
Goods in transit	-	-
<i>Total</i>	3,240	5,215

The inventories are valued at acquisition value.

**Note 16** Prepaid expenses and accrued income

<b>Group, December 31</b>	<b>2012</b>	<b>2011</b>
Personnel-related expenses	-	-
Other	922	907
<i>Total</i>	922	907

**Parent Company, December 31**

Personnel-related expenses	-	-
Other	99	89
<i>Total</i>	99	89

**Note 17** Liabilities to credit institutions

<b>Group, December 31</b>	<b>2012</b>	<b>2011</b>
Bank loans	17,800	23,500
Liabilities in respect of invoice factoring	13,445	4,236
<i>Total</i>	31,245	27,736

Loans to credit institutions due within 3 months total SEK 10,700 thousand; loans due within 3-9 months total SEK 6,400 thousand. Interest at 12.5 percent on loans of SEK 10 m is paid quarterly. Interest at 9.25 percent on loans of SEK 5 m is paid quarterly. Interest at 8.74 percent on loans of SEK 2.8 m is paid quarterly. All accounts receivable have been pledged as security for invoice factoring (see Note 21).

**Parent Company, December 31**

Bank loans	17,800	23,500
Liabilities in respect of invoice factoring	-	-
<i>Total</i>	17,800	23,500

Loans to credit institutions due within 3 months total SEK 10,700 thousand; loans due within 3-9 months total SEK 6,400 thousand. Interest at 12.5 percent on loans of SEK 10 m is paid quarterly. Interest at 9.25 percent on loans of SEK 5 m is paid quarterly. Interest at 8.74 percent on loans of SEK 2.8 m is paid quarterly.

**Note 18** Shares and participations in subsidiaries

Parent Company, December 31	2012	2011
Opening reported value	81,512	81,819
Shareholders' contributions	26,000	33,300
Write-down of shares	-26,000	-33,607
Closing reported value	81,512	81,512

**Shares held by the Parent company, 2012**

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

**Shares held by the Parent company, 2011**

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

**Note 19** Accrued expenses and prepaid income

Group, December 31	2012	2011
Personnel-related expenses	3,961	3,569
Other	1,613	1,895
<i>Total</i>	<i>5,574</i>	<i>5,465</i>
Parent Company, December 31	2012	2011
Personnel-related expenses	401	231
Other	1250	1334
<i>Total</i>	<i>1651</i>	<i>1565</i>

**Note 20** Shareholders' equity

See the report Changes in Shareholders' Equity, pages 48 and 52.

**Parent Company**

As per December 31, 2012 share capital amounted to SEK 38,440 thousand (32,704), allocated over 38,440,161 (32,704,351) shares with a quotient value of SEK 1. The number of outstanding stock options amounts to 2,000,000 (2,000,000), which entitle the holder to subscribe for 2,000,000 (2,000,000) shares, distributed over one (one) program:

**STOCK OPTIONS**

INVISIO Communications AB currently has one outstanding stock option program:

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

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



**Note 21** Pledged assets and contingent liabilities**Pledged assets**

	Group		Parent Company	
	2012	2011	2012	2011
<b>For liabilities to credit institutions, December 31</b>				
Shares in subsidiaries	-	-	2,517	2,517
Pledged accounts receivable	17,362	5,668	-	-
<i>Total</i>	17,362	5,668	2,517	2,517
<b>Contingent liabilities</b>	None	None	None	None

**Note 22** Earnings per share in the Group

<b>Earnings per share before dilution</b>	2012	2011
Loss for the year	-29,491	-28,625
Average number of shares outstanding (thousands)	35,345	25,919
<i>Earnings per share before dilution</i>	-0.83	-1.10

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

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

Only the option programs whose issue price is less than the average share price for the period can lead to a dilutive effect. The average price for 2012 was SEK 3.83. The outstanding option program does not meet the conditions. In addition, the dilution effect is not observed, as the Company shows a loss. Earnings per share before dilution therefore agree with the result per share after dilution.

