

WORLD LEADER IN SPECIALIZED VOICE COMMUNICATION

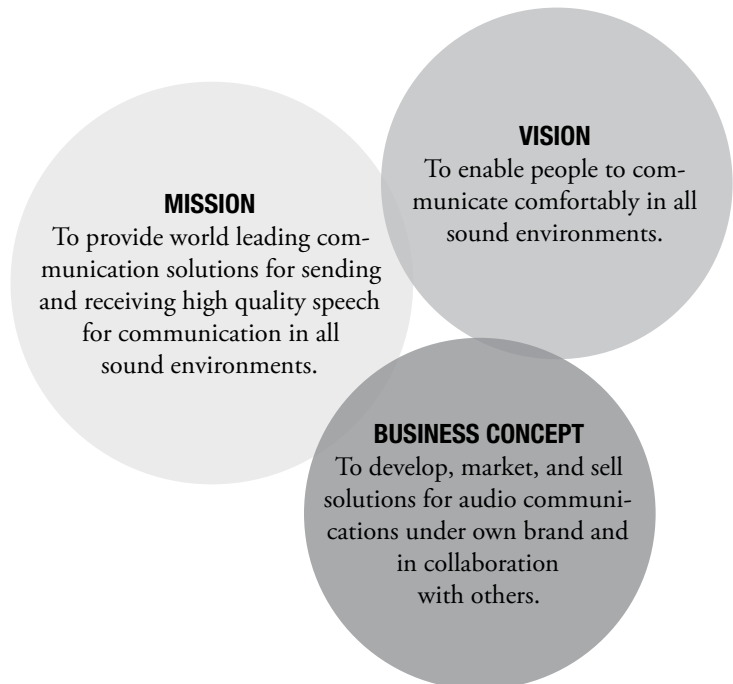
With its world-class expertise, technology and products, INVISIO enables disruption-free and clear voice communication in all environments, even under extreme conditions, such as loud noise, heat, and underwater. INVISIO offers the world's most advanced systems for communication and hearing protection while maintaining situational awareness, for use in extreme environments.

INVISIO's roots are in the field of advanced headsets with its unique INVISIO Bone Conduction technology, and the company currently develops and sells complete systems with headsets, control units and associated equipment. The company's communication solutions are available to professional users in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. INVISIO is a Swedish public company and its registered office is in Stockholm, Sweden. The company is listed on Nasdaq Stockholm First North Premier Segment (IVSO), an alternative marketplace operated by Nasdaq Stockholm. The process of listing the Company on the Nasdaq Stockholm main list has been initiated. It is estimated that this listing will take place by the end of the third quarter of 2015 at the latest.

For more information, see www.invisio.com

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"The strategy we selected, with advanced hearing protection and communication solutions for professional users, has proven to work well. We have a strong position on the market, and the company is undergoing good development."

Lars Højgård Hansen, CEO

INVISIO SHOWS STRONG GROWTH AND FULL-YEAR PROFIT

2014 AT A GLANCE

- > Total income of SEK 201.6m. This represents an increase of 136% compared to the previous year (85.3).
- > Operating profit of SEK 34.7 million (-10.5).
- > Profit after tax of SEK 44.3 million (-10.5).
- > Per December 30th, INVISIO had 1,229 (408) shareholders. This represents an increase of 201%.
- > The final share price per December 30th was SEK 12.80, entailing a total market value of approximately SEK 541 million.

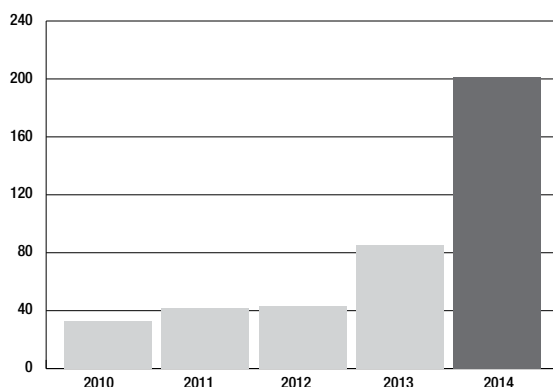
IMPORTANT EVENTS IN 2014

- > The company receives a number of orders amounting to SEK 103.1 million via its American partner, TEA Headsets, for complete communication and hearing protection systems from the American military program TCAPS.
- > The company receives an order worth SEK 5.2 million from a NATO country for a number of INVISIO V60 communication system units, followed later by an additional order worth SEK 21.0 million.
- > The company receives a follow-up order from a NATO country for the INVISIO V60 communication system, with a total order value of SEK 10.1 million.
- > The company receives two orders from Australia through its distribution partner Defcon Technologies to a total worth of SEK 6.1 million.
- > The company receives an order and a follow-up order from a military customer in a Nordic country. This order regards headsets, control units and accessories and amounts to a total worth of SEK 12.6 million.
- > The company receives an order worth SEK 14.2 million from an American military customer.
- > The outgoing backlog per December 31st amounted to SEK 72.4 million.
- > Launching the next generation X5 headset.
- > Activation of deferred tax of SEK 15.0 million is recognized during the period.
- > The company's management purchases a total of 470,000 shares in INVISIO.

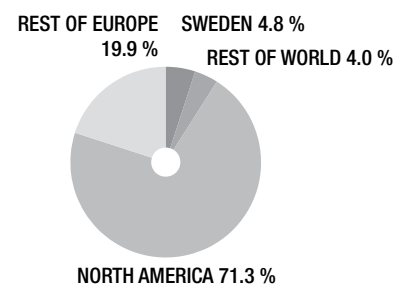
IMPORTANT EVENTS AFTER 2014

- > The company receives an order from the American military program TCAPS worth SEK 14.6 million.
- > The process of listing the company on the Nasdaq Stockholm main list has been initiated. It is estimated that this listing will take place by the end of the third quarter of 2015 at the latest.

TOTAL INCOME, SEK MILLIONS



TOTAL INCOME PER GEOGRAPHICAL AREA





STRONG GROWTH WITH PROFITABILITY

2014 was our best year to date. Our total income more than doubled, to over SEK 200 million. 2014 was also the first full year for which INVISIO could report operating profit and positive results for every quarter. The operating profit of SEK 34.7 million represents an increase of SEK 45.2 million.

In my comments in the annual report of 2013 I spoke of a breakthrough. Our years as a start-up company were behind us. The demand for our products had finally taken off and I could boldly promise that profit was within reach. Today, I can report that INVISIO is a much more mature company that delivers profitable growth. With a strong year of 2014 behind us, I can confirm that we are moving in the right direction. The numbers speak a clear message. The strategy we chose with advanced hearing protection and communication solutions for professional users has proven to be successful. Our headsets and communication solutions should function in hot and cold conditions, humid environments, and even under water. Great hearing protection, even in extremely loud environments, is an important requirement. However, the user must still be able to clearly register crucial information from the surroundings in order to identify the source and direction of sounds. The headset must also ensure that the user can be heard

no matter how loud and noisy the surroundings may be. We have developed numerous product solutions combining unsurpassed hearing protection in demanding environments with maintained situational awareness. No other manufacturer globally can offer a more advanced solution or a broader range of products on the market than INVISIO.

On pages 26-27, we explain how INVISIO offers a technology that attenuates noise without cutting out important information from the surroundings, while allowing speech to be transmitted despite a noisy environment.

Our largest customers are currently found within the military. Additional users that we have identified can be found within the police force, SWAT teams, fire departments and heavy industries. INVISIO functions at its best in environments where traditional standard equipment has lost its function. Military modernization programs are currently the most important driving forces for INVISIO.

"Today, I can report that INVISIO is a much more mature company that delivers profitable growth. With a strong year of 2014 behind us, I can confirm that we are moving in the right direction"

Across the world, military organizations are replacing existing equipment with more modern equipment. The goal is to protect soldiers from permanent hearing loss and at the same time help them to perform better. The right equipment is often crucial to how well soldiers can perform in their missions. In many cases this can be the difference between life and death. There are currently 50 modernization programs in 40 countries across the world. One of the largest is the American military's TCAPS, that chose INVISIO's solutions in late 2013. This is a great acknowledgement for our world-leading communication solutions, while simultaneously reinforcing our business opportunities both in the USA and the rest of the world. In 2014, INVISIO received orders worth a total of SEK 103.1 million through the TCAPS-program.

In addition, I would like to mention numerous orders from multiple NATO-countries, worth a total of SEK 41.6 million. These orders are of course important for our business as such, but also as a reference in our sales efforts towards new customers. The outgoing backlog amounted to over SEK 72 million by the end of the year. Although we are expecting continued positive in-flow of orders, I would still like to emphasize that long testing and decision-making processes may result in that the order intake vary from quarter to quarter. Despite this I am confident that military modernization programs will continue to be an important business opportunity for INVISIO. We have achieved a market leading position thanks to our world leading expertise within acoustics, hearing and communication. Our Danish heritage in the fields of hearing and

acoustics permeate our products, such as the V60 control unit and the new X5 headset.

Our talented staff is working hard to develop the next generation of products to guarantee that INVISIO will retain its leading position in our niche. In 2014, we launched a new generation of our successful X5 headsets.

INVISIO's shares have been traded on Nasdaq Stockholm First North Premier Segment since July 2009. Given the positive development, the Board of Directors at INVISIO has decided to initiate the process of listing the Company's shares on the Nasdaq Stockholm main list. The listing is expected to take place by the end of the third quarter of 2015 at the latest.

I would particularly like to extend my gratitude towards all the shareholders who have patiently supported us for many years as we developed the new strategy. It is with both pride and joy that I can now confirm that your patience has paid off. I would like to welcome all the new shareholders who have discovered INVISIO in 2014.

I would in addition like to thank our talented staff, all of whom have made their own contributions to our success in 2014.

Stockholm, March 2015

Lars Højgård Hansen, CEO



A GROWTH MARKET OFFERING HUGE POTENTIAL

INVISIO operates on a global niche market offering a huge potential for growth. The market is driven by both an increasing need for communication and hearing protection, as well as strong financial incentives for customers to invest.

INVISIO estimates the value of the entire annual market for communications accessories for two-way radio to be worth more than four billion Swedish SEK. The USA is the single largest market with approximately 45 percent of the 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 offers considerable potential for growth due to the technology transition from analog to digital. An increasing number of professions are realizing the advantages of advanced headsets. Simultaneously, the demand for hearing protection for all user categories is increasing.

The world economy is still suffering from the effects following the financial crisis, with weak economic growth in multiple regions and restraint in public and military investments. INVISIO operates within a niche market, and is due to this less affected by macroeconomic conditions. Cutbacks primarily affect major investments, often worth billions. INVISIO delivers systems to a worth of smaller amounts in a larger context. The modernization programs conducted by the military in which INVISIO par-

ticipates, concerns investments of modern hearing protection and communication solutions often worth tens of millions of Swedish SEK. It is an investment with easily calculated returns simply by the drastically reduced amount of cases regarding hearing loss.

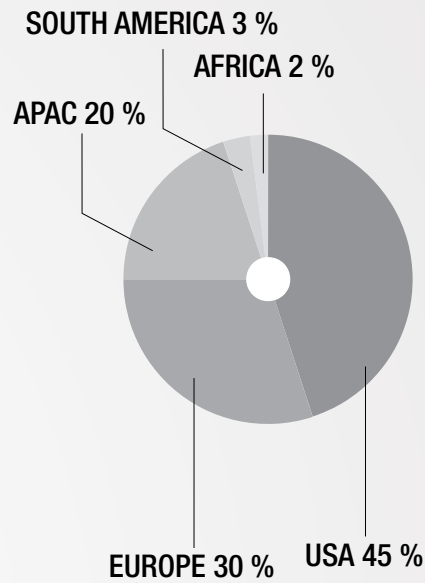
POSITIVE MARKET TRENDS

The market for communication and hearing protection is not new in itself. The need for clear communication in demanding environments as well as the need to prevent hearing loss has existed for a long time. What INVISIO offers is more modern and innovative solutions to these challenges. Numerous positive trends interact in an affirmative matter resulting in INVISIO's continued confidence in its prediction of a bright future.

The primary driving force on INVISIO's market are the ongoing military modernization programs across the world, where existing equipment is upgraded or replaced. The programs that include radio- och communication solutions often require "in ear"-headsets and hearing protection.

There are approximately 50 current or imminent programs in almost 40 countries, of which

DISTRIBUTION OF THE VALUE OF THE TOTAL MARKET FOR COMMUNICATIONS ACCESSORIES FOR TWO-WAY RADIO



the most extensive programs are in North America and Europe. However, larger investments are also carried-out in Asia, South America and Africa. Numerous military tendering processes for communications equipment are expected to be followed out throughout the upcoming years. Procurement deals of communications equipment often amount to a multi million range. Other suppliers of communications equipment with extensive industry experience have announced orders from military programs amounting to a worth of several hundred millions SEK.

DIGITIZATION PAVES THE WAY FOR NEW OPPORTUNITIES

Digitization is an important driving force for the market for advanced equipment for communication and hearing protection for the police, fire departments and other rescue services. The new technology creates completely new opportunities. The police, fire departments and other emergency services are being integrated in modern communication solutions. One of the most important digitization projects is TETRA, a digital radio technology developed in the 1990s. TETRA facilitates communication in different ways. This enables an increasing number of

organizations, such as rescue services and police forces worldwide, to replace old analog systems with digital systems. The transition from analog systems to TETRA implicates that all communications equipment, from hand-held radios to exchanges and base stations, must be replaced. This will result in significant business opportunities for suppliers of various components in the communications equipments. Once the TETRA systems are in place, the next step for the end users will be to initiate a review of associated TETRA-equipment as communications solutions within the new radio network. By the end of 2012, there were ongoing TETRA-projects in 125 countries and counting. TETRAPOL and APCO25 are similar ongoing projects.

HEARING LOSS IN NOISY ENVIRONMENTS

Hearing loss involves major expense for employers, insurance companies and society, while the human suffering for those who are affected are tremendous. There is a strong incentive to invest in technology that combines smart communication with effective hearing protection in for example heavy industry and the energy sector.

For instance, the American government pays more than SEK 7 billion per year in compensa-

tion and treatment for military veterans affected with hearing impairments and tinnitus while serving. In Australia, calculations show that hearing loss costs an equivalent of 1.4 percent of GDP. Since July 2010, the EU Noise at Work Directive, has resulted in a requirement for companies and organizations to protect their employees from noise exceeding 85dB.

UNIQUE SOLUTION

Today, there are two primary methods to enable communication and hearing protection in harsh environments. One of these is the traditional headset of the circumaural type, with noise-reducing cups worn over the ears. The other, is small headsets placed inside the ears.

The former is a mature market dominated by a small number of major companies. In-ear headset is a relatively new technology field where smaller as well as larger companies compete.

It is clear that customers are in the process of forsaking or supplementing the traditional circumaural technology in favor of more modern headsets. An increasing number of tendering processes within both the military and the civilian market are specifically requesting suppliers who can deliver in-ear headsets. Ergonomics, functionality, and performance are equally good or better for this type of solution in comparison to the circumaural type.

Beyond INVISIO's solutions, there are a handful of other suppliers that offer in-ear products. Many suppliers of professional headsets for in-ear use are relatively small companies. These products may be similar to INVISIO's, but use a different voice-capturing technology. Basically there is no other company that offers the same unique technology as INVISIO.

Find out more about INVISIO's unique technology on pages 26-27.

3 IMPORTANT DRIVING FORCES

1

EFFECTIVE COMMUNICATION SOLUTIONS IN ALL ENVIRONMENTS

The importance of clear communication is growing due to increasing demands, especially within the military. Simply reducing noise is not enough. Communication solutions combining situational awareness, satisfying hearing protection and crystal clear sound is a requirement.

2

FOCUS ON HEARING PROTECTION

The awareness of the damages caused by hearing loss has increased in recent years, which results in increasing demands for hearing protection solutions.

3

FLEXIBLE PRODUCTS

While awareness of the importance of good communication and hearing protection has increased, the technological progress has created new possibilities. Traditional headsets still represents the majority of the market but are however rapidly being replaced by modern in-ear headsets.

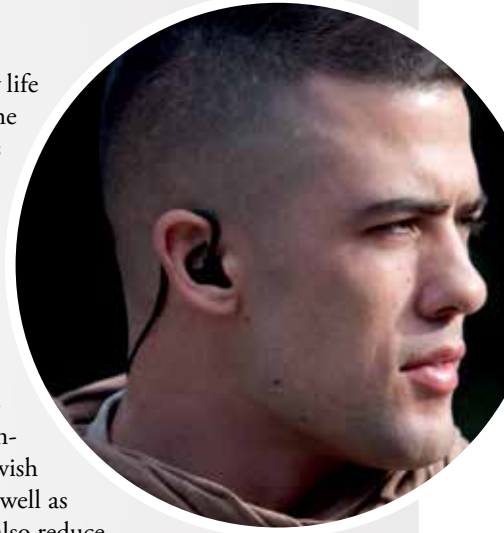
APPLICATIONS: LIFE AND DEATH SITUATIONS

The ability to communicate without misunderstandings is often a prerequisite for a team to succeed on their missions. To be heard clearly while in an extremely loud and noisy environment requires advanced technology. INVISIO has that technology.

MILITARY

Extreme noise from helicopters, heavy vehicles, explosions, and gunfire is a part of every day life for military units and special forces. For these individuals, reliable communication can be the difference between success or failure, or life or death. To prevent hearing loss, world class hearing protection is required. However, to carry out the assignments successfully, the technology can not shut out important noises. All too frequently, soldiers avoid using simple hearing protection in order to fully be able to register important information in their surroundings. INVISIO's unique technology guarantees satisfying hearing protection while still allowing the user to hear the surroundings as well as register the source and direction of sounds.

The military programs that include communications equipments demand modern high-performing technology that are user-friendly and possible to integrate in new as well as existing systems. There are often demands of "in-ear" headsets and hearing protection in the tendering processes, which corresponds well with INVISIO's offerings. Military commanders wish to prevent hearing impairments and deafness due to explosions and gunfire short term, as well as reduce long-term problems such as tinnitus. Beyond alleviating human suffering, this will also reduce compensation costs for occupational injuries.



POLICE

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 communications equipment.

FIRE DEPARTMENTS

When flames are roaring and when building structures collapse, it is difficult to hear anything in regular headphones or to make yourself understood over a microphone. Firefighters have to be able to communicate without interruption with both colleagues and the commander. Communications equipment must also be able to withstand extreme heat.