As shown in Note 20, INVISIO Communications has one outstanding option program, providing the right to subscribe for a total of 2,000,000 shares.

**Calculation of dilution**

Number of shares after dilution for 2012	38,440
Average exchange rate 2012	3.83

**Option program 2008/2013**

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

**Note 23** Accounts receivable – trade

As per December 31, 2012, accounts receivable of SEK 3,033 thousand (540) were due within the Group. The write-down requirement has been assessed to be SEK 218 thousand (227). Other accounts receivable are for customers who have not previously exhibited problems with making payments. An age analysis of the Company's accounts receivable is shown below. The Parent Company has no accounts receivable.

<b>December 31</b>	Group	
	2012	2011
<b>Past due but not written-down accounts receivable</b>		
Not past due	14,548	5,128
Past due 1-30 days	2,780	289
Past due 31-60 days	21	24
Past due 61-90 days	23	22
Past due 91-120 days	0	2
Past due 121 days or more	209	203
<i>Total</i>	17,581	5,668
<b>Provision for bad accounts receivable</b>		
Provision at start of year	227	353
Confirmed losses	-26	-62
Recovery of bad accounts receivable	-192	-292
Exchange rate differences	-9	1
Recovery of expected losses	218	227
<i>Provision at year-end</i>	218	227
<b>Reserve for bad accounts receivable according to</b>		
Not past due	-	-
Past due 1-30 days	-	-
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Past due 91-120 days	-	-
Past due 121 days or more	218	227
<i>Total</i>	218	227

**Note 24** Costs divided by type**Group**

Costs divided by type	2012	2011
Changes in stocks of finished products and products in progress	-24,914	-21,162
Costs for employee remuneration (Notes 10 & 11)	-16,030	-14,684
Research and Development costs (Note 3)	-14,611	-16,257
Depreciation and write-downs (Notes 13 & 14)	-5,226	-8,085
Other expenses	-8,063	-6,527
<i>Total cost of goods sold, sales and marketing, administration, research and development</i>	<i>-68,844</i>	<i>-66,715</i>

**Parent Company**

Costs divided by type	2012	2011
Costs for employee remuneration (Notes 10 & 11)	-1,920	-2,025
Depreciation and write-downs (Notes 13 & 14)	-	-
Other expenses	-3,987	-4,568
<i>Total administrative expenses</i>	<i>-5,907</i>	<i>-6,593</i>

**Note 25** Related party disclosures

Lage Jonason, with family and companies, is one of the Company's largest single shareholders. Lage Jonason has personally acted as guarantor for the Company's liabilities to suppliers. Lage Jonason is entitled to a 1.5 percent annual payment in respect of his obligations incurred in acting as guarantor.

On January 10, 2012, INVISIO Communications AB signed an agreement with Alecta Pensionsförsäkringar regarding a subordinate loan of SEK 10 m. This loan proceeded with an interest rate of 12.5 percent and was repaid in full as per January 21, 2013. Alecta controls more than 10 percent of shares and votes in INVISIO, for which reason the loan is to be considered as a transaction with a related party.

Other related parties consist of the Board of Directors and management. No other transactions took place with these individuals other than those reported in Note 10, Remuneration of senior executives.

**Note 26** Events after the end of the financial year**FINANCING**

INVISIO has received a loan of SEK 15 m from a leading Swedish business bank. This loan has been used to settle a previous loan of SEK 10 m from Alecta and a loan of SEK 5 m from Erik Penser Bankaktiebolag. The loan from the bank will require no repayments in 2013, and will then be repaid at a rate of SEK 6 m in 2014 and SEK 9 m in 2015. Yggdrasil has provided security of SEK 15 m for the loan from the leading Swedish business bank. INVISIO has pledged to Yggdrasil the securities which were previously held by occupational pension company Alecta and Erik Penser Bankaktiebolag. INVISIO will pay to Yggdrasil an annual guarantee commission of 3.5 percent. INVISIO's Board is of the opinion that the agreement with Yggdrasil has been entered into under market conditions.

INVISIO has received a three-year loan of SEK 4.2 m from Almi Företagspartner AB. This loan will require no repayments in 2013. INVISIO has provided security in the form of a pledge on shares in its subsidiary Nextlink IPR AB.

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on April 24, 2013 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 14, 2013

Lars Röckert  
*Chairman*

Anders Persson  
*Member of the Board*

Lage Jonason  
*Member of the Board*

Mats Warstedt  
*Member of the Board*

Jan Samuelson  
*Member of the Board*

Lars Højgård Hansen  
*President and CEO*

Stockholm, March 19, 2013

Michael Bengtsson  
*Authorized Public Accountant*  
PricewaterhouseCoopers AB

# AUDIT REPORT

To the Annual General Meeting of INVISIO Communications AB (publ),  
Company registration number 556651-0987

## Report on the annual accounts and consolidated accounts

We have examined the Annual Report and Consolidated Accounts for INVISIO Communications AB (publ) for 2012. The company's annual accounts and consolidated accounts are included in the published version of this document on page 40-67.

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

The Board and CEO are responsible for drawing up an Annual Report that gives a true and fair reflection of the company in accordance with the Annual Accounts Act and a Consolidated Report that gives a true and fair reflection of the Group in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for the internal review that the Board and CEO deem necessary for drawing up the Annual Report and Consolidated Accounts, with no significant material misstatement, whether due to impropriety or mistakes.

### Liability of the auditor

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

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

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

### Statements

In our opinion, the Annual Report has been compiled in accordance with the Annual Reports Act and gives a true and fair reflection in all significant respects to the parent company's position as per December 31, 2012 and of its financial results and cash flow for the year in accordance with the Annual Accounts Act. The Consolidated Accounts have been compiled in accordance with the Annual Reports Act and gives a true

and fair reflection in all significant respects to the Group's position as per December 31, 2012 and of its financial results and cash flow for the year in accordance with in accordance with the International Financial Reporting Standards, IFRS, as adopted by the EU, and the Annual Accounts Act. The Board of Director's report is consistent with the other parts of the annual accounts and the consolidated accounts.

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

## Report on other requirements in accordance with legislation and other statutes

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposal for appropriation of the Company's profit or loss, and the administration of the Board and the CEO of INVISIO Communications AB (publ) for 2012.

### Liability of the Board of Directors and CEO

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

### Liability of the auditor

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

As a basis for our opinion about the Board's proposed allocation of the Company's profit or loss, we have examined whether the proposal is consistent with the Companies Act.

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

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

### Statements

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

Stockholm, March 19, 2013

PricewaterhouseCoopers AB

Michael Bengtsson  
*Authorized Public Accountant*

# FIVE-YEAR REVIEW

<b>INCOME STATEMENTS January – December (SEK 000s)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total income	43,031	41,463	32,787	61,106	40,686
Cost of goods sold	-24,914	-21,162	-14,955	-18,388	-27,845
Gross profit	18,117	20,301	17,832	42,718	12,841
Operating expenses	-38,704	-36,390	-43,474	-46,676	-49,019
Depreciation and write-downs	-5,226	-8,085	-12,224	-9,480	-7,036
Operating profit/loss	-25,813	-24,174	-37,866	-13,438	-43,214
Net financial items	-3,678	-4,451	-1,948	-3,857	-1,666
Profit/Loss before tax	-29,491	-28,625	-39,814	-17,295	-44,880
<b>INCOME STATEMENTS December 31 (SEK, thousands)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	16,832	15,336	16,948	24,521	25,375
Property, plant, and equipment	139	576	834	1,611	3,238
Financial assets	670	678	643	769	759
<i>Total non-current assets</i>	<i>17,641</i>	<i>16,590</i>	<i>18,425</i>	<i>26,901</i>	<i>29,372</i>
<b>Current assets</b>					
Inventories	3,240	5,215	2,780	2,716	6,421
Accounts receivable – trade	17,362	5,668	10,169	13,404	5,713
Other receivables/prepaid expenses and accrued income	1,488	6,039	3,156	2,149	5,059
Cash and bank balances	4,240	17,305	12,752	5,059	864
<i>Total current assets</i>	<i>26,330</i>	<i>34,227</i>	<i>28,857</i>	<i>23,328</i>	<i>18,057</i>
<b>TOTAL ASSETS</b>	<b>43,971</b>	<b>50,817</b>	<b>47,282</b>	<b>50,229</b>	<b>47,429</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>	<b>-1,814</b>	<b>11,287</b>	<b>5,630</b>	<b>7,030</b>	<b>4,068</b>
<b>Current liabilities</b>					
Liabilities to credit institutions	31,245	27,736	21,570	16,815	17,856
Accounts payable – trade	8,840	6,284	9,301	11,761	14,231
Other liabilities/acquired expenses and prepaid income	5,700	5,510	10,781	14,623	11,274
<i>Total current liabilities</i>	<i>45,785</i>	<i>39,530</i>	<i>41,652</i>	<i>43,199</i>	<i>43,361</i>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>43,971</b>	<b>50,817</b>	<b>47,282</b>	<b>50,229</b>	<b>47,429</b>