HEAVY INDUSTRY

Work environments are often noisy in heavy industries such as mining, paper mills, and the oil industry. Communication is very important as these environments are often hazardous and the equipment is both complex and costly. In industry, too, it is important to protect the hearing of personnel while still allowing them to communicate.

CASE STUDY: MODERNIZATION PROGRAMS

The modern soldier faces dilemmas where making the right decisions could be a matter of life or death. In order to be as effective as possible, a soldier needs advanced equipment. But if the equipment proves to be too heavy, it will instead become an obstacle.

A large number of military modernization programs are constantly taking place throughout the world. The aim is to develop modern equipment for soldiers which improves their mobility, control, endurance, and survival.

These programs focus on all the equipment carried by soldiers, from firearms to protective equipment and communication equipment. A number of factors are taken into account in order to find the best possible equipment. Soldiers must be able to do their jobs without their equipment restricting their mobility on account of its weight or design. When it comes to hearing protection and communication, the equipment must protect the user against hearing loss without eliminating crucial information from the surroundings. It must also be comfortable enough for usage during longer periods of time.

One of the most important aspects of the modernization programs by far, involves developing equipment that the soldiers actually want to use. Protective equipment that is too big or heavy may instead become an obstacle on a mission. Hearing protection which prevents the user from hearing where threats are coming from is not used. INVISIO's in-ear headset gives soldiers effective hearing protection which does not detract from their situational awareness. With the X5, soldiers can also communicate unimpeded, more or less no matter how loud their surroundings. INVISIO's headsets, which weigh just a few grams, are – unlike older, larger solutions – no major burden to carry.

One of the most advanced programs for communication and hearing protection is the American TCAPS, which is run by the US Army. For the US Army, and many other armies as well, hearing loss is a major problem. Soldiers who choose not to use hearing protection because their equipment is insufficient often returns home with tinnitus, permanent hearing loss or even deafness. INVISIO's X5 headset offers unsurpassed hearing protection.

"Soldiers feel that they lose the ability to interpret their surroundings which put them at risk. This is why they choose to not wear traditional hearing protection", Jennifer Noetzel, head of the Fort Drum hearing program, explains.

"I have never used hearing protection when I'm out on missions. That might change now", explains Specialist T. Graham from C company C-87 Infantry in an interview with Fort Drum – the Mountaineer Online.

INVISIO offers modern solutions that does not force the soldiers to choose between safe communication with their colleagues or saving weight. They do not need to choose between preventing hearing impairments in a later stage or perceiving imminent threats now.

The American military and other defense forces all over the world stand to save plenty in terms of both money and human suffering. The American 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. The US Department of Veterans Affairs estimates that almost 60,000 soldiers who participated in the Iraqi Freedom operation were affected by hearing loss.

Other military organizations all over the world report similar experiences of major savings in terms of both money and human suffering.

In addition to the cost of healthcare and, possibly, pensions for soldiers injured in this way, there is also the investment in training which is rendered worthless when soldiers can no longer engage in active service on account of their injuries.

For INVISIO, these programs open up a market worth many millions. For the military, this investment is often relatively small compared to the savings that can be made when fewer soldiers suffer from hearing loss. To date, INVISIO has received orders worth in excess of SEK 140 million via TCAPS. This modernization program, and others like it, will continue to be an important driving force for INVISIO over time.



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"By far one of the most important aspects in the modernization programs involves developing equipment that soldiers actually wants to use. If the protective equipment is too heavy it might instead become an obstacle in the field."
.....



INVISIO'S BUSINESS AREAS

1

RESEARCH AND DEVELOPMENT

OWN DEVELOPMENT AND PARTNERSHIPS

INVISIO has achieved a market-leading position thanks to its world-class research and development. The company develops communication solutions such as advanced headsets, control units, and associated equipment for use with two-way radio. Most of its research and development takes place in-house, and is based on the knowledge of the user requirements which has been gained from close partnerships with customers such as various military and police organizations. The company's own resources and expertise in the field of research and development are used primarily for the company's own development projects under the INVISIO® brand.

EXPERT KNOWLEDGE

Roughly half of INVISIO's employees are engineers with specialist skills in fields such as acoustics, mechanics, electronics, and software development. INVISIO's researchers and developers are working to develop and adapt the company's various products and solutions so they meet the needs of various customers as effectively as possible. They benefit greatly from their roots in world-leading Danish expertise in the fields of acoustics and audio technology.

PATENT STRATEGY

INVISIO has been developing knowledge and experience within a number of key technologies over the past 15 years. INVISIO primarily competes on functionality, performance and rapid technical development. New products and modern solutions are crucial to continued success. The strategy involves actively developing and applying for patents in the fields of communications and audiology. The company is constantly evaluating new inventions and developments which may be suitable for patenting, and it takes the potential commercial value into account in each and every case. All this takes place as an integrated part of the product development process. At the same time the company must balance its costs, efforts and opportunities, this is why INVISIO should not invest in the creation of a huge patent portfolio with lots of detailed qualities. Instead, resources are focused on fewer patents of high quality which can create significant competitive advantages for the company.

2

PRODUCTION

PRODUCTION

Product quality and delivery reliability are crucial in the professional market. For a growing company like INVISIO, it is very important to be able to combine cost control with outstanding product quality and delivery reliability in production. This is why INVISIO has chosen to work with a few carefully selected partner companies for all its production, including PartnerTech in Malmö, Sweden. In this regard, it is strategically important to have the company's production partners within arm's reach, not least so that the quality of production can be guaranteed.

Find out more about the partnership with PartnerTech on page 20.

SALES AND PARTNER STRATEGY

INVISIO's sales are characterized by long lead times from initial contact with a customer to inquiry, customer tests, tendering and a final order. The company's products and solutions are mainly marketed and sold under the proprietary INVISIO brand, but also through OEM cooperations.

INVISIO's sales strategy aims to achieve geographical diversification, as well as expanding sales to a number of customer groups. Sales were previously concentrated in a few markets and customer groups, but since 2010 the company has continued to expand both the scope and breadth. With the company's new, expanded product portfolio and a greater number of partners in all customer groups, INVISIO is now in a position to reach out to many more potential end customers. The company is also attempting to increase its market presence by participation in international trade fairs as well as continuous marketing communications.

In addition to direct sales, strategic partners such as system integrators, radio manufacturers and resellers also generate sales opportunities. INVISIO is continuously working to increase the number of partnerships and cooperations.

STRATEGIC PARTNERSHIPS

Strategic partnerships are important factors in INVISIO's success which is why part of the sales are generated through a smaller number of strategically important cooperations and partnerships with system integrators and radio manufacturers. It is often together with these partners that INVISIO participates in tendering processes in the so called military modernization programs. Many existing, as well as potential end customers prefer to purchase complete communication systems, including radio, from one single supplier.

SALES THROUGH RESELLERS

Sales also occur through a large number of specialist resellers. Since 2010, a number of new resellers have emerged in Europe, North America and parts of Asia. In some instances, sales are conducted through a main reseller who sells to other resellers in the agreed upon market. An important example is TEA Headsets, which is INVISIO's main reseller on the American market.

DIRECT SALES

Direct sales take place through INVISIO's own sales staff. The share of direct sales can vary greatly from year to year, depending on individual orders.

FACTS QUALITY

Quality is a guiding principle in all of INVISIO's development work. This is why the company has extremely stringent demands when it comes to systematic procedures. A well developed product development process, with special documentation and quality management systems headed up by a quality officer, must ensure that what the company offers meets stringent customer demands. In 2013, INVISIO gained accreditation to the standard ISO 9001:2008 when the company's quality management system underwent an independent review and was approved according to the standard ISO 9001:2008. This review and accreditation were carried out by German certification body TÜV NORD CERT GmbH. INVISIO is currently working according to the following approvals, certificates and directives:

EN/ISO 9001:2008

EN/ISO 80079-34:2011

CE labeling (EU directives:
LVD, EMC, RoHS, ATEX)

Other directives such as
WEEE, REACH, and IECEx

STRATEGIC ADVANCEMENTS

Seven years ago, in 2008, INVISIO made the important decision to focus solely on the professional market. INVISIO is now active within a global niche for advanced systems for hearing protection and disruption-free communication in demanding conditions.

EXTENDED PRODUCT PORTFOLIO

INVISIO has invested major resources in research and development in order to develop world leading communication solutions for professional users in demanding environments given the company's core competencies within audiology, sound transmission and hearing protection. The company has expanded its range of products, from headsets to communication solutions with headsets, control units, and associated equipment for use with two-way radio. In 2012, INVISIO's most advanced communication system to date, V60, was launched. In 2014, INVISIO launched the next generation of its successful X5 headset. Read more about this on pages 28-29.

INCREASED NUMBER OF CUSTOMER INQUIRIES AND FULL-SCALE CUSTOMER TESTS

Good experiences of INVISIO's products among existing customers, primarily the defense services and military special forces, have led to an increase in the number of inquiries received from potential customers. Through extensive testing programs and customer usage, solid confidence in INVISIO's products has been established.

INCREASED CUSTOMER BASE AND CONSIDERABLY MORE RECURRING CUSTOMERS

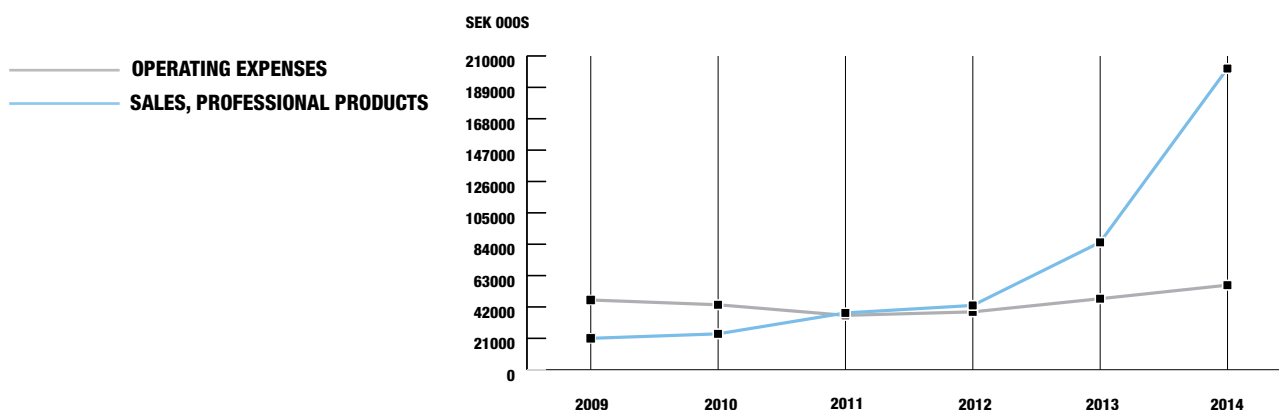
INVISIO has gathered important reference customers over a number of years thanks to breakthrough orders from the Danish military, a number of NATO countries and the American military TCAPS program. The fact that the company's products and solutions deliver on its promises when being tested and used in the field, has resulted in an increasing number of customers discovering INVISIO's product solutions while existing customers return with follow-up orders.

GREATER NUMBER OF RESELLERS AND IMPORTANT STRATEGIC PARTNERSHIPS

INVISIO currently has a number of strategic partnerships with resellers and manufacturers of radio equipment for two-way communication. This has been a successful strategy which the company intends to continue to develop.

INCREASED SALES AND COSTS UNDER CONTROL

The company's sales to the professional market has increased for six consecutive years. From just over SEK 19 million in 2008 to more than SEK 200 million in 2014. INVISIO has been able to record a constant improvement in results due to successful cost control, and the Company can for 2014 report its first full-year profit.



INCREASINGLY LARGER ORDERS

2014 was yet another successful year in which INVISIO was able to greatly increase its sales, and report a positive full-year result for the first time. With this, INVISIO secured its position as a market leader in its niche.

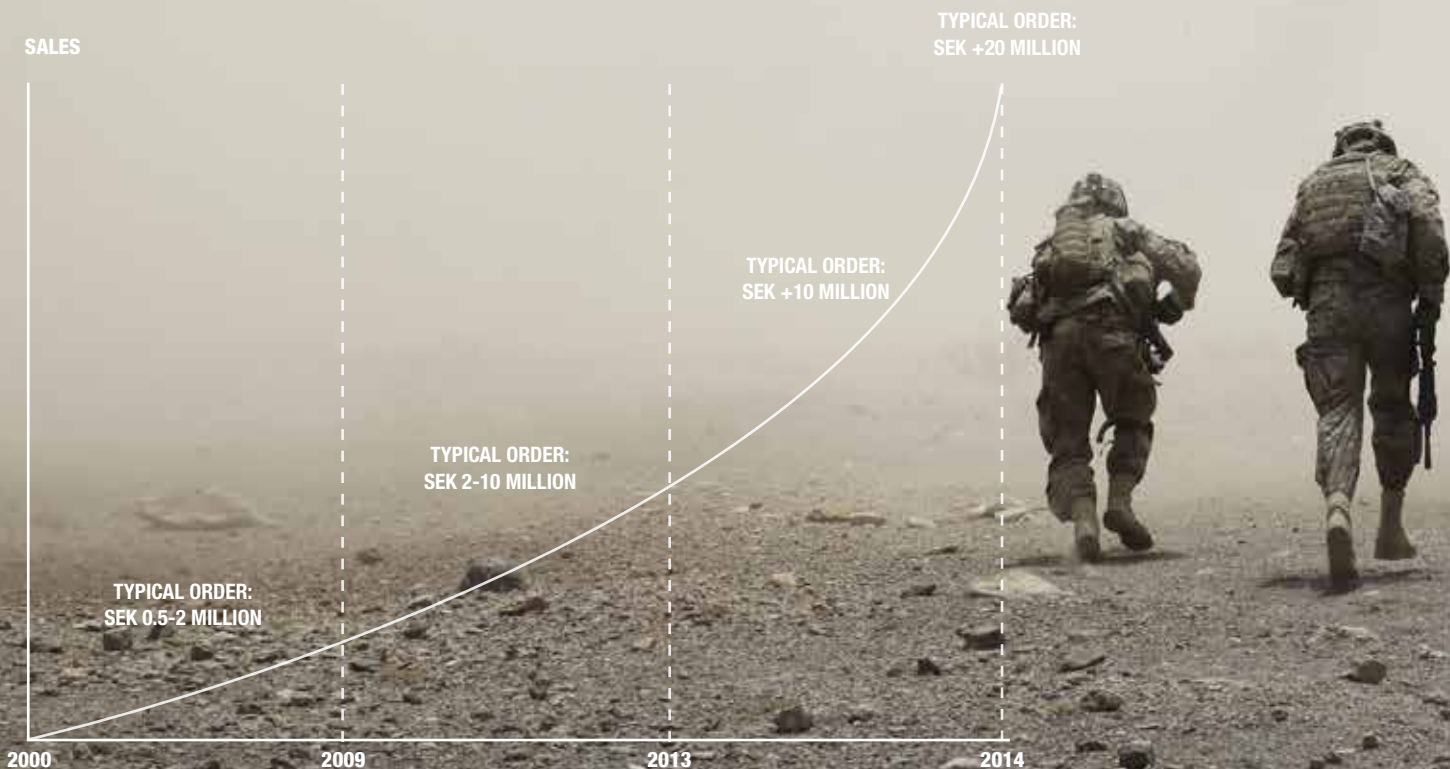
Increasing its technical advantage over its competitors at the same time reinforces the notion that INVISIO's strategy is working well.

INVISIO's objective is to be a market-leader in communication solutions in all application areas, featuring the best possible speech and sound quality and thereby achieve good profitability. To do this, the company needs to remain an interesting partner by continuing to develop products and solutions that meets the customers' needs.

The launch of INVISIO's first headset and control units for military was met with huge interest. But initially, this curiosity led only to small trial orders. Before 2008, typical orders would be worth between SEK 500,000 and SEK 2 million.

A few years ago, INVISIO left the phase of receiving initial test orders and started receiving volume orders worth up to SEK 10 million. Since then, customers have come back time and time again with increasingly larger orders. They they now often orders thousands of systems at a time. INVISIO received a number of volume orders worth between SEK 20 million and SEK 40 million in 2013 and 2014.

However, this is still a growing market. While an increasing number of military personnel across the world has noticed the benefits of advanced hearing protection and communication solutions, INVISIO expects an even greater demand for its products.



MILESTONES

INVISIO IS FOUNDED

under the name
Nextlink A/S.

INVISIO LAUNCHES A SERIES OF WIRELESS HEADSETS

for the consumer market.

INVISIO SWITCHES STOCK EXCHANGE

to Nya Marknaden,
which later becomes
part of First North.

1999

2000

2001

2002

2003

2004

2005

2006

2007

INVISIO LAUNCHES

its first headset
aimed at professional users
with its world-unique
Bone Conduction
technology.

INVISIO IS LAUNCHED

on the NGM Stock Exchange's
Nordic OTC list.

THE X50 DIGITAL COMMUNICATION SYSTEM IS LAUNCHED.

INVISIO's first digital communication system with certified hearing protection.

LIST CHANGE TO

First North Premier Segment.

THE BIGGEST ORDER TO DATE,

when the Danish armed forces order S10 units worth SEK 11.5 million.

THE S SERIES IS LAUNCHED.

A simple, easy-to-use communication system with hearing protection.

BREAKTHROUGH ORDER FROM THE US ARMY.

INVISIO receives an order worth SEK 40 million from the US Army through the TCAPS program.

This order has since been followed by further orders worth in excess of SEK 100 million.

SALES FOR

the full year are more than doubled to SEK 85 million.

WORK BEGINS ON A LIST CHANGE

INVISIO has started work on a list change from Nasdaq First North Premier to the Stockholm Stock Exchange main list.

2008

2009

2010

2011

2012

2013

2014

2015

THE NEW NAME

INVISIO Communications clarifies the fact that the company is much more than just headsets.

INVISIO'S NEW HEADSET,

the X6, can be customized to the ear shape of the wearer.

INVISIO LAUNCHES THE V60,

still the world's smallest, most advanced communication system in its niche.

RECORD ORDER

for INVISIO for the V60, worth SEK 32 million.

IN THE FIRST QUARTER OF

2014, INVISIO turns a profit and reports earnings of SEK 5.1 million.

INVISIO REPORTS RECORD EARNINGS

for 2014, with sales of SEK 201.6 million and an operating profit of SEK 34.7 million.

THE NEXT GENERATION

of the successful X5 headset is launched.

INVISIO LEAVES

the consumer market and focuses solely on demanding professional applications.

NAME CHANGE TO

INVISIO Headsets AB.



INVISIO AS AN EMPLOYER

INVISIO is a company that attracts people who want to work in an innovative, international environment. INVISIO is based just outside Copenhagen, but its 34 staff members represent eight different nationalities and the company's customers can be found all over the world.



Outstanding expertise and top-level skills are the characteristic of the colleagues at INVISIO. About half of the staff works with research and development. They include engineers specializing in fields such as acoustics, mechanics, and software.

INVISIO is an innovative workplace for people who are constantly looking for new challenges and opportunities for personal development. They are passionate about finding new technical solutions for world-leading products to help professionals protect their hearing, while also allowing them to communicate in very difficult environments.

INVISIO's top-level skills in the fields of audiology, hearing protection, and communication are what makes it unique. People who come to work for INVISIO thrive. The low staff turnover is a proof of that. As well as providing challenging jobs in an international environment, INVISIO is also able to offer an attractive work environment. The premises are in an excellent location no matter where you live; in Copenhagen, or in the Malmö region on the Swedish side of the bridge.

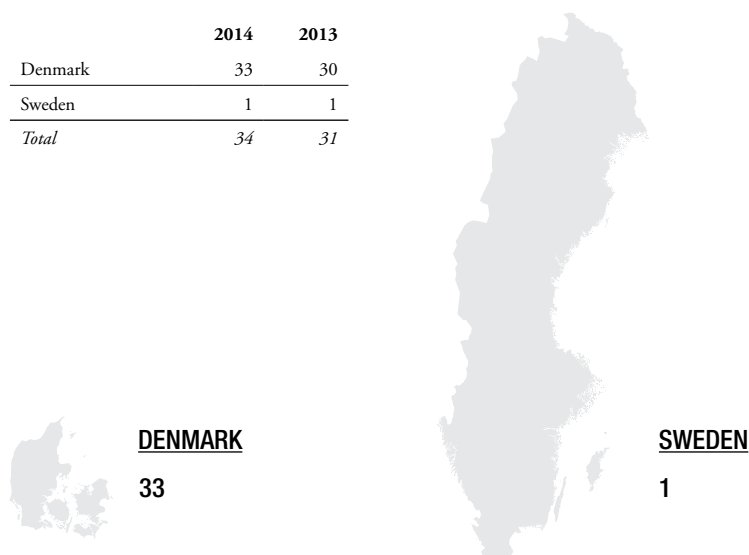
EMPLOYEES AND ORGANIZATION

GENDER DISTRIBUTION AS PER 12/31/2014

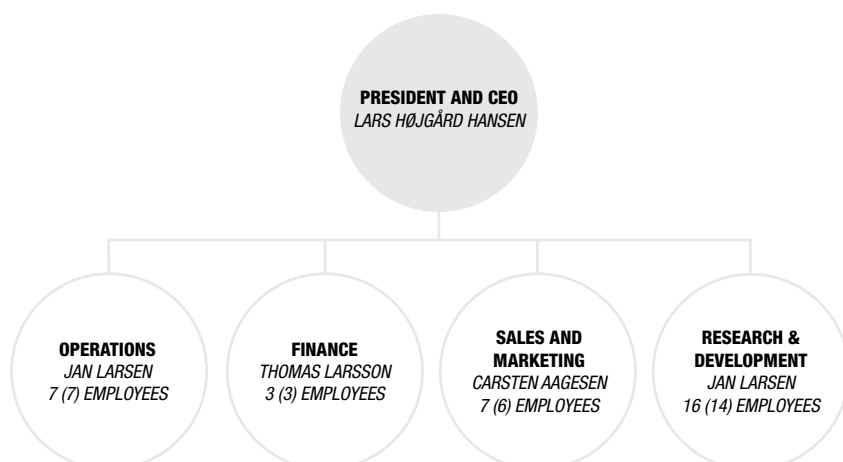
	2014	2013		
Men	27	24	MEN	WOMEN
Women	7	7	27	7
<i>Total</i>	<i>34</i>	<i>31</i>		

GEOGRAPHIC DISTRIBUTION AS PER 12/31/2014

	2014	2013
Denmark	33	30
Sweden	1	1
<i>Total</i>	<i>34</i>	<i>31</i>



ORGANIZATIONAL STRUCTURE



3 VOICES FROM OUR STAFF



Anja Pelby, Finance & HR Manager

I feel privileged to be part of an international business with highly qualified colleagues, all of whom demonstrate an enormous amount of commitment, and with a management team which shows great trust in individual employees.



Fabian Henning, Project Manager Research & Development

Working at INVISIO means that I always have great variation in my everyday work. The tough, unique demands that exists for our products gives us the opportunity to develop our skills and challenge ourselves while we are also helping the users to do their jobs more safely.



Michael Søndersted, Quality Manager

INVISIO gives me outstanding opportunities to work both independently and in depth on complex, challenging quality issues from customers, partners and regulatory bodies. At the same time, my work gives me the opportunity to be part of a multidisciplinary team, and we all work together to find effective solutions and constant improvements.

STRATEGIC PARTNERSHIP FOR SCALABLE PRODUCTION

INVISIO has outsourced production to an industrial partner to allow the company to handle varying demand and at the same time focus its energy on product development and sales rather than production. But to be able to manufacture products of such incredible technical complexity and with such stringent demands for reliability, INVISIO needs a world-class partner.

Most companies in a rapid growth phase find it difficult to predict their production needs and quickly adapt their production to demand. INVISIO also operates in an industry with order intake that is rapidly changing. INVISIO takes part in many of public procurement processes which often demand a high level of flexibility. This makes the importance of a production unit that can be upscaled or downscaled quickly even more important.

INVISIO opted to outsource its production to an industrial partner early on so that it could focus on product development and sales. But with one of the world's most advanced products in the field of audio technology, and customers who rely on INVISIO's products in what are often life or death situations, the company needed a partner with world-class technical expertise.

"For us, it was absolutely crucial to come up with a long-term solution for production in which we could guarantee quality and delivery capacity even for huge orders. At the same time, we wanted to avoid tying up our equity or – even worse – not having the muscle to accept really big orders. For us, the answer was to find a strong partner for production", says Lars Højgård Hansen.

In Fosie, a part of the city of Malmö, INVISIO found what they were looking for – PartnerTech. The company specializes in offering its customers customized, flexible production solutions with outstanding technical expertise. The company employs 1 400 people in seven countries and is listed on the Exchange. Its head quarters is situated in Malmö.

The partnership between INVISIO and PartnerTech began in 2007 and is a long-term

commitment. A partnership designed to benefit both parties is shaped by building on shared objectives and processes.

PartnerTech is not far from INVISIO; neither geographically nor culturally. It was important to find a partner that spoke the same language, is solution-oriented and has the ability to be flexible and quickly handle ups and downs in production. The fact that PartnerTech also has the ability to manage far greater volumes than the ones ordered at present time also ensures that this partnership will be a long-term undertaking.

According to Stefan Hansson Mutas, Head of PartnerTech in Malmö, PartnerTech plays an active part early on in the product life cycle, in both the production process and in product development.

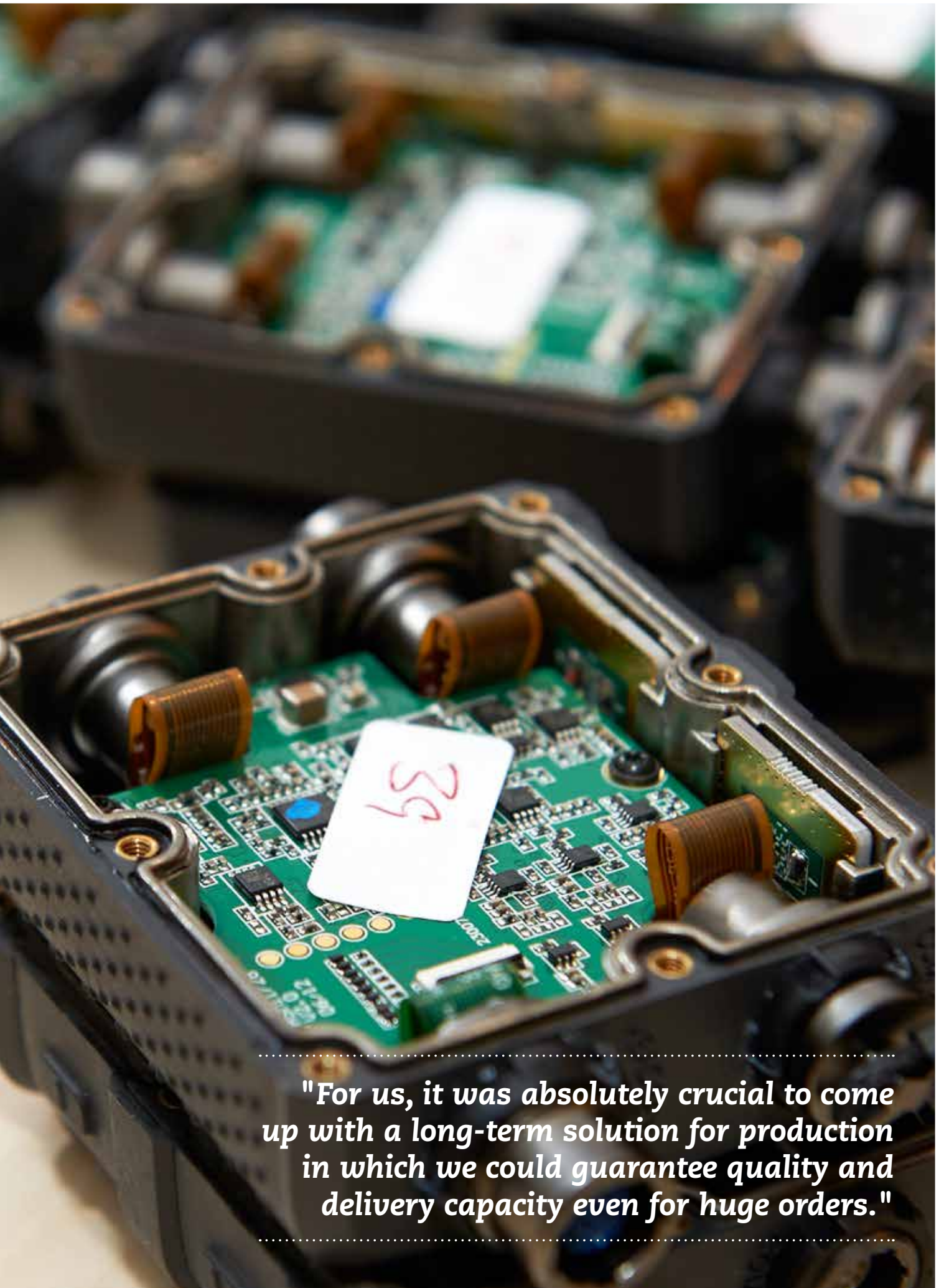
"Being an active partner throughout the entire product life cycle gives us more opportunity to meet INVISIO's very tough quality requirements, while at the same time using our own expertise and experience to help produce an even better end product".

The teams from the two companies are in daily contact with one another, and this close contact makes it easy to quickly change details in the partnership when so required by INVISIO.

"We understand one another, we have the same mentality and we are located in the same region. This makes it easier for us to work together and resolve challenges together", says Stefan Hansson Mutas.

The partnership with PartnerTech gives INVISIO the opportunity to offer a high quality product and flexible deliveries based on strict deadlines – but without having to compromise on extremely stringent demands in terms of product quality and reliability.





"For us, it was absolutely crucial to come up with a long-term solution for production in which we could guarantee quality and delivery capacity even for huge orders."

A HERITAGE FROM DANISH AUDIO

The fact that INVISIO's world leading products for hearing protection and advanced communication was created in Scandinavia is no coincidence. INVISIO is at the heart of the world's leading cluster in the field of acoustics, hearing, and mobile communication.



Steen Iversen,
project manager at INVISIO.

Danish researchers have spent several decades building up world-class knowledge of acoustics and hearing thanks to a deliberate political focus on being able to offer hearing aids for everyone. Three of the world's top five manufacturers of hearing aids are Danish. Universities such as the Technical University of Denmark are known to be some of the best in their field in the world. INVISIO originated from this tradition.

INVISIO's engineers come to the company with many years' experience from the Danish audio industry.

"Denmark would never have become so prominent in the field of acoustics and hearing if it had not invested in hearing technology early on. And INVISIO would never have become reality without access to all this knowledge", says Steen Iversen, project manager at INVISIO. He himself is a product of the Danish audio cluster. After training in audiology and electronics, he worked for the Danish air force before moving on to the hearing aid industry. When he joined INVISIO in 2007, he brought a unique understanding of hearing instruments, acoustics and the conditions under which the technology has to be used.

Developing a product like the INVISIO V60 or X5 requires unique knowledge and a holistic approach. Headsets which are to operate in extreme environments and underwater also require a knowledge of materials engineering. A control unit which is to be easily connectable to a two-way radio, a cellphone, or a computer requires a top-level knowledge of mobility and communication.

"Access to these skills can be found right on our doorstep, with some of the world's leading companies in the fields of mobility and materials engineering in Denmark and Southern Sweden. A number of our competitors have expertise comparable with ours. But I would claim that none of them have the same scope as INVISIO. As some of them specialize in hearing protection, we can offer that and we also know how to design headsets which allow wearers to hear what they need to hear. Lots of people can design radio interfaces, but nobody has as flexible a solution as ours. It works with all types of radio, cellphones, etc. The big picture is what makes INVISIO stand out from the crowd", says Steen Iversen.

INVISIO would have found it much harder to reach its current position if it had been started somewhere else in the world.

"INVISIO combines knowledge of human hearing, acoustics, electronics, and mechanics in order to create technology that protects the users' ears from harmful acoustic pressure and also enhances the ability to hear important things."

FACTSHEARING

A FANTASTIC SENSE

Sound contains a vast amount of very complex information. This is why hearing, together with sight, is the most advanced human sense. Our ears can register incredibly detailed information. This is why humans can understand the significance of speech and appreciate music.

The human ear is designed to allow us to perceive depth and direction. The complex shape of the ear allows us to tell where sound is coming from and even analyze its depth. We can tell whether a sound is coming from the left or right, we can also determine whether it is behind or in front of us, and whether it is nearby or far away.

There is a complex science behind what everyone with normal hearing takes for granted. We remember from our school days those drawings of the complex inner ear, with the cochlea, malleus, incus, and stapes which amplify sound. What most people have spent less time studying is how sound reaches the eardrum and exactly why the shape of the outer ear helps us to perceive direction.

Humans use a number of physical principles to detect direction. We can use phase offsets for low frequencies with long soundwaves. For frequencies below 800 hertz, soundwaves are so long that they reach the left and right ears slightly out of phase. When the wave reaches a peak at one ear, it will already be heading back down when it reaches the other.

This principle does not work with higher frequencies, where the wavelength may be just a couple of centimeters. Instead, the ear detects the fact that the sound is louder in the ear nearest to the source of the sound.

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

The sound will be reflected to differing extents on its way to the ear, depending on whether the source is nearby or far away. This helps us to perceive distance and depth.

But it does not explain how we know whether the source of a sound is behind and not in front of us. The sound will reach both ears at the same time anyway.

It is harder to tell whether a sound is coming from behind or in front of us, than it is to know whether it is coming from the right or left. We can improve our direction perception by turning our heads slightly. We often do this without even thinking

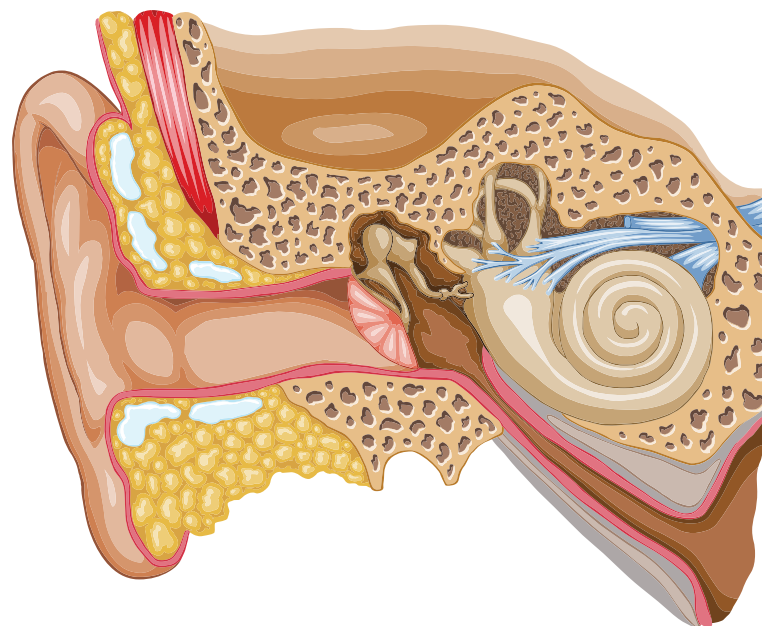
about it. This is why it is extremely important to keep our ears free and not cover them with huge earcups which prevent us telling which direction a sound is coming from.

It is important to understand that the ability to perceive direction differs from person to person. We learn throughout our lives to interpret how our ears affect sound. Audio recordings and playbacks inside the auditory canal show that the shape of the outer ear is very important for interpreting directional information. This makes particularly stringent demands of products such as INVISIO headsets.

Designing modern hearing protection which also improves our hearing demands in-depth knowledge. Headsets must provide support for our natural hearing without distorting the sound. This means that the technology has to carefully follow the natural variations of the ear in terms of sensitivity to different frequencies.

Headsets must amplify sound up to 80 dB(A) in a natural way, but reduce harmful acoustic pressure so that the volume from the speakers never exceeds 85 dB(A).

To retain that feel for direction, the microphone has to be placed inside the ear so that the sound is gathered in the same place as where it would otherwise have reached the auditory canal.