<b>CASH FLOW STATEMENT January –December (SEK 000s)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Profit/Loss before tax	-29,491	-28,625	-39,814	-17,295	-44,880
Adjustments for non-cash items	5,312	8,123	9,519	9,034	6,015
Taxes	-	-	-	-	-
<i>Cash flow from operating activities before changes in working capital</i>	-24,179	-20,502	-30,295	-8,261	-38,865
Cash flow from changes in working capital	-2,644	-9,138	-6,927	-2,433	732
<i>Cash flow from operating activities</i>	-26,823	-29,640	-37,222	-10,694	-38,133
<i>Cash flow from investing activities</i>	-6,942	-6,263	-7,037	-8,475	-6,476
<i>Cash flow from financing activities</i>	20,826	40,473	52,132	23,291	33,685
<b>CASH FLOW FOR THE YEAR</b>	<b>-12,939</b>	<b>4,570</b>	<b>7,873</b>	<b>4,122</b>	<b>-10,924</b>
<b>KEY FIGURES</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>MARGINS</b>					
Gross margin	42.1%	49.0%	54.4%	69.9%	31.6%
Operating margin	-60.0%	-58.3%	-115.5%	-22.0%	-106.2%
Profit margin	-68.5%	-69.0%	-121.4%	-28.3%	-110.3%
<b>CAPITAL STRUCTURE</b>					
Equity ratio	neg.	22.2%	11.9%	14.0%	8.6%
<b>OTHER</b>					
Number of employees	29	30	27	29	30
<b>DATA PER SHARE</b>					
Number of shares at end of period	38,440,161	32,704,351	23,501,320	21,565,126	20,646,084
Earnings per share, SEK	-0.83	-1.10	-1.75	-0.82	-2.24
Shareholders' equity per share, SEK	neg.	0.35	0.24	0.33	0.19
Share price at year end, SEK	5.00	3.70	10.00	18.00	17.70

# DEFINITIONS

## Gross margin

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

## Operating margin

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

## Profit margin

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

## Equity ratio

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

## Number of shares outstanding

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

## Average number of shares outstanding

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

## Average number of shares outstanding after dilution

Weighted average of the number of shares outstanding during the period, plus a weighted number of shares added if all potential shares that could give rise to dilution are converted to stock. Only the option programs whose issue price is less than the average market price of the shares during the period can lead to a dilutive effect.

## Earnings per share

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

## Earnings per share after dilution

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

## Shareholders' equity per share

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

## Average number of employees

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

## Number of employees at year-end

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

# FINANCIAL CALENDAR

Publication dates for financial information in 2013:

▶ Annual General Meeting 2013:	April 24, 2013 in Stockholm
▶ Interim Report January – March:	24 April 2013
▶ Interim Report April – June:	August 15, 2013
▶ Interim Report July – September:	November 7, 2013
▶ Year-end report:	February 18, 2014