PRODUCT SOLUTIONS

HEADSETS

INVISIO has more than fifteen years' experience of manufacturing world-class headsets for demanding users such as military special forces, the military, police SWAT teams, and fire departments. While other manufacturers rely on traditional hearing protection solutions with a large earmuffs and an external microphone, INVISIO's solutions are based on a headset worn in the ear, where the advanced microphone is also located. Apart from shutting out ambient noise more effectively, the special microphone combined with INVISIO's Bone Conduction technology can capture sounds as quiet as a whisper. Bone Conduction technology means that the headset detects speech directly from vibrations in the jawbone, and not via soundwaves captured by a microphone in front of the mouth. While ordinary external microphones capture a certain amount of external noise, INVISIO solutions can reproduce pure, clear sound even in noisy surroundings.

The unique, sound attenuating design of the headset, combined with advanced active limitation and passive attenuation, allows the INVISIO system to achieve attenuation of up to 32 decibels while also allowing the wearer to hear all the important information he needs from his surroundings.

Find out more about INVISIO's technology on pages 26-27.



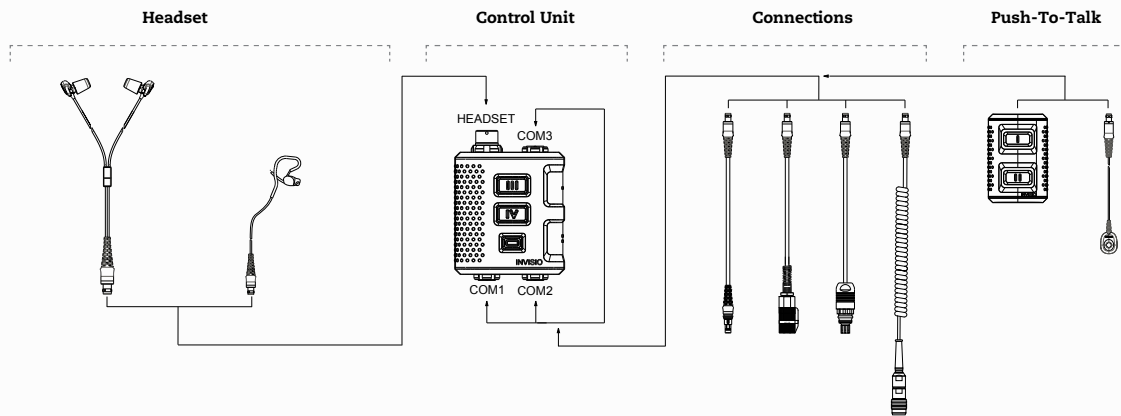
CONTROL UNITS

Modern soldiers and police officers carry an entire communications center with them. The headset has to work flawlessly with different types of radio, cellphones and intercom systems. The modern solutions INVISIO V60, X50, and S10 offer the outstanding performance, reliability, and flexibility required by the soldiers, police officers or firefighters of today.

Together with INVISIO headsets, the Control Unit offers situational awareness situational awareness, active protection against acoustic shocks, and an option to connect multiple external units such as a radio and a cellphone.

PUSH-TO-TALK

Simple, reliable use is every bit as important as clear sound. INVISIO has a series of push-to-talk (PTT) units to suit the different needs of various users. The PTT units are available for fitting to the chest, and in miniaturized form for fitting to the finger. All of INVISIO's PTT units are built to withstand tough conditions. The M20 and M80 can even be submerged in water. The M20 has been designed especially for divers and military units that operate in water.



TECHNICAL COMMUNICATION SOLUTIONS

INVISIO does not manufacture ordinary communication solutions. Its solutions are developed to withstand the most demanding circumstances you can imagine.

Bumps and knocks, being drowned in rain, dirt, water. Nothing is allowed to create a problem. INVISIO products have to keep working perfectly for anyone using them. They have to be able to reduce noise which would normally lead to permanent hearing loss, but not shut out important information. And the microphone must be able to record a whisper even if a helicopter is landing just a few meters away.

INVISIO knows its customers and has an in-depth knowledge of hearing and communication. This makes them capable of meeting even the most stringent requirement specifications.

Since the company changed its strategy in 2008 and decided to focus solely on the professional market, INVISIO has invested significant time and effort in developing a broad, world-class product portfolio for demanding professional users. INVISIO is never satisfied with just taking existing

technology and making it a bit better. The company develops products from the ground up, enabling it to supply products which are best suited to handling the extremely challenging environments to which soldiers, firefighters, police officers and other professionals in demanding environments are exposed every day. At the same time, the company has earned trust in its products and solutions among customers all over the world thanks to extensive testing and use in customers' own environments. This is why the company now has a growing base of recurring customers. As customers are granted new funding – and see how well the solutions work – more and more of them are choosing to come back and buy additional units. All of the company's products are built to withstand heat, cold, chemicals, sand, dirt, and moisture. Some of them can even work underwater, down to a depth of 20 meters.



INVISIO'S TECHNOLOGY

More than 15 years of research and development have gone into INVISIO's world-leading technology. Two examples are the unique INVISIO Bone Conduction technology used for transmitting speech even in the most extreme environments, and for providing situational awareness which means that effective hearing protection does not prevent users hearing or identifying where sounds are coming from.

ADVANCED HEARING PROTECTION

Traditional hearing protection normally involves large earmuffs made of a noise-reducing material. This technology is rarely capable of attenuating more than 19-25 decibels. INVISIO in-ear headsets provide very good passive hearing protection which is supplemented with active protection so that they can also function under extreme conditions.

INVISIO in-ear headsets can attenuate noise from aircraft or machinery, and acoustic shocks of up to 45 decibels from grenades. 45 decibels is the difference between the noise of a petrol-driven chainsaw and an electric hand blender. Harmless noise reaches the ears unchanged, almost as if the wearer were not wearing a headset at all.

SITUATIONAL AWARENESS

The complex shape of the outer ear is a major factor in allowing people to tell where sounds are coming from. How the sound bounces on its way into the auditory canal is what determines how you perceive direction.

When manufacturers of enclosed hearing protection attempt to recreate directional information using external microphones, only a fraction of that important directional information is conveyed. INVISIO's in-ear headset is placed in the ear, which allows the directional microphone to be placed at the start of the auditory canal and record all the information in exactly the same way that the wearer would have done without the headset, while at the same time offering effective hearing protection.

INVISIO BONE CONDUCTION

One of the biggest challenges when designing headsets for noisy environments is shutting out ambient noise while also allowing speech to be heard clearly. Manufacturers normally try to resolve this problem by using a directional microphone which is positioned as close as possible to the mouth. Still, all headsets with external microphones will record a certain amount of ambient noise.

Even with electronic noise attenuation solutions, really loud noises will drown out the wearer's speech. INVISIO's Bone Conduction technology has a unique way of resolving this problem. It uses a microphone placed in the ear which records the vibrations from the jaw. The speech is clear and comprehensible thanks to advanced electronics. 15 years of research and development have gone into INVISIO Bone Conduction. INVISIO Bone Conduction is so effective that you can hear a person whispering when he is standing next to a screaming jet engine.

FOR EXTREME CONDITIONS

INVISIO's communication solutions are often used under extreme conditions. The technology must never fail during a difficult mission. All INVISIO products are water-resistant, and a number of the company's products can be used underwater at depths of up to 20 meters. The unique microphone which uses INVISIO Bone Conduction technology can even transmit speech when the wearer dives underwater.

INVISIO has also developed products which can work in extreme heat. Firefighters have to be able to rely on their headsets at all times. One of INVISIO's headsets, the M3E, has been tested for temperatures of up to 200 degrees.

All products are then developed and tested externally in order to meet or even surpass exacting standards for use in harsh environments; the military standard MIL STD 810G, for example.

INVISIO'S PRODUCTS

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



INVISIO V60 CONTROL UNIT

The V60 is INVISIO's most advanced control unit. The V60 Advanced Tactical Communications and Hearing Protection System is the world's smallest and lightest multicom control unit. With a format of just 70x63x25 millimeters, the V60 never gets in the way. This device weighs just 145 grams, meaning that users never have to lug around unnecessary weight.

The V60 is around 50 percent smaller and lighter than most of the equivalent systems supplied by the company's competitors. But even so, the V60 offers the best performance on the market.

The INVISIO V60 has been developed by INVISIO experts in the fields of hearing, acoustics, and hearing protection in order to meet all tactical communication demands from the modern soldiers. The wearer can connect up to four different communications units and use them in parallel; a two-way radio, a computer, a cellphone, or an intercom system.

In an emergency, nothing must go wrong. This is why major resources have been invested in designing a simple, intuitive use. A simple user interface means that users can always find the right functions straight away. No advanced training is needed to use the INVISIO V60, because there is no doubt about how it should be used. New units can be connected quickly and without configuration.



INVISIO X5 HEADSET

INVISIO is constantly developing new and even more advanced products in order to meet customers' requirements. INVISIO launched its new generation headset, the X5, in October 2014. The X5 builds further on INVISIO's unique technology to offer unsurpassed comfort combined with industry-leading hearing protection, 360-degree situational awareness and interference-free communication.

Like other INVISIO headsets, the X5 comes with the unique Bone Conduction technology. Instead of having an external microphone, the X5 uses an advanced microphone inside the auditory canal which captures speech directly from the jawbone. Unlike other solutions on the market, INVISIO can even register whispers no matter how loud the surrounding noises. Find out more about INVISIO Bone Conduction technology on page 27.

The in-ear headset acts as an effective earplug in order to block out external noise. It is capable of attenuating no less than 32 dB (SNR) in order to protect the wearer's hearing even under extreme conditions.

Built-in microphones record the ambient noise, and 360-degree situational awareness is guaranteed thanks to the special "hear-thru" technology. The wearer can register all external threats and also detect exactly where noises are coming from, just as they could under normal circumstances.

The fit is important so that the user can wear the headset for several hours. If the headset is uncomfortable, the user might stop wearing it, in worst case risking permanent hearing loss.

The INVISIO X5 is INVISIO's smallest, most comfortable headset to date, which fits more or less all ear shapes thanks to its ergonomic fit.

A completely newly developed cable system ensures even more robustness and reliability. The INVISIO X5 should never break when the wearer needs reliable communication most.

HEADSET



**M3
UNIVERSAL FIT**

The ultimate in-ear headset for loud noises and extreme conditions.



**M3S
UNIVERSAL FIT,
WATERTIGHT**

Waterproof in-ear headset for use both above water and underwater.



**M3H
UNIVERSAL FIT WITH
HEARING PROTECTION**

The ultimate in-ear headset for loud noises and extreme conditions.



**M3 EX
UNIVERSAL FIT**

The ultimate in-ear headset for loud noises and hazardous environments.



**M4
INDIVIDUAL FIT**

Individually customized in-ear headset for use in extreme environments



**M4S
INDIVIDUAL FIT**

Customized, waterproof in-ear headset for use both above water and underwater.



**M4H
INDIVIDUAL FIT WITH
HEARING PROTECTION**

Individually customized in-ear headset with hearing protection



**X6
CUSTOM FIT, BINAURAL DIGITAL
HEARING PROTECTION**

Binaural, customized in-ear headset with hearing protection and full situational awareness.



**X5
UNIVERSAL FIT, BINAURAL
DIGITAL HEARING PROTECTION**

Binaural in-ear headset with hearing protection and full situational awareness.

CONTROL UNITS



**X50
TWO-CHANNEL ADVANCED
HEARING PROTECTION SYSTEM**

Two-way communication and simultaneous hearing protection with full situational awareness.



**S10
DIRECTLY CONNECTED HEARING
PROTECTION SYSTEM**

Lightweight hearing protection and communication system with full situational awareness.



**V60
ADVANCED TACTICAL COM-
MUNICATION AND HEARING
PROTECTION SYSTEM**

In-ear hearing protection and communication system with electronic hear-thru technology and impulse control.

SHARE DATA AND OWNERSHIP STRUCTURE

Share capital

The share capital of INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company") totaled SEK 42,240,161 as per December 30, 2014, divided into 42,240,161 shares (registered number), each with a quotient value of SEK 1.0. 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 30, INVISIO Communications had 1229 (408) 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
11/4/2013	Directed new share issue	2,500,000	40,940,161	2,500,000	40,940,161	1
12/27/2013	Directed new share issue	1,300,000	42,240,161	1,300,000	42,240,161	1

Price trend

The chart on the right shows the price trend for INVISIO Communications shares (IVSO) in 2014. The closing price on December 30, 2014, was SEK 12.80, entailing a total value of approximately SEK 541 m. During the period January 2, 2014 - December 30, 2014, a total of 16,853,511 shares were traded at a value of SEK 170.5 m.

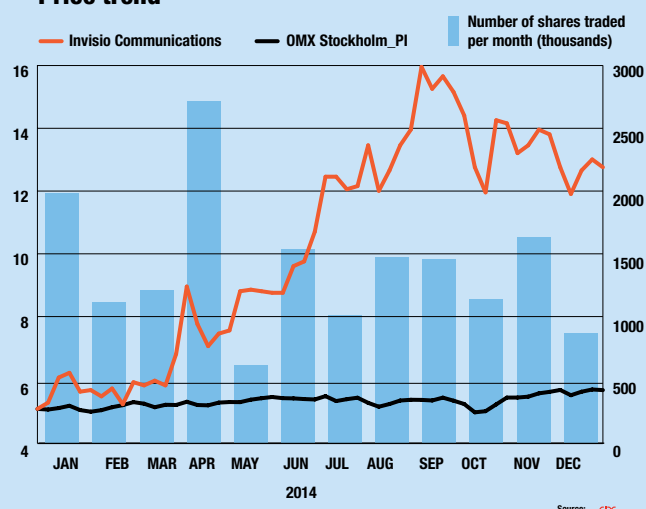
Trading in INVISIO Communications shares

INVISIO Communications shares are traded on First North Premier Segment Stockholm, which is operated by Nasdaq 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 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 Stockholm. The certified adviser monitors the Company's compliance with the requirements for First North and that it continues to meet 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.

Dividend policy

According to the dividend policy adopted by the Board of INVISIO, future dividends shall be determined with consideration for INVISIO's long-term growth and earnings development, as well as its capital requirements, with due consideration for financial targets. The goal for the div-

Price trend



idend is to stay within an interval of 25 to 50 percent of profit after tax. INVISIO will continue to focus on expansion of the business, and all internally generated capital is intended for this purpose. Therefore, the Board of Directors does not intend to propose dividends over the next few years.

Owners of INVISIO Communications, as per December 30, 2014

Owner	No. shares	% votes and capital
Lage Jonason, with family and companies	11,453,020	27.1%
SIX SIS AG, on behalf of clients	7,796,853	18.5%
Swedbank Robur Exportfond	1,963,498	4.6%
Handelsbanken Fonder AB	1,700,000	4.0%
Banque Carnegie Luxembourg SA	1,250,475	3.0%
SEB Life International Ass. Company Limited	1,215,000	2.9%
Origo Quest 1	1,170,000	2.8%
Ingo Invest AB	1,054,280	2.5%
Svenska Handelsbanken AB For PB	1,040,000	2.5%
Yggdrasil AB	1,003,400	2.4%
Others	12,593,635	29.8%
<i>Total</i>	<i>42,240,161</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, %
Employee Stock Option Program 2013/2017	2,000,000	5.10-5.30	2,000,000	20160530-20170530	4.52%	4.52%
<i>Total</i>	<i>2,000,000</i>		<i>2,000,000</i>		<i>4.52%</i>	

Employee stock options

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

This program is targeted at company employees in Denmark. To ensure access to shares in the company for transfer within the Employee

Stock Option Program 2013/2017, stock options were issued to the wholly owned Danish subsidiary INVISIO Communications AS. These stock options entitle holders to subscribe for a total of no more than 2,000,000 shares in the company. In the event of full subscription and full exercising of stock options, this increase in the company's share capital will amount to SEK 2,000,000.

If all stock options are exercised fully, the dilution effect will be 4.5 percent of the share capital.

CORPORATE GOVERNANCE REPORT

General

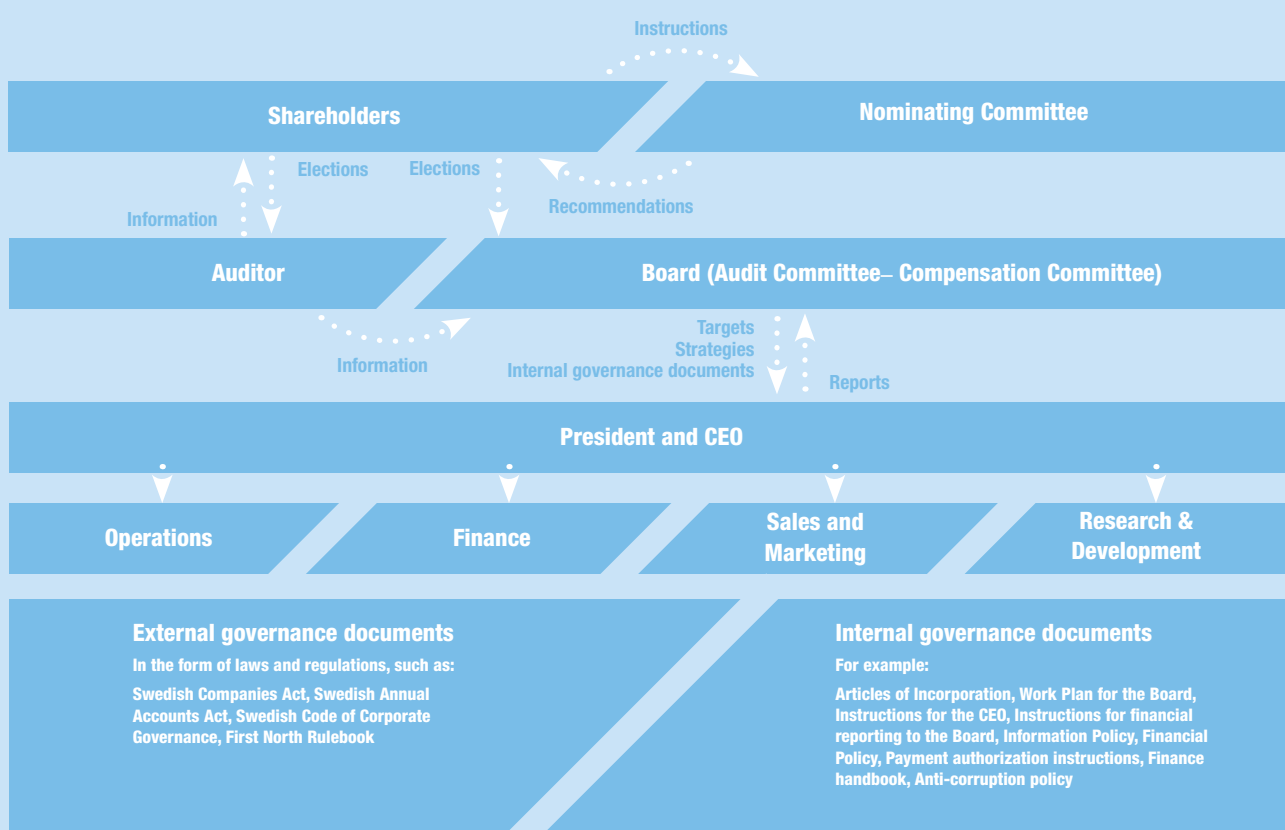
INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company") is a Swedish limited liability company with its registered office in Stockholm, Sweden. The company is listed on First North Premier Segment Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by Nasdaq 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 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. This corporate governance report, which has been compiled in accordance with the 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 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, 2014 amounted to SEK 42.2 m (42.2), divided into 42,240,161 shares (42,240,161), each with a quotient value of SEK 1.00. All shares have equal voting rights and there is no limit to the number of votes our shareholders may use at a general meeting. The Company's market capitalization, based on the closing price at December 30, 2014, was approximately SEK 541 m (213).

NUMBER OF SHAREHOLDERS

As per December 30, 2014, INVISIO Communications had 1,229 (408) shareholders. Major shareholders are Lage Jonason (with family and companies) with 27.1 percent of the stock and votes, SIX SIS AG, on behalf of clients, with 18.5 percent of the stock and votes, Swedbank Robur Exportfond with 4.6 percent of stock and votes, and Handelsbanken Fonder with 4.0 percent of the stock and votes.

GENERAL MEETINGS OF SHAREHOLDERS

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

The Annual General Meeting (AGM) of INVISIO Communications must 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.

2014 ANNUAL GENERAL MEETING

The 2014 Annual General Meeting was held in Stockholm on May 7. A total of 15 shareholders or their proxies were present, representing 44.3 percent of the number of shares and votes. The minutes from the AGM can be found on the INVISIO Communications website at www.invisio.com. A number of the resolutions that were passed follow below.

Chair 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 2013, to adopt the consolidated income statement and consolidated balance sheet for 2013, to distribute the Company's deficit in accordance with the recommendation of the Board and the CEO in the 2013 Board of Directors' report (that is, to carry it forward), and to discharge the board members and the CEO from liability for the 2013 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, should such a need arise, to strengthen the Company's financial position. Decisions supported by said authorization shall comprise a maximum of 2,900,000 shares in new share issues, in the exercising of stock options, and/or the conversion of convertibles, corresponding to almost 7 percent of the number of shares and votes outstanding at that time. Cash issues or set-off issues conducted with deviation from the share-

holders' 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 Lage Jonason were re-elected as directors, and Annika Andersson and Charlotta Falvin were elected as new directors. Lars Röckert was elected to serve as Chair of the Board. The Meeting 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. 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.

2015 ANNUAL GENERAL MEETING

The 2015 Annual General Meeting will be held at 1 p.m. on Thursday, April 23, 2015. Notice of the AGM can be found on the INVISIO Communications website at 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 Chair 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 Chair 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 constitute a majority of members serving on the Nominating Committee. 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 Chair 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 Chair 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 Chair of the Board shall report to the committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be 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 composition of the Nominating Committee shall be made public on the Company's website at least 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.

The Nominating Committee prior to the 2015 Annual General Meeting comprised Erik Åfors, who also acted as Committee Chairman and represented Yggdrasil, Lage Jonason representing himself (with family and companies), Lennart Francke representing Swedbank Robur fonder, and Chairman of the Board Lars Röckert.

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 Chair'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 Chair 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 Chair 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 Chair 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 Chair 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 2014, the half-year report for January – June 2014, the interim report for January – September 2014, the year-end report for January – December 2014, and the 2014 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 Chair 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 six directors, who were elected for terms extending until the 2015 Annual General Meeting. These directors are Lars Röckert, Anders Persson, Mats Warstedt, Annika Andersson, Charlotta Falvin and Lage Jonason. The composition of the Board's Audit Committee and Compensation Committee is shown in the table "Composition of the Board 2014" 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

2014	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Lars Röckert	1950	Chair	2010	yes	Chair	Chair
Anders Persson	1957	Member	2009	yes	Member	Member
Mats Warstedt	1962	Member	2008	yes	Member	Member
Annika Andersson	1958	Member	2014	yes	Member	Member
Charlotta Falvin	1966	Member	2014	Yes	Member	Member
Lage Jonason	1951	Member	2012	No ¹	Member	Member

¹Lage Jonason is not independent of major shareholders and independent of the Company and Company management.

COMPOSITION OF THE BOARD

2013	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Lars Röckert	1950	Chair	2010	yes	Chair	Chair
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 ¹	2012	No ¹	Member	Member

¹Lage Jonason is not independent of major shareholders and independent of the Company and Company management.

THE WORK OF THE BOARD

According to the Articles of Incorporation, INVISIO Communications' board shall meet at least six times each year, excluding the Board meeting following the election of the Board. In 2014, the Board held 11 meetings. The attendance of board members at board meetings is shown in the table "Board Members' attendance 2014" below. The main issues covered at board meetings in 2014 were:

- Year-end report 2013
- Annual report 2013
- 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
- Interim report January – March 2014
- Goals and strategies
- The auditor's audit plan
- Half-year report January – June 2014
- Interim report January – September 2014
- 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

2014	Position	Board meetings	2013	Position	Board meetings
Lars Röckert	Chair	11 of 11	Lars Röckert	Chair	20 of 20
Anders Persson	Member	11 of 11	Anders Persson	Member	18 of 20
Mats Warstedt	Member	11 of 11	Mats Warstedt	Member	19 of 20
Jan Samuelson	Member ¹	3 of 11	Jan Samuelsson	Member	20 of 20
Lage Jonason	Member	11 of 11	Lage Jonason	Member	19 of 20
Charlotta Falvin	Member ²	7 of 11			
Annika Andersson	Member ²	7 of 11			

¹Director until 2014 AGM

²Director as of 2014 AGM

EVALUATING THE WORK OF THE BOARD

According to the Board's Work Plan, the Chair of the Board is responsible for ensuring that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work forms and effectiveness. For 2014, evaluation took place, as in 2013, with the Nominating Committee carrying out separate interviews with each individual director. These interviews were held with Erik Åfors, representing Yggdrasil, and Lennart Francke, representing Swedbank Robur fonder.

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 2014.

The Company's auditors, PricewaterhouseCoopers AB, were re-elected at the 2014 Annual General Meeting for the period until 2015. 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. The CEO's report on the business situation, future outlook, and financial reporting is a standing agenda item at regular board meetings.

INVISIO Communications' operations are organized into four business areas; Operations, Finance & Administration, Sales & Marketing, and Research & Development. INVISIO Communications' headquarters are in Copenhagen, Denmark, which is where management and administration, business operations, some manufacturing, sales and marketing and research and development are conducted. Most manufacturing is outsourced to subcontractors. The CEO heads operations and makes decisions in consultation with the other members of management, who consist of the managers of the four business areas. The Company had 34 (31) employees as per December 31, 2014, and 16 (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:

Assignment	Position
L.M.R. Business Development AB	Board member, owner
IMDAR Systems AB	Co-owner

Lars Röckert owns 30,336 shares in INVISIO Communications privately and through companies.

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 has been a Board member at Net Insight Consulting AB and deputy Board member of Ten Tech AB, and has worked as development manager, deputy CEO and acting CEO of Net Insight AB (publ.). Anders Persson has many years of experience from the Ericsson Group, where he was most recently General Manager for Network Design and Performance Improvement Services. Anders Persson has also held a number of other executive positions at Ericsson.

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:

Assignment

Hexatronic Group, AB (publ)

Persson Executive Consulting AB

Anders Persson privately owns 53,336 shares in INVISIO Communications.

Position

Board member

Board member, owner

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:

Assignment

Mats Warstedt AB

RUAG Space AB

RUAG Sweden AB

Arianespace AS

Mats Warstedt privately owns 29,362 shares in INVISIO Communications.

Position

Board member

Board member and CEO

Board member

Board member

CHARLOTTA FALVIN (BORN 1966)

Member of the Board since May 2014.

Charlotta Falvin has a master's degree in international business studies from Lund University. After an operational career in IT and the telecoms industry, where she worked as deputy CEO at Axis and CEO at Decuma and telecoms company TAT The Astonishing Tribe after a number of years in international business development and management, she now devotes herself full-time to Board positions.



From left: Annika Andersson, Mats Warstedt, Lars Röckert, Charlotta Falvin, Anders Persson, Lage Jonason

In addition to her duties at INVISIO, Charlotta Falvin 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>
Axis Aktiebolag	Board member
DORO AB	Board member
IDEON AB	Chair
Fasiro AB	CEO

Charlotta Falvin owns no shares in INVISIO Communications.

● LAGE JONASON (BORN 1951)

Member of the Board since May 2012.

Lage Jonason holds a BA 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 Investment 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, Lage 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 AB	Board member and CEO
INSPI AB	Board member
Aktiebolaget Drottningholms Konsthandel	Board member
Aktiebolaget Paternum	Board member
Aktiebolaget G C Lapidem	Board member
Aktiebolaget I.V. Numen Adest	Board member

QQM Fund Management
Culot AB
Urb-it & Associates AB

Board member
Board member
Chair

Lage Jonason (with family and companies) owns 11,466,520 shares in INVISIO Communications.

● ANNIKA ANDERSSON (BORN 1958)

Member of the Board since May 2014.

Annika Andersson holds an M.Sc. Econ from Stockholm School of Economics. Annika Andersson is the Vice-Chair of Karolinska Institutet, Executive Chair of Pantor Engineering AB, which develops trading platforms, and an advisor in the field of corporate governance. Annika Andersson has extensive experience of the financial industry from organizations such as the Fourth Swedish National Pension Fund as an analysis manager, portfolio administrator and, most lately, as an officer for ownership issues, information, and sustainability.

In addition to her duties at INVISIO, Annika Andersson 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>
Karolinska Institutet	Vice-Chair
Karolinska Institutet Holding	Board member
Pantor Engineering Aktiebolag	Chair
AR Advisory AB	CEO

Annika Andersson owns 10,000 shares in INVISIO Communications.

SENIOR EXECUTIVES

● 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 owns 409,722 shares and 233,334 employee stock options in INVISIO Communications.

● 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 owns 90,500 shares in INVISIO Communications and 100,000 employee stock options.



● **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 owns 85,666 shares in INVISIO Communications and 100,000 employee stock options.

● **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 owns 140,560 shares in INVISIO Communications and 100,000 employee stock options.



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

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

DIRECTORS' FEES

Directors' fees are determined by the shareholders at general meetings. The 2014 Annual General Meeting resolved that directors' fees totaling SEK 275,000 shall be paid to the Chairman of the Board and SEK 125,000 to each of the other Board members. No additional fees are payable to members of the Audit Committee or the Compensation Committee.

Directors' fees are described in more detail in Note 9.

AUDITOR'S COMPENSATION

The auditor's fees are decided on by the shareholders at the annual general meeting. The 2013 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.

Auditors' fees are described in more detail in Note 6.

SEK 000s	2014	2013
PwC		
Auditing assignments	337	330
Auditing activities in addition to auditing assignments	50	84
Tax consultancy		
Other services	126	103
<i>Total</i>	<i>513</i>	<i>517</i>

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. 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.

2014, SEK 000s	Salary	Pension	Other remuneration	Total
Management				
Lars H. Hansen, CEO	3,311	272	103	3,686
Other executives	5,923	148	195	6,266
<i>Total</i>	<i>9,234</i>	<i>420</i>	<i>298</i>	<i>9,952</i>

2013, SEK 000s	Salary	Pension	Other remuneration	Total
Management				
Lars H. Hansen, CEO	3,510	58	89	3,657
Other executives	4,892	148	140	5,180
<i>Total</i>	<i>8,402</i>	<i>206</i>	<i>229</i>	<i>8,837</i>

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

Long-term incentive program

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

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

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

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

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

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 inter-

nal governance documents that are important aspects of INVISIO Communications' control environment – is provided on page 32 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 2014, 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 on listed companies. As a result of this review, several internal governance documents have been updated. In addition to this, the focus in 2014, as in 2013, 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, 2014, 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 business reports to the Board, of monthly financial reports against targets and plans, 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 REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2014 on pages 32-41 and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm, March 31, 2015

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

BOARD OF DIRECTORS' REPORT

The Board of Directors and President of INVISIO Communications AB (publ.) ("INVISIO" or "the Company"), registered company number 556651-0987, herewith submit their annual report and consolidated accounts for the 2014 financial year, the Company's sixteenth year of trading¹. The Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. Unless indicated otherwise, all amounts in the Board of Directors' Report are specified in millions of Swedish kronor (SEK). Figures in parentheses pertain to the preceding year.

Operations

INVISIO Communications specializes in voice communications in difficult conditions.

The company 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. The products are sold via partners and retailers and directly to end customers, under both the proprietary INVISIO brand and through OEM collaborations. All manufacturing is conducted by carefully selected companies, including Swedish firm PartnerTech, and to some extent in-house.

Research and development is INVISIO's core activity and is conducted mainly internally within the company. The product portfolio is based on the Company's extensive expertise in audiology, sound transmission and hearing protection, which enables disruption-free and clear voice communication even under extreme conditions, such as loud noise, heat, and underwater.

Sales and earnings

Sales for the Group for 2014 were more than twice the level seen in 2013 and amounted to SEK 201.6 m (85.3). Gross profit amounted to SEK 91.3 m (37.0). Gross margin was 45.3 percent (43.5). Operating expenses increased to SEK -56.6 m (-47.5). Expenses include depreciation of SEK 5.0 m (5.2). Operating profit improved to SEK 34.7 m (-10.5). Net financial items amounted to SEK -2.9 m (-2.9). Profit after tax is SEK 44.3 m, compared with SEK -10.5 m last year. Profit/Loss per share improved to SEK 1.05 (-0.27).

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

SEK 000s	2014	2013	2012	2011	2010
Sales	201,635	85,254	43,031	41,463	32,787
Profit/Loss for the year	44,277	-10,460	-29,491	-28,625	-39,814
Shareholders' equity	52,375	3,895	-1,814	11,287	5,630
Total assets	105,693	58,366	43,971	50,817	47,282

At year-end, the order book totaled SEK 72.4 m (50).

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 2014 amounted to SEK 0.06 m (0.06). Operating profit was SEK -5.5 m (-5.8). The profit for the year was SEK 2.2 m (-14.5), of which dividends from subsidiaries amounted to SEK 9.0 m (0) and shareholders' contributions to subsidiaries amounted to SEK 0 m (-7.0). Cash and cash equivalents held by the parent company amounted to SEK 1.1 m at year-end. An overdraft of SEK 10 m was not utilized. Equity at year-end amounted to SEK 66.5 m (63.8), which gave an equity ratio of 79.2 percent (68.6). The parent company had 1 employee (1).

Research and development

Research and development is INVISIO's core activity and is conducted mainly internally within the company. The focus is on developing com-

munication solutions such as advanced headsets, control units and associated equipment for use with two-way radio. INVISIO's own resources and expertise in the field of research and development are used primarily for its own development projects which are run in-house under the company's own brand, INVISIO. Work is conducted continuously on documentation and quality management systems, high-quality manufacturing, and certifications. The company's quality management system is ISO 9001:2008 and was certified following an independent review by German certification body TÜV NORD CERT GmbH. INVISIO has been developing knowledge and experience within a number of key technologies over the past 15 years. The Company primarily competes on functionality, performance, and rapid technical development on its markets. New products and modern solutions are crucial to continued success.

The Company's patent strategy involves actively developing and applying for patents in the fields of communications and audiology. INVISIO is constantly evaluating new inventions and developments which may be suitable for patenting, and it takes the potential commercial value into account in each and every case. All this takes place as an integral part of the product development process. At the same time, the Company has to balance its costs, efforts and options. This is why INVISIO should not invest in the creation of a huge patent portfolio with lots of detailed qualities. Instead, it focuses its resources on fewer patents of high quality which can create significant competitive advantages for the Company.

INVISIO has two valid patent families, and another patent family where the patents have now expired. The two active patent families are INVISIO Soft Spring™, an ergonomically designed and motion tolerant fastening device consisting of a soft rubber spring that fastens the headset in the ear of the user, and INVISIO Custom Protect Hearing Protection, which is a technology for providing protection against hearing damage.

The INVISIO Soft Spring™ patents were granted in Europe and the US in 2006 and expire in 2021. The INVISIO Custom Protect patents were granted in the USA and Europe and expire in the USA in 2031 and Europe in 2030. The INVISIO Bone Conduction patent family expired in 2014.

See intellectual property rights on page 44 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 38 for further information. The number of employees as per December 31, 2014 was 34 (31), 1 (1) in Sweden and 33 (28) in Denmark.

Ownership structure

As per December 30, 2014, INVISIO had 1,229 (408) shareholders. Major shareholders are Lage Jonason (with family and companies) with 27.1 percent of the stock and votes, SIX SIS AG, on behalf of clients, with 18.5 percent of the stock and votes, Swedbank Robur Exportfond with 4.6 percent of stock and votes, and Handelsbanken Fonder AB with 4.0 percent of the stock and votes.

INVISIO 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 Stockholm. Since July 9, 2009, the Company is listed under the First North Premier segment.

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

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 capital expenditure for 2014 totaled SEK 5.4 m (5.2), of which SEK 5.3 m (5.2) comprised capitalized development costs and SEK 0.2 m (0) comprised net investments in property, plant, and equipment. Capitalized development costs pertained to development of future products for the professional market.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities in 2014 was SEK 34.3 m (-7.3). Cash flow from investing activities totaled SEK -5.4 m (-5.2) and cash flow from financing activities totaled SEK -10.9 m (17.3), of which new share issues comprised SEK 0 m (15.2) and net amortization of liabilities to credit institutions comprised SEK -10.9 m (2.0). Cash flow for the period was thus SEK 18.0 m (4.7). Cash and cash equivalents held by the Group amounted to SEK 28.4 m (9.1) at year-end.

The management and Board are of the opinion that INVISIO currently has balanced financing.

FINANCING

Loans

INVISIO has a SEK 10 m loan from SEB. The loan is over three years and was taken out in 2014. The terms for this loan involved a grace period in 2014 and amortization of SEK 8.5 m in 2015 and SEK 1.5 m in 2016. The bank granted an overdraft of SEK 10 m at the same time, which was not utilized as per December 31, 2014. Yggdrasil provided security for the loan and overdraft against an annual security commission averaging 3.9 percent, and INVISIO's Board is of the opinion that the security agreements with Yggdrasil were concluded on market terms.

INVISIO also previously received a loan from Almi Företagspartner AB. SEK 2.3 m of this loan is still outstanding and will fall due in 2015 (SEK 1.9 m) and 2016 (SEK 0.5 m). The terms for the loan from Almi Företagspartner AB involve maintenance of the Group's equity ratio at a minimum of 10 percent. INVISIO has provided security for the loan in the form of a mortgage in the shares in its subsidiary Nextlink IPR AB, as well as a business mortgage of SEK 7 m.

SHAREHOLDERS' EQUITY

Group equity at year-end amounted to SEK 52.4 m (3.9), which gave an equity ratio of 49.6 percent (6.7). Total registered share capital amounts to SEK 42,240,161.

DIVIDEND

The Board proposes that a decision be made not to pay a dividend for the 2014 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's risk management covers strategic risks, operational risks, legal and regulatory compliance risks, and risks for errors in the Company's reporting, including its financial reporting. Risks can generally be divided into market-related, operational, and financial risks. The Company works continually at different levels to identify all significant risks to which it is exposed and to determine how each risk shall be managed.

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

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

MARKET-RELATED RISKS

Legislation and political decisions

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

Global economic conditions

INVISIO's sales are dependent on global economic cycles. An extended downturn with reduced consumption and reduced investments could lead to a considerable reduction in demand for the Company's products. This can lead to orders not being made or being withdrawn or postponed. A weakened economy and downturn thus have a negative effect on INVISIO's activities. Buyers of the Company's 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.

Demand for INVISIO products is subject to fluctuations and volatility

INVISIO's operations are subject to fluctuations and volatility between quarters as the influx of orders is affected by long decision processes. INVISIO's most important customers are in the military, and sales generally take place within the scope of various modernization programs. However, when procurement takes place may vary widely from quarter to quarter. As a result of these and other factors, INVISIO's quarterly results may vary considerably both in a particular year and when comparing INVISIO's historical business results. Although INVISIO considers itself to have a good insight into its customers' anticipated investment plans, and therefore anticipated income for the Company, INVISIO is subject to the risk that it may not be possible to realize the income expected to be recorded for a specific quarter until a later reporting period, if at all. One result of this is that INVISIO's business results for a specific quarter may not be indicative of the results which can be expected from a different quarter in the same year, for the year as a whole, or for the equivalent quarter in any other year.

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.

OPERATIONAL 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 development, production, marketing and sales. Most sales take place through partners and retailers, which are individually and collectively important for the Company's future development. Most production is done through PartnerTech of Sweden. 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 been developing knowledge and experience within a number of key technologies over the past 15 years. The Company primarily competes on functionality, performance, and rapid technical development on its markets. New products and modern solutions are crucial to continued success.

The Company's patent strategy involves actively developing and applying for patents in the fields of communications and audiology. INVISIO is constantly evaluating new inventions and developments which may be suitable for patenting, and we take the potential commercial value into account in each and every case. All this takes place as an integral part of the product development process. At the same time, the Company has to balance its costs, efforts and options. This is why INVISIO should not invest in the creation of a huge patent portfolio with lots of detailed qualities. Instead, it focuses its resources on fewer patents of high quality which can create significant competitive advantages for the Company.

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 has professional production partners through its collaboration with PartnerTech of Sweden and other companies.

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, 2014, 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, 2014, INVISIO had interest bearing financial liabilities of SEK 23.3 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, 2014, a one percentage point rise in market rates of interest would affect profit by SEK 233 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 (SEK).

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 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, 2014, INVISIO had liabilities to credit institutions of SEK 23.3 m, SEK 21.3 m of which falls due for repayment within 1 year and SEK 2.0 m between 2 and 3 years.

Management and the Board work actively and continuously with the Company's governance and control, including financial performance, liquidity, and financial position. Given the improvement in profits which has taken place in 2014, the management and Board are of the opinion that INVISIO currently has balanced financing.

Financing and liquidity risk is described in more detail in Note 2 and in the section on "Cash flow and liquidity" on page 43.

Guidelines for compensation of senior executives

The last adopted guidelines for compensation of senior executives are described in Note 8 and will remain in force until the Annual General Meeting to be held on April 23, 2015. A new proposal will be presented at the 2015 Annual General Meeting:

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

The Board proposes that the Annual General Meeting should adopt a resolution concerning compensation of the CEO and other senior executives as indicated below.

General

The Company shall offer market terms for the countries in which they work to senior executives and thereby enable the Company to recruit, develop, and retain such executives. Individual remuneration shall be based on the executive's experience, expertise, responsibilities, and performance.

Fixed salary

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.

Variable salary

Besides the fixed salary, an annual variable cash salary based on outcome may be established in relation to the measurable targets determined in advance, agreed in writing and established by the Board. Such targets include certain new orders and profitability, for example.

The variable compensation shall not exceed 50 percent of the fixed salary and shall not be used as a basis for calculation of pension or vacation pay, to the extent permitted by applicable law.

Non-monetary benefits

Any other benefits shall have a limited value in relation to the total fixed gross salary.

Compensation to directors

Elected directors shall, in specific cases, be able to receive fees and other remuneration for work performed on behalf of the Company alongside their Board work. It shall be possible to pay a market-based fee to be approved by the Board for such services.

Pension

Any pension benefits shall be decided by charges.

Notice period

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

Employee Stock Option Program 2013/2017

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

A decision was made at an extraordinary general meeting on April 24, 2013 to establish an employee stock option program comprising a decision to issue stock options, plus approval of the transfer of stock options. This program is targeted at all employees of the Company and its subsidiaries in Denmark, divided into three different categories. Participants were, under certain conditions, offered employee stock options without charge which may entitle them to acquire shares in the Company. Employee stock options may not be transferred. Allocation took place on three occasions – a maximum of 666,666 were allocated by April 30, 2013 ("Tranche 1"), a further maximum of 666,666 by April 30, 2014 ("Tranche 2"), and a further maximum of 666,668 by April 30, 2015 ("Tranche 3"). The subscription price is SEK 5.10 for Tranche 1, SEK 5.20 for Tranche 2, and SEK 5.30 for Tranche 3. For more information on the employee stock option program and conditions for allocation of employee stock options and the results of allocation in the various tranches, see Note 8 in the Company's annual report for 2014 and information on the Company's website at www.invisio.com.

The Board shall be entitled to deviate from these guidelines if there are particular reasons for doing so in any individual case.

Events after the end of the financial year

- Received an order from the American military program TCAPS worth SEK 14.6 m.
- Work has begun on listing the Company on the Nasdaq Stockholm main list. It is estimated that this listing will take place by the end of the third quarter of 2015 at the latest.

Proposed disposition of earnings

Parent Company (SEK)

At the disposal of the Annual General Meeting:

Profit/Loss brought forward	453,335
Profit for the year	2,170,147
	2,623,482

To be disposed of as follows:

The Board of Directors and CEO propose that 2,623,482 be carried forward.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January – December (SEK 000s)	Note	2014	2013
Total income	1.2		
	3	201,635	85,254
Cost of goods sold	24	-110,362	-48,205
<i>Gross profit</i>		91,273	37,049
OPERATING EXPENSES			
Sales and marketing expenses	8,9,24	-24,003	-20,649
Administration expenses	6,7,8,9,24	-11,402	-10,179
Research and development costs	8,9,24	-21,217	-16,701
<i>Operating profit/loss</i>	24	34,651	-10,480
FINANCIAL ITEMS			
Financial income		3	577
Financial expenses		-2,933	-3,457
<i>Net financial items</i>		-2,930	-2,880
<i>Profit/Loss before tax</i>		31,721	-13,360
Income tax	10	12,556	2,900
<i>Profit/Loss for the year</i>		44,277	-10,460
<i>Profit/Loss attributable to equity holders of the parent</i>		44,277	-10,460
OTHER COMPREHENSIVE INCOME			
Translation differences during the period from translation of foreign businesses		3,751	485
<i>Comprehensive income</i>		48,028	-9,975
<i>Profit/Loss attributable to equity holders of the parent</i>		48,028	-9,975
Earnings per share (SEK)	22	1.05	-0.27
Earnings per share after dilution (SEK)	22	1.02	-0.27
Number of shares outstanding (thousands)	22	42,240	42,240
Average number of shares outstanding (thousands)	22	42,240	38,850
Number of shares outstanding after dilution (thousands)	22	43,573	38,850

CONSOLIDATED BALANCE SHEET

December 31 (SEK 000s)	Note	2014	2013
ASSETS	1.2		
Non-current assets			
Intangible assets			
Capitalized expenses for development costs	11	18,979	17,489
Tangible assets			
Equipment	12	154	83
Financial assets			
Deferred tax asset	10	15,759	-
Deposits made, long-term	13	782	692
<i>Total non-current assets</i>		<i>35,674</i>	<i>18,264</i>
Current assets			
Inventories	14	16,391	10,098
Accounts receivable – trade	23	18,845	16,137
Other receivables		4,412	3,243
Prepaid expenses and accrued income	15	1,927	1,498
Cash and cash equivalents		28,444	9,126
<i>Total current assets</i>		<i>70,019</i>	<i>40,102</i>
TOTAL ASSETS		105,693	58,366
SHAREHOLDERS' EQUITY AND LIABILITIES	1.2		
Shareholders' equity			
Share capital	20	42,240	42,240
Other capital contributions		264,495	264,495
Other reserves		2,906	-844
Loss brought forward inc. loss for the year		-257,266	-301,996
<i>Total shareholders' equity</i>		<i>52,375</i>	<i>3,895</i>
Long-term liabilities			
Liabilities to credit institutions	16,21,25	1,967	12,333
<i>Total long-term liabilities</i>		<i>1,967</i>	<i>12,333</i>
Current liabilities			
Liabilities to credit institutions	16,17,21,25	21,313	21,215
Accounts payable – trade ¹		14,949	12,439
Other liabilities		2,180	37
Accrued expenses and prepaid income	19	12,909	8,447
<i>Total current liabilities</i>		<i>51,351</i>	<i>42,138</i>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		105,693	58,366
Pledged assets	21	20,684	15,565
Contingent liabilities	21	None	None

¹All accounts payable fall due within 3 months

CONSOLIDATED CASH FLOW STATEMENT

January – December (SEK 000s)	Note	2014	2013
Operating activities	1.2		
Profit/Loss before tax		31,721	-13,360
Adjustments for non-cash items	4	6,515	5,202
Taxes			2,900
<i>Cash flow from operating activities before changes in working capital</i>		38,236	-5,258
Changes in inventories		-5,369	-6,518
Changes in operating receivables		-2,777	-1,305
Changes in operating liabilities		4,220	5,744
<i>Cash flow from changes in working capital</i>		-3,926	-2,079
<i>Cash flow from operating activities</i>		34,310	-7,337
Investing activities			
Capitalization of internal development costs		-5,259	-5,166
Purchases of property, plant, and equipment		-153	-14
<i>Cash flow from investing activities</i>		-5,412	-5,180
Financing activities			
New share issues		-	15,239
Loans raised		-	28,896
Amortization of loans		-14,363	-20,000
Change in invoice factoring		3,476	-6,869
<i>Cash flow from financing activities</i>		-10,887	17,266
CASH FLOW FOR THE YEAR		18,011	4,749
Cash and cash equivalents at start of year		9,126	4,240
Translation differences in cash and cash equivalents		1,307	137
<i>Cash and cash equivalents at year-end</i>		28,444	9,126
Supplementary disclosures to the cash flow statement			
Interest received during the year		3	577
Interest paid during the year		-2,933	-3,457

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000s) notes 1, 2, 20	Attributable to equity holders of the parent				
	Share equity	Other capital equity	Reserves ¹	Loss brought forward inc. loss for the year	Total shareholders' equity
Opening balance as per January 1, 2013	38,440	253,056	-1,329	-291,981	-1,814
<i>LOSS FOR THE YEAR</i>				-10,460	-10,460
OTHER COMPREHENSIVE INCOME					
Exchange rate differences			485		485
<i>Total other comprehensive income</i>	0	0	485	-10,460	-9,975
Transactions with shareholders					
New issue	3,800	12,295	-	-	16,095
Costs of new directed share issue	-	-856	-	-	-856
Employee Stock Option Program				445	445
<i>Total transactions with shareholders</i>	3,800	11,439	0	445	15,684
Closing balance as per December 31, 2013	42,240	264,495	-844	-301,996	3,895
Opening balance as per January 1, 2014	42,240	264,495	-844	-301,996	3,895
PROFIT FOR THE YEAR					
				44,277	44,277
OTHER COMPREHENSIVE INCOME					
Exchange rate differences			3,750		3,750
<i>Total other comprehensive income</i>	0	0	3,750	44,277	48,027
Transactions with shareholders					
Employee Stock Option Program				453	453
<i>Total transactions with shareholders</i>	0	0	0	453	453
<i>Closing balance as per December 31, 2014</i>	42,240	264,495	2,906	-257,266	52,375

¹Reserves refers entirely to translation differences

PARENT COMPANY INCOME STATEMENT

January – December (SEK 000s)	Note	2014	2013
	1.2		
Operating income	5	60	60
<i>Gross profit</i>		60	60
Administration expenses	5,6,7,8,9,24	-5,569	-5,822
<i>Operating profit/loss</i>		-5,509	-5,762
Profit/Loss from financial items			
Profit/Loss from participations in Group companies	18	9,000	-7,000
Interest income and similar profit/loss items		67	155
Interest expense and similar profit/loss items		-1,388	-1,930
<i>Net financial items</i>		7,679	-8,775
<i>Profit/Loss before tax</i>		2,170	-14,537
Income tax	10	-	-
<i>Profit/Loss for the year¹</i>		2,170	-14,537

¹Comprehensive income corresponds to loss for the year

PARENT COMPANY BALANCE SHEET

December 31 (SEK 000s)	Note	2014	2013
ASSETS	1.2		
Non-current assets			
Participations in Group companies	18	82,411	81,957
<i>Total non-current assets</i>		82,411	81,957
Current assets			
Receivables from Group companies		310	5,475
Other receivables		243	90
Prepaid expenses and accrued income	15	152	162
<i>Total current receivables</i>		705	5,727
Cash and cash equivalents		1,069	5,364
<i>Total current assets</i>		1,774	11,091
TOTAL ASSETS		84,185	93,048
SHAREHOLDERS' EQUITY AND LIABILITIES	1.2		
Shareholders' equity			
<i>Restricted shareholders' equity</i>			
Share capital	20	42,240	42,240
Statutory reserve		21,599	24,253
<i>Total restricted shareholders' equity</i>		63,839	66,493
<i>Unrestricted shareholders' equity</i>			
Share premium reserve			11,438
Profit/Loss brought forward		453	445
Profit/Loss for the year		2,170	-14,537
<i>Total unrestricted shareholders' equity</i>		2,623	-2,654
<i>Total shareholders' equity</i>		66,462	63,839
Long-term liabilities			
Liabilities to credit institutions	16,17,21,25	1,967	12,333
<i>Total long-term liabilities</i>		1,967	12,333
Current liabilities			
Liabilities to credit institutions	16,21,25	10,366	14,363
Accounts payable – trade ¹		793	177
Liabilities to Group companies		3,014	391
Other liabilities		55	22
Accrued expenses and prepaid income	19	1,528	1,923
<i>Total current liabilities</i>		15,756	16,876
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		84,185	93,048
Pledged assets	21	9,517	9,517
Contingent liabilities	21	None	None

¹All accounts payable fall due within 3 months

PARENT COMPANY CASH FLOW STATEMENT

January – December (SEK 000s)	Note	2014	2013
Operating activities	1.2		
Operating loss before financial items		-5,509	-5,762
Interest received		67	155
Interest paid		-1,388	-1,930
<i>Cash flow from operating activities before changes in working capital</i>		-6,830	-7,537
Changes in operating receivables		5,331	-4,646
Changes in operating liabilities		11,567	207
Cash flow from changes in working capital		16,898	-4,439
<i>Cash flow from operating activities</i>		10,068	-11,976
Investing activities			
Acquisition of subsidiary/shareholder contribution	18	-	-7,000
<i>Cash flow from investing activities</i>		0	-7,000
Financing activities			
New share issues		-	15,239
Loans raised		-	28,896
Amortization of loans		-14,363	-20,000
<i>Cash flow from financing activities</i>		-14,363	24,135
CASH FLOW FOR THE YEAR		-4,295	5,159
Cash and cash equivalents at start of year		5,364	205
Cash and cash equivalents at year-end		1,069	5,364
Supplementary disclosures to the cash flow statement			
Interest received during the year		67	155
Interest paid during the year		-1,388	-1,930

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 inc. loss for the year	Total shareholders' equity
Opening balance as per January 01, 2012	32,704	35,452	55,053	-43,357	79,852
Previous year's disposition of earnings	-	-	-43,357	43,357	-
Ongoing new issue, 12/31/2011 ¹	963	-	-963	-	-
New issue	4,773	-	12,977	-	17,750
Cost of new issue	-	-	-719	-	-719
Profit/Loss for the year ²	-	-	-	-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>
Opening balance as per January 01, 2013	38,440	35,452	22,991	-34,193	62,690
Previous year's disposition of earnings	-	-11,199	-22,994	34,193	-
New issue	3,800	-	12,295	-	16,095
Cost of new issue	-	-	-854	-	-854
Employee Stock Option Program	-	-	-	445	445
Profit/Loss for the year ²	-	-	-	-14,537	-14,537
<i>Closing balance as per December 31, 2013</i>	<i>42,240</i>	<i>24,253</i>	<i>11,438</i>	<i>-14,092</i>	<i>63,839</i>
Opening balance as per January 01, 2014	42,240	24,253	11,438	-14,092	63,839
Previous year's disposition of earnings	-	-2,654	-11,438	14,092	-
Employee Stock Option Program	-	-	-	453	453
Profit/Loss for the year ²	-	-	-	2,170	2,170
<i>Closing balance as per December 31, 2014</i>	<i>42,240</i>	<i>21,599</i>	<i>0</i>	<i>2,623</i>	<i>66,462</i>

¹Unregistered share capital comprising 963,086 shares as per December 31, 2011

²Comprehensive income corresponds to profit/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" 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 specializes in voice communications in difficult conditions. The Company develops, manufactures, markets and sells communications solutions such as advanced headsets, control units and associated equipment for use with two-way radio, primarily for professional users who are often working in difficult environments. Customers are found, for example, in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world.

INVISIO 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 Stockholm. These consolidated accounts were approved by the Board of Directors on March 20, 2015.

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 adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the group:

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

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

A number of new standards and interpretations will come into force for the financial year commencing January 1, 2014 and have not been applied on compilation of this financial report. None of these is expected to have any significant impact on the consolidated financial reports, with the exception of those listed below.

IFRS 9 "Financial Instruments"

Deals with classification, valuation, and reporting of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 which relate to the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation approach but simplifies this approach in certain respects. There will be three valuation categories for financial assets, accrued acquisition value, fair value through other comprehensive income and fair value through the income statement. How instrument is to be classified will depend on the company's business model and the characteristics of the instrument. Investments in the company's capital instruments shall be reported at fair value through the income statement, but there is also an option to report the instrument at fair value through other comprehensive income on the first reporting date. No reclassification to the income statement will then take place when the instrument is sold. IFRS 9 also introduces a new model for calculating the credit loss reserve based on expected credit losses. For financial liabilities, there will be no change to classification and valuation except when a liability is recognized at fair value through the income statement based on the fair value alternative. Value changes that are attributable to changes to the company's own credit risk must be recognized in other comprehensive income. IFRS 9 reduces the requirements for application of hedge accounting in that the 80-125 criterion is replaced with requirements for economic relations between hedging instruments and hedged items and the fact that the hedging ratio must be the same as the one used in risk management. They're hedging documentation is also altered slightly compared with the documentation produced under IAS 39. The standard shall be applied for the financial year commencing January 1, 2018. Earlier application is permitted. The Group has not yet evaluated the effects of the introduction of the standard.

IFRS 15, "Revenue from contracts with customers"

Regulates how income shall be reported. The principles on which IFRS 15 are based shall provide users of financial reports more useful information about the company's income. The extended disclosure requirement means that information about type of income, the date of settlement, uncertainties related to revenue recognition and cash flow attributable to the company's customer contracts shall be provided. According to IFRS 15, revenue shall be recognized when the customer gains control over the sold product or service and has the opportunity to use and receive benefit from the product or service. IFRS 15 replaces IAS 18 Revenues and IAS 11 Construction Contracts, plus associated SIC and IFRIC. IFRS 15 will come into force on January 1, 2017. Early application is permitted. The Group has not yet evaluated the effects of the introduction of the standard.

None of the other IFRS or IFRIC interpretations which have not yet come into force are expected to have any significant impact on the Group.

Basis for consolidation

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

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

The purchase method is used to report on the Group's operating acquisitions. Transferred compensation for the acquisition of a subsidiary is at fair value of the assets transferred, liabilities and the shares issued by the group. The purchase settlement also includes the fair value of all assets or liabilities that result from an agreement on conditional purchase sum. Acquisition related costs are expensed as they arise. Identifiable acquired assets and transferred liabilities in a business combination are initially valued at fair value on the acquisition date. For every acquisition, the Group decides whether all holdings without a controlling influence in the acquired company are reported at fair value or at the proportional percentage of the net assets of the acquired company.

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

Foreign subsidiaries

Items included in the financial statements for the various entities in the Group have been valued in the currency used in the economic environment in which the respective companies mainly operate (functional currency). The consolidated financial statements use the Parent Company's functional currency as the presentation currency, which is the Swedish krona (SEK). The earnings and financial position of all Group companies with other functional currencies than the presentation currency have been translated as follows: assets and liabilities for each of the balance sheets have been translated using the exchange rate on the balance sheet date, and income and expenses for each of the income statements have been translated using the average exchange rate. All exchange rate differences that arise are reported 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 1.220332 (1.15985), and for the balance sheet, an exchange rate of DKK/SEK 1.2781 (1.1986).

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

Income

The Group's sales are made up of sales of goods. Sales of products are reported upon delivery to the customer, in accordance with the terms and conditions of sale. This means that income is reported when the significant risks and 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.

Current and deferred tax

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

Deferred tax is calculated in accordance with the balance-sheet method for all temporary differences arising between the tax value of assets and liabilities and their recognized values in the consolidated financial statements. Deferred tax is calculated on the basis of the tax rates and rules applicable or adopted at the balance sheet date and is expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized only in so far as it is likely that future taxable profit will be available, against which the temporary differences can be offset.

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

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

Estimations and assessments are evaluated continually and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances.

The Group makes estimations and assumptions about the future. The estimations for accounting purposes resulting from these rarely correspond to the actual result. The estimates and assumptions that involve a significant risk of considerable alteration in reported values for assets and liabilities in future financial years are discussed below.

- Testing for write-down requirement of capitalized development costs

Costs arising in development projects are reported as intangible assets when it is likely that the project will be successful in terms of its commercial and technical opportunities and when the expenses can be measured in a reliable manner. 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. 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 11.

- Deferred tax in respect of loss carryforwards

Deferred tax assets are recognized for tax loss carryforwards insofar as it is likely that they can be utilized via future taxable profits.

- Valuation of inventories

Estimates in respect of future sales volumes are made when purchasing inventories. Estimates of net sales value for surplus volumes are made in the event of stock surpluses. Individual assessments are made in the event of any obsolescence.

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's 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.

The development costs include the costs for employees arising through the development of products, as well as directly attributable costs such as molds, testing and type approval.

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.

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.

Depreciation/amortization

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

Inventories

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

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

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

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.

Remuneration to employees

- Variable compensation

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

- Pension obligation

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

- Share-related benefits

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

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 must also be able to meet its payment obligations, which is why credit, interest and liquidity risks must be minimized. INVISIO must not create added value through financial risk-taking. Taking into account the financial policy's limitations, the aim is to achieve the highest return on the invested funds.

Interest rate risk

Interest rate risk is the risk of the value of financial instruments varying due to changes in market interest rates. The Group's interest-bearing financial assets consist 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, 2014, a one percentage point change in market rates of interest would affect the Group's earnings and equity by SEK 284 thousand (91). The corresponding figure for the Parent Company is SEK 11 thousand (54). 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 for each customer invoice is set by individual assessment, where the borrowing rate normally amounts to 80 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, 2014, a one percentage point

change in market rates of interest would affect the Group's earnings and equity by SEK 233 thousand (335). The corresponding figure for the Parent Company is SEK 123 thousand (270).

Currency risk

Currency risk is defined as the risk of a reduction in earnings and/or a reduction in cash flow due to changes in currency exchange rates. INVISIO has a strong international profile, with most of its sales being made in EUR and USD. Components are primarily purchased in Swedish kronor, but these purchases are linked to currency clauses which are adjusted continuously. Currency risks are managed in accordance with the financial policy established by the Board.

If the Swedish krona had been strengthened/weakened by 5 percent in relation to the EUR, with all other variables remaining constant, revenues for 2014 would have been SEK 2.7 m lower/higher. If the Swedish krona had been strengthened/weakened by 5 percent in relation to the USD, with all other variables remaining constant, revenues for 2014 would have been SEK 7.2 m lower/higher. The distribution of sales exposure in EUR/USD remains unchanged between 2014 and 2013.

As at December 31, 2014, INVISIO has bad accounts receivable of USD 1.0 m (2.0) and EUR 1.0 m (0.2).

The total exchange rate difference for the Group amounts to SEK 1,130 thousand (-243) and for the Parent Company, to SEK 0 thousand (0), and is reported in the income statement.

Credit risk

Credit risk is the risk of a party to a transaction with a financial instrument failing to fulfill its obligations. The Company's customers are mostly large, well-established companies with a good ability to pay, distributed over a number of geographical markets. There is no material concentration of credit risks, either geographically or in a particular customer group. In order to limit the risks of any credit losses, the Company's credit policy includes guidelines and provisions for credit checking new customers, payment terms and procedures and processes for managing unpaid debts.

Financing risk and liquidity risk

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in making payments. Liquidity risk is the risk of not being able to make payments when they fall due. As at December 31, 2013, liquid funds amounted to SEK 28,444 (9,126). An overdraft facility with a limit of SEK 10,000 thousand was not utilized as at December 31, 2014. The Company's total borrowing as at December 31, 2014 amounted to SEK 23,280 thousand (33,548), of which SEK 21,313 thousand (21,215) will fall due for payment within 12 months.

Management of capital

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.

Financial assets and liabilities

Group December 31 (SEK 000s)	2014		2013	
	Reported value	Fair value	Reported value	Fair value
Financial assets				
Accounts receivable – trade	18,845	18,845	16,137	16,137
Other receivables	4,412	4,412	3,243	3,243
Cash and cash equivalents	28,444	28,444	9,126	9,126
<i>Total financial assets</i>	<i>51,701</i>	<i>51,701</i>	<i>28,506</i>	<i>28,506</i>
Financial liabilities				
Liabilities to credit institutions	23,280	23,280	33,548	33,548
Accounts payable – trade	14,949	14,949	12,439	12,439
Other liabilities	2,180	2,180	37	37
<i>Total financial liabilities</i>	<i>40,409</i>	<i>40,409</i>	<i>46,024</i>	<i>46,024</i>

Parent Company December 31 (SEK 000s)	2014		2013	
	Reported value	Fair value	Reported value	Fair value
Financial assets				
Receivables from Group companies	310	310	5,475	5,475
Other receivables	243	243	90	90
Cash and cash equivalents	1,069	1,069	5,364	5,364
<i>Total financial assets</i>	<i>1,622</i>	<i>1,622</i>	<i>10,929</i>	<i>10,929</i>
Financial liabilities				
Liabilities to credit institutions	12,333	12,333	26,696	26,696
Accounts payable – trade	793	793	177	177
Liabilities to Group companies	3,014	3,014	391	391
Other liabilities	55	55	22	22
<i>Total financial liabilities</i>	<i>16,195</i>	<i>16,195</i>	<i>27,286</i>	<i>27,286</i>

A breakdown of how fair value has been determined is based on the following three levels:

Level 1: According to prices listed on an active market for the same instrument

Level 2: On the basis of directly or indirectly observable market data which is not included in level 1

Level 3: On the basis of data which is not observable on the market

All financial instruments valued at fair value in the table above have been valued in accordance with level 2.

Maturity structure, financial liabilities

Group December 31, 2014 (SEK 000s)	0-6 mths	6-12 mths	1-2 yrs	More than 2 yrs	Total
Liabilities to credit institutions	15,381	5,934	1,965		23,280
Accounts payable – trade	14,949				14,949
Other liabilities	2,180				2,180
<i>Total financial liabilities</i>	<i>32,510</i>	<i>5,934</i>	<i>1,965</i>	<i>0</i>	<i>40,409</i>

Group December 31, 2013 (SEK 000s)	0-6 mths	6-12 mths	1-2 yrs	More than 2 yrs	Total
Liabilities to credit institutions	9,186	12,030	10,367	1,965	33,548
Accounts payable – trade	12,439				12,439
Other liabilities	37				37
<i>Total financial liabilities</i>	<i>21,662</i>	<i>12,030</i>	<i>10,367</i>	<i>1,965</i>	<i>46,024</i>

NOTE 3 Reporting per geographical area

Total income divided per geographical area

Group	2014	2013
Sweden	9,648	1,229
Europe	40,766	12,930
North America	143,708	69,544
Rest of the world	7,513	1,551
<i>Total</i>	<i>201,635</i>	<i>85,254</i>

NOTE 4 Items not included in the cash flow

Group	2014	2013
Depreciation/amortization	5,034	5,218
Tax		-1,450
Employee Stock Option Program	453	445
Translation differences	1,028	989
<i>Total</i>	<i>6,515</i>	<i>5,202</i>

NOTE 5 Inter-company transactions

Of the Parent Company's invoicing, SEK 60 thousand (60) refers to subsidiaries. Invoicing from subsidiaries to Parent Company, SEK 415 thousand (276).

NOTE 6 Auditor's compensation

	Group		Parent Company	
	2014	2013	2014	2013
PwC				
Auditing assignments ¹	337	330	180	180
Auditing activities in addition to auditing assignments	50	84	19	21
Tax consultancy				
Other services ²	126	103	50	103
<i>Total</i>	<i>513</i>	<i>517</i>	<i>249</i>	<i>304</i>

¹"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.

²Other services pertain primarily to consulting on accounting matters.

NOTE 7 Rental and leasing agreements

The Group's total rental and leasing fees for the year amounted to SEK 2,221 thousand (2,044). Agreed future rental and leasing fees amount to SEK 1,296 thousand (1,354) and will occur during the next three years, divided as follows, 2015: SEK 965 thousand (142), 2016: SEK 185 thousand (39), 2017: SEK 146 thousand (-). The Parent Company's leasing agreement for the year amounted to SEK 129 thousand (67). The agreement is valid up to and including April 30, 2016, at an annual cost of SEK 116 thousand. All the Group's and Parent Company's rental and leasing agreements are operating leases.

NOTE 8

Personnel

Average number of employees	2014		2013	
	Number of employees	Of which men	Number of employees	Of which men
Parent Company	1	1	1	1
Denmark	33	25	30	23
<i>Total</i>	<i>34</i>	<i>26</i>	<i>31</i>	<i>24</i>

Share of women in executive positions, percent	2014		2013	
	Board	Senior executives	Board	Senior executives
Parent Company	2	-	-	-
Group	-	-	-	-
<i>Total</i>	<i>2</i>	<i>-</i>	<i>-</i>	<i>-</i>

Salaries and other remuneration	2014	2013
Parent Company	1,438	1,653
Subsidiaries	31,430	25,650
Capitalized salaries for research and development	-2,678	-3,251
<i>Group total</i>	<i>30,190</i>	<i>24,052</i>

Social costs excl. pension costs	2014	2013
Parent Company	343	587
Subsidiaries	1,134	774
<i>Group total</i>	<i>1,477</i>	<i>1,361</i>

Pension costs	2014	2013
Parent Company	212	-
Subsidiaries	509	385
<i>Group total</i>	<i>721</i>	<i>385</i>
<i>Total personnel costs</i>	<i>32,388</i>	<i>25,798</i>

Pensions

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

Option program

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

This program is targeted at all employees of the Company and its subsidiaries in Denmark, divided into three different categories. Participants will, under certain conditions, be offered employee stock options without charge which may entitle them to acquire shares in the Company. Employee stock options may not be transferred.

Allocation shall take place on three occasions – a maximum of 666,666 were allocated by April 30, 2013 ("Tranche 1"), a further maximum of 666,666 by April 30, 2014 ("Tranche 2"), and a further maximum of 666,668 by April 30, 2015 ("Tranche 3"). The subscription price is SEK 5.10 for Tranche 1, SEK 5.20 for Tranche 2, and SEK 5.30 for

Tranche	Allocation date	Accrual date	Maximum allocation	Actual allocation	Exercise date	Subscription price per share, SEK
1	April 30, 2013	April 30, 2016	666,666	666,666	May 2016	5.10
2	April 30, 2014	October 30, 2016	666,666	666,666	November 2016	5.20
3	April 30, 2015	April 30, 2017	666,668		May 2017	5.30

Tranche 3.

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

The target was met in the third quarter of 2013 and 666,666 employee stock options were allocated, of which 116,667 were allocated to the CEO and 150,000 to other senior executives. The target for Tranche 2 was met in 2014 and 666,666 employee stock options were allocated, of which 116,667 were allocated to the CEO and 150,000 to other senior executives.

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

Tranche	Target1	Target2	Outcome
Tranche1	Positive EBIT quarter 1 2013	-	EBIT quarter 1 2013 was SEK 1.6 m
Tranche 2	Sales increase SEK 37 m in 2013 compared with 2012	EBIT increase SEK 10 m in 2013 compared with 2012	Sales increase amounted to SEK 42 m and EBIT increase to SEK 15.3 m

A decision on the allocation of Tranche 3 will take place by April 30, 2015. The targets for allocation are an increase in sales amounting to SEK 35 m for 2014 compared with the previous year, and an EBIT increase of SEK 18 m for 2014 compared with the previous year.

The market value of the options has been calculated on the basis of the Black & Scholes valuation model. Given the analysis of the historical volatility of the company's share price, volatility has been assessed to amount to 35 percent, a risk-free interest rate of 0.07, 0.04 or 0.04 percent respectively for the three different maturities, and a share price of SEK 12.00. Any future dividends have not been taken into account. The value per employee stock option has been calculated to be SEK 6.93 for Tranche 1, SEK 6.87 for Tranche 2, and SEK 6.83 for Tranche 3. The cost for the 2014 financial year amounted to SEK 453 thousand.

Full information on the employee stock option program can be found at www.invisio.com

NOTE 9

Remuneration to senior executives

Group	2014				2013			
	Salary	Pension	Other remuneration	Total	Salary	Pension	Other remuneration	Total
Board¹								
Lars Röckert, Chairman ²	275	-	-	275	275	-	-	275
Anders Persson ³	125	-	-	125	125	-	-	125
Mats Warstedt	125	-	-	125	125	-	-	125
Annika Andersson ⁴	83	-	-	83	-	-	-	-
Charlotta Falvin ⁵	83	-	-	83	-	-	-	-
Jan Samuelson ⁶	42	-	-	42	125	-	-	125
Lage Jonason	125	-	-	125	125	-	-	125
<i>Total</i>	<i>858</i>	<i>-</i>	<i>-</i>	<i>858</i>	<i>775</i>	<i>-</i>	<i>-</i>	<i>775</i>
Management								
Lars H. Hansen, CEO ⁷	3,311	272	103	3,686	3,510	58	89	3,657
Other executive management ⁸	5,923	148	195	6,266	4,892	148	140	5,180
<i>Total</i>	<i>9,234</i>	<i>420</i>	<i>298</i>	<i>9,952</i>	<i>8,402</i>	<i>206</i>	<i>229</i>	<i>8,837</i>

¹The Annual General Meeting 2014 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.

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

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

⁴Board member Annika Andersson invoices her directors' fees via AR Advisory AB. Newly elected at the 2014 Annual General Meeting.

⁵Board member Charlotta Falvin invoices her directors' fees via Fasiro AB. Newly elected at the 2014 Annual General Meeting.

⁶Board member Jan Samuelson invoiced his directors' fees via Business Partner Sweden AB. Resigned at the 2014 Annual General Meeting.

⁷Variable salary can amount to a maximum of 50 percent of the basic salary. Variable salary 2014 and 2013 amounted to SEK 1,206 thousand (1,135).

⁸Variable salary can amount to a maximum of 0-30 percent of the basic salary. Variable salary 2014 and 2013 amounted to SEK 1,830 thousand (1,058). Other management consists of three persons.

Notice period

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

Option program

The target according to the Employee Stock Option Program 2014/2017 was met in 2013. The CEO was allocated 116,667 options, the rest of the management being allocated 150,000 options. See note 8.

**NOTE
10**

Taxes

	Group		Parent Company	
	2014	2013	2014	2013
Income tax				
Current tax	-2,491	2,900		
Deferred tax	15,047			
<i>Total current tax</i>	<i>12,556</i>	<i>2,900</i>		
Reconciliation of effective tax, Group				
Profit/Loss before tax	31,721	-13,360	2,170	-14,537
Tax according to applicable tax rate	-6,979	2,939	-477	3,198
Tax effect of:				
- Foreign tax rates	-254			
- Non-deductible expenses/Non-taxable income	4,363	1,291	1,980	
- Utilization of loss carryforwards not recognized previously	379			
- Tax losses for which no deferred tax asset is recognized		-1,330	-1,503	-3,198
Reassessment of loss carryforwards	15,047		-	-
<i>Tax on profit for the year according to income statement</i>	<i>12,556</i>	<i>2,900</i>	<i>-</i>	<i>-</i>
	Group		Parent Company	
	2014	2013	2014	2013
Deferred tax asset				
Deferred tax assets on tax losses				
Opening balance				
Exchange rate difference	712			
Reported in the income statement	15,047			
Closing balance	15,759			

A deferred tax asset of 15,047 was recognized as revenue during the year. Deferred tax assets are recognized for tax loss carryforwards insofar as it is likely that they can be utilized via future taxable profits. Individual assessments are carried out of each company with regard to historical profit development and opportunities to use the loss carryforwards. The loss carryforwards are mostly held by the Danish subsidiary. Danish legislation limits the annual utilization of loss carryforwards in terms of amount, which means that the Danish subsidiary will pay 2,491 in tax for 2014. All loss carryforwards, totaling 281,698, of which 68,395 are capitalized as at December 2014, have an unlimited life.

**NOTE
11**

Intangible assets

Group, December 31	2014	2013
<i>Opening acquisition value</i>	40,661	34,041
Internally-developed assets	5,259	5,167
Exchange rate differences for the year	2,945	1,453
<i>Closing accumulated acquisition value</i>	48,865	40,661
<i>Opening depreciation</i>	-23,171	-17,209
Depreciation for the year	-4,944	-5,144
Exchange rate differences for the year	-1,771	-818
<i>Closing accumulated depreciation</i>	-29,886	-23,171
<i>Closing reported value</i>	18,979	17,489

Research and development expenses amounted to SEK 21,547 thousand (16,724), corresponding to 11 percent (20) of total income. Of these expenses, SEK 5,508 thousand (5,340) 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.

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 lifecycle. Write-down testing is carried out at the lowest level at which separable cash flows can be identified.

Company management has determined gross margins based on its expectations of market development. 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 12.5 percent.

**NOTE
12**

Tangible assets

Group, December 31	2014	2013
<i>Opening acquisition value</i>	8,748	8,434
Purchases	152	14
Sales and disposals for the year		-17
Exchange rate differences for the year	588	317
<i>Closing accumulated acquisition value</i>	9,488	8,748
<i>Opening depreciation</i>	-8,665	-8,259
Depreciation for the year	-90	-76
Sales and disposals for the year		17
Exchange rate differences for the year	-579	-347
<i>Closing accumulated depreciation</i>	-9,334	-8,665
<i>Closing reported value</i>	154	83

**NOTE
13**

Deposits made

Group, December 31	2014	2013
<i>Opening acquisition value</i>	692	670
Change for the year	43	-3
Exchange rate differences for the year	47	25
<i>Closing reported value</i>	782	692

The amount relates to deposits for the rental of premises.

**NOTE
14**

Inventories

Group, December 31	2014	2013
Finished products	16,391	10,098
<i>Total</i>	16,391	10,098

The year's write-down of inventories amounts to SEK 52 thousand (165) and is recognized in cost of goods sold.

**NOTE
15****Prepaid expenses and accrued income**

Group, December 31	2014	2013
Other	1,927	1,498
<i>Total</i>	<i>1,927</i>	<i>1,498</i>
Parent Company, December 31		
Other	152	162
<i>Total</i>	<i>152</i>	<i>162</i>

**NOTE
16****Liabilities to credit institutions**

Group, December 31	2014	2013
Overdraft facility	-	9,696
Liabilities in respect of invoice factoring	10,947	6,852
Bank loan, due in 2015	10,366	4,667
Bank loan, due in 2016	1,967	12,333
<i>Total</i>	<i>23,280</i>	<i>33,548</i>

Loans to credit institutions which will fall due within one year amount to SEK 10,366 thousand. Loans which will fall due between 2 and 3 years amount to SEK 1,967 thousand. Of these loans, SEK 10,000 thousand relates to a loan running with three months' interest with STIBOR 90 as the interest rate base, and the final due date for this loan is January 18, 2016. A remaining loan of SEK 2,333 thousand is running with a 7.20 percent interest rate, and the final due date for this loan is February 28, 2016. Financial covenants are met as at December 31, 2014. Securities are described in Note 21, Assets pledged for liabilities to credit institutions.

Parent Company, December 31	2014	2013
Overdraft facility	-	9,696
Bank loan, due in 2015	10,366	4,667
Bank loan, due in 2016	1,967	12,333
<i>Total</i>	<i>12,333</i>	<i>26,696</i>

Loans to credit institutions which will fall due within one year amount to SEK 10,366 thousand. Loans which will fall due between 2 and 3 years amount to SEK 1,967 thousand. Of these loans, SEK 10,000 thousand relates to a loan running with three months' interest with STIBOR 90 as the interest rate base, and the final due date for this loan is January 18, 2016. A remaining loan of SEK 2,333 thousand is running with a 7.20 percent interest rate, and the final due date for this loan is February 28, 2016. Financial covenants are met as at December 31, 2014. Securities are described in Note 21, Assets pledged for liabilities to credit institutions.

**NOTE
17****Overdraft facility**

Group, December 31	2014	2013
Approved credit limit	10,000	10,000
Unutilized portion	-10,000	-304
<i>Overdraft utilized</i>	<i>0</i>	<i>9,696</i>
Parent Company, December 31	2014	2013
Approved credit limit	10,000	10,000
Unutilized portion	-10,000	-304
<i>Overdraft utilized</i>	<i>0</i>	<i>9,696</i>

Securities are described in Note 21, Assets pledged for liabilities to credit institutions.

**NOTE
18**

Shares and participations in subsidiaries

Parent Company, December 31	2014	2013
Opening reported value	81,957	81,512
Shareholders' contributions	-	7,000
Write-down of shares	-	-7,000
Employee Stock Option Program	453	445
Closing reported value	82,410	81,957

Shares held by the Parent company, 2014

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	79,793
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, 2013

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	79,340
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	2014	2013
Personnel-related expenses	8,510	5,738
Other	4,399	2,709
Total	12,909	8,447

Parent Company, December 31	2014	2013
Personnel-related expenses	398	383
Other	1,130	1,540
Total	1,528	1,923

**NOTE
21**

Pledged assets and contingent liabilities

Pledged assets

For liabilities to credit institutions, December 31	Group		Parent Company	
	2014	2013	2014	2013
Shares in subsidiaries	-	-	2,517	2,517
Chattel mortgage	7,000	7,000	7,000	7,000
Pledged accounts receivable	13,684	8,565	-	-
Total	20,684	15,565	9,517	9,517

Contingent liabilities	Group	Parent Company
	None	None

**NOTE
20**

Share capital

Parent Company

As at December 31, 2014 share capital amounted to SEK 42,240 thousand (42,240), allocated over 42,240,161 (42,240,161) 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

As of 2013 there is an employee stock option program; Employee Stock Option Program 2013/2017. To ensure access to shares in the company for transfer, stock options were issued to the wholly owned Danish subsidiary INVISIO Communications AS. These stock options entitle holders to subscribe for a total of no more than 2,000,000 shares in the company. In the event of full subscription and full exercising of stock options, this increase in the company's share capital will amount to SEK 2,000,000.

**NOTE
22**

Earnings per share in the Group

Earnings per share before dilution	2014	2013
Profit/Loss after tax	44,277	-10,460
Average number of shares outstanding (thousands)	42,240	38,850
<i>Earnings per share before dilution</i>	<i>1.05</i>	<i>-0.27</i>

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

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

Only the option programs whose issue price is less than the average share price for the period can lead to a dilutive effect. The average price for 2014 was SEK 10.12 (4.80). The outstanding option program meets the conditions, which is why this is giving rise to a dilutive effect.

As shown in Note 8, INVISIO has an outstanding employee stock option program, providing the right to subscribe for a maximum of 2,000,000 shares between May 2016 and May 2017. The number allocated up to December 31, 2014 is 1,333,332.

Earnings per share after dilution	2014	2013
Profit/Loss after tax	44,277	-10,460
Average number of shares outstanding (thousands)	43,573	38,850
<i>Earnings per share after dilution</i>	<i>1.02</i>	<i>-0.27</i>

**NOTE
23**

Accounts receivable – trade

By December 31, 2014, accounts receivable amounting to SEK 7,781 thousand (5,105) were overdue, but no write-down requirement was considered to exist. The write-down requirement has been assessed to be SEK 242 thousand (226). Other overdue receivables relate to a number of customers which have not previously exhibited problems regarding payments.

	Group	
	2014	2013
Age analysis of accounts receivable		
Not past due	11,306	11,258
Past due < 60 days	7,547	4,441
Past due > 60 days	234	664
<i>Total past due</i>	<i>7,781</i>	<i>5,105</i>
<i>Total receivables</i>	<i>19,087</i>	<i>16,363</i>
Expected losses	-242	-226
<i>Accounts receivable in the accounts</i>	<i>18,845</i>	<i>16,137</i>
Bad accounts receivable		
Opening balance	-226	-218
Expected losses	-235	-220
Confirmed losses	-5	-6
Reversed amounts	224	218
<i>Closing balance</i>	<i>-242</i>	<i>-226</i>

**NOTE
24**

Costs divided by type

Group	2014	2013
Costs divided by type		
Changes in stocks of finished products and products in progress	-110,362	-48,205
Costs for employee remuneration (Notes 8 & 9)	-20,621	-17,476
Research and development costs	-21,217	-16,701
Depreciation and write-downs (Notes 11 & 12)	-5,034	-5,220
Other costs	-9,750	-8,132
<i>Total cost of goods sold, sales and marketing, administration, research and development</i>	<i>-166,984</i>	<i>-95,734</i>
Parent Company		
Costs divided by type	2014	2013
Costs for employee remuneration (Notes 8 & 9)	-1,993	-2,240
Other costs	-3,576	-3,582
<i>Total administrative expenses</i>	<i>-5,569</i>	<i>-5,822</i>

**NOTE
25**

Related party disclosures

Lage Jonason (with related parties) is one of the Company's largest single shareholders. Lage Jonason has personally acted as guarantor for part of the obligations. Lage Jonason is entitled to 1.5 percent annual remuneration in respect of his obligations incurred in acting as guarantor.

Yggdrasil AB, with 2.4 percent of the votes and capital in the Company, provides security for loans and overdrafts amounting to SEK 20 m against an annual security commission of 3.9 percent on average.

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 9.

**NOTE
26**

Events after the end of the financial year

- Received an order from the American military program TCAPS worth SEK 14.6 m.
- Work has begun on listing the Company on the Nasdaq Stockholm main list. It is estimated that this listing will take place by the end of the third quarter of 2015 at the latest.

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on April 23, 2015 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 27, 2015

Lars Röckert
Chair

Anders Persson
Board member

Lage Jonason
Board member

Mats Warstedt
Board member

Annika Andersson
Board member

Charlotta Falvin
Board member

Lars Højgård Hansen
President and CEO

Our audit report was submitted on March 31, 2015

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of INVISIO Communications AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 42-67.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial

Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of INVISIO Communications AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

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

Stockholm, March 31, 2014

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

FIVE-YEAR OVERVIEW

INCOME STATEMENTS January – December (SEK 000s)	2014	2013	2012	2011	2010
Total income	201,635	85,254	43,031	41,463	32,787
Cost of goods sold	-110,362	-48,205	-24,914	-21,162	-14,955
Gross profit	91,273	37,049	18,117	20,301	17,832
Operating expenses	-51,588	-42,311	-38,704	-36,390	-43,474
Depreciation and write-downs	-5,034	-5,218	-5,226	-8,085	-12,224
Operating profit/loss	34,651	-10,480	-25,813	-24,174	-37,866
Net financial items	-2,930	-2,880	-3,678	-4,451	-1,948
<i>Profit/Loss before tax</i>	<i>31,721</i>	<i>-13,360</i>	<i>-29,491</i>	<i>-28,625</i>	<i>-39,814</i>
Tax	12,556	2,900			
<i>Profit/Loss after tax</i>	<i>44,277</i>	<i>-10,460</i>	<i>-29,491</i>	<i>-28,625</i>	<i>-39,814</i>
INCOME STATEMENTS December 31 (SEK, thousands)	2014	2013	2012	2011	2010
ASSETS					
Non-current assets					
Intangible assets	18,979	17,489	16,832	15,336	16,948
Tangible assets	154	83	139	576	834
Financial assets	16,541	692	670	678	643
<i>Total non-current assets</i>	<i>35,674</i>	<i>18,264</i>	<i>17,641</i>	<i>16,590</i>	<i>18,425</i>
Current assets					
Inventories	16,391	10,098	3,240	5,215	2,780
Accounts receivable – trade	18,845	16,137	17,362	5,668	10,169
Other receivables/prepaid expenses and accrued income	6,339	4,741	1,488	6,039	3,156
Cash and bank balances	28,444	9,126	4,240	17,305	12,752
<i>Total current assets</i>	<i>70,019</i>	<i>40,102</i>	<i>26,330</i>	<i>34,227</i>	<i>28,857</i>
TOTAL ASSETS	105,693	58,366	43,971	50,817	47,282
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	<i>52,375</i>	<i>3,895</i>	<i>-1,814</i>	<i>11,287</i>	<i>5,630</i>
Current liabilities					
Liabilities to credit institutions	21,313	21,215	31,245	27,736	21,570
Accounts payable – trade	14,949	12,439	8,840	6,284	9,301
Other liabilities/accrued expenses and prepaid income	15,089	8,484	5,700	5,510	10,781
<i>Total current liabilities</i>	<i>51,351</i>	<i>42,138</i>	<i>45,785</i>	<i>39,530</i>	<i>41,652</i>
Long-term liabilities					
Liabilities to credit institutions	1,967	12,333	-	-	-
<i>Total long-term liabilities</i>	<i>1,967</i>	<i>12,333</i>	<i>-</i>	<i>-</i>	<i>-</i>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	105,693	58,366	43,971	50,817	47,282

CASH FLOW STATEMENT January –December (SEK 000s)	2014	2013	2012	2011	2010
Profit/Loss before tax	31,721	-13,360	-29,491	-28,625	-39,814
Adjustments for non-cash items	6,515	5,202	5,312	8,123	9,519
Taxes		2,900	-	-	-
<i>Cash flow from operating activities before changes in working capital</i>	<i>38,236</i>	<i>-5,258</i>	<i>-24,179</i>	<i>-20,502</i>	<i>-30,295</i>
Cash flow from changes in working capital	-3,926	-2,079	-2,644	-9,138	-6,927
<i>Cash flow from operating activities</i>	<i>34,310</i>	<i>-7,337</i>	<i>-26,823</i>	<i>-29,640</i>	<i>-37,222</i>
<i>Cash flow from investing activities</i>	<i>-5,412</i>	<i>-5,180</i>	<i>-6,942</i>	<i>-6,263</i>	<i>-7,037</i>
<i>Cash flow from financing activities</i>	<i>-10,887</i>	<i>17,266</i>	<i>20,826</i>	<i>40,473</i>	<i>52,132</i>
CASH FLOW FOR THE YEAR	18,011	4,749	-12,939	4,570	7,873
KEY FIGURES	2014	2013	2012	2011	2010
MARGINS					
Gross margin	45.3%	43.5%	42.1%	49.0%	54.4%
Operating margin	17.2%	-12.3%	-60.0%	-58.3%	-115.5%
Profit margin	15.7%	-15.7%	-68.5%	-69.0%	-121.4%
CAPITAL STRUCTURE					
Equity ratio	49.6%	6.7%	-4.1%	22.2%	11.9%
OTHER					
Number of employees	34	31	29	30	27
DATA PER SHARE					
Number of shares at end of period, thousands	42,240	42,240	38,440	32,704	23,501
Earnings per share, SEK	1.05	-0.27	-0.83	1.10	-1.75
Shareholders' equity per share, SEK	1.24	0.09	-0.05	0.35	0.24
Share price at year end, SEK	12.80	5.05	5.00	3.70	10.00

DEFINITIONS

Gross margin

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

Operating margin

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

Profit margin

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

Equity ratio

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

Number of shares outstanding

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

Average number of 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 2015:

- | | |
|-----------------------------------|-----------------------------|
| ▶ 2015 Annual General Meeting: | Thur, April 23, 2015, 13.00 |
| ▶ Interim report, January-March: | Thur, April 23, 2015 |
| ▶ Interim report, April-June: | Thur, August 13, 2015 |
| ▶ Interim report, July-September: | Weds, November 4, 2015 |
| ▶ Year-end report: | Tues, February 23, 2016 |

The 2015 Annual General Meeting will take place at the premises of Erik Penser Bankaktiebolag, Biblioteksgatan 9, Stockholm.

Design and production:

HILL+KNOWLTON
STRATEGIES

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