



Protection  
at work,  
a better life  
at home

**INVISIO<sup>®</sup>**

Annual Report 2021

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### **250,000 users of INVISIO's system**

There are currently almost 250,000 users of INVISIO's system. Most are in the American defense forces. However, INVISIO is gaining an increasing number of users in law enforcement and security.

INVISIO at a glance

# Leading growth company on a niche market

INVISIO develops and markets advanced communication systems that help professionals in noisy and mission critical environments to work more safely and effectively while protecting their hearing. The company's two brands are INVISIO and Racal Acoustics. The company has its headquarters in Copenhagen and sales organizations in the USA, France, the United Kingdom, Italy and Thailand. The INVISIO share has been listed on Nasdaq Stockholm since 2015 and is in the Mid Cap segment.

## Unique customer benefit

INVISIO's offer consists of both personal communication systems for use in the field and in vehicles, and an Intercom system for use in various forms of transport. The personal equipment reduces high noise levels and enables disruption-free communication in noisy and mission-critical environments. The Intercom system makes it possible for users of the personal equipment to communicate within the group and with others even while on the move.

## A growing market

The market for INVISIO's solutions is driven by defense and police forces around the world modernizing communication equipment for their personnel. Apart from a general improvement in communication capability, there is also

an explicit wish to reduce individual suffering and the societal costs related to hearing loss. Defense customers in the USA and Europe account for the largest part of INVISIO's revenue. However, interest in the company's products is also growing in other user groups, such as law enforcement and security, and in new geographical markets.

## Strategy focused on growth with sound profitability

INVISIO is a growth and innovation company focusing on product development and sales. In the next few years the company intends to strengthen its leading global position both through expansion to new geographical markets and broadening the offer.



## Stable growth with sound profitability

**Average annual growth (CAGR) 2017-2021**

12%

**Average operating margin 2017-2021**

17%

The year at a glance

# Offensive investments in a cautious market

## Weaker growth due to the pandemic

The pandemic continued to set its stamp on the market, with delays in sales as a result. Difficulties in carrying out field tests and temporary budgetary re-prioritization by some customers were among the main reasons. As regards smaller orders, a continued increase in numbers can be seen, which is mainly a consequence of an increasing customer base, new product areas and a larger market organization.

## Continued offensive investments

Despite the challenges in the business environment, in 2021 INVISIO continued to carry out its growth strategy for product development and organizational development in R&D and sales. The forward-looking investments, among which is the acquisition of Racal Acoustics, will mean an even stronger starting position as activities in the market again increase.

## Strong development for Racal Acoustics

Sales of products marketed under the Racal Acoustics brand continued to be strong during the year. The difference can be explained by the market for Racal Acoustics products being more mature, with a greater proportion of recurrent sales.

## Great interest in the Intercom system

Interest in the new Intercom system continued to increase during the year. For example, in

2021 an order for some 40 systems was received from a European NATO country as well as a non-binding order for 200 systems from the American manufacturer of ultralight aircraft SkyRunner. In addition a sales and distribution partnership was started with the RIB boat manufacturer Zodiac.

## Successes in the law enforcement and security market

The reinforcement of the sales organization and increased number of distribution partners in the USA and Europe has yielded results. The activity level in the American market has been particularly high, where several special forces in the police use INVISIO's system.

During the year collaboration with the Swedish Police Authority was intensified, which resulted in the two 2019 framework agreements being extended by another year.

## Events after the close of the financial year

In January 2022 INVISIO signed a five-year framework agreement where the end customer is a defense force in a European country. The contract is for the new headset Racal Acoustics – RA4000 Magna™ with accessories. The contract value is about SEK 275 million.



## Launch of a new technology platform

Among the more significant events of the year is the launch of the new AI and software based technology platform, the INVISIO V-Series Gen II, which is the next generation tactical communication solution. In combination with the company's headsets it sets a new standard for audio performance, communication and hearing protection.

The new platform has been built entirely from scratch and means a paradigm shift from hardware to software, enabling considerably greater flexibility when developing customized solutions and general updates.

For the users the new platform means better possibilities to filter out unwanted sounds. It thus contributes both to improved safety and reduced noise-related tiredness for the users.

The year at a glance

# 2021 in figures

## Key figures

	2021	2020	2019
Revenue, SEK million	593.0	532.0	513.8
Operating profit/loss, SEK million	24.9	95.4	132.6
Net profit/loss for the year, SEK million	14.5	61.2	101.6
Cash flow from operating activities, SEK million	91.0	85.6	158.4

## MARGINS

	2021	2020	2019
Gross margin, %	57.4	58.1	61.0
Operating margin, %	4.2	17.9	25.8
Profit margin, %	2.4	11.5	19.8

## CAPITAL STRUCTURE

	2021	2020	2019
Equity ratio, %	61	73	76

## EMPLOYEES

	2021	2020	2019
Number of employees	187	125	101

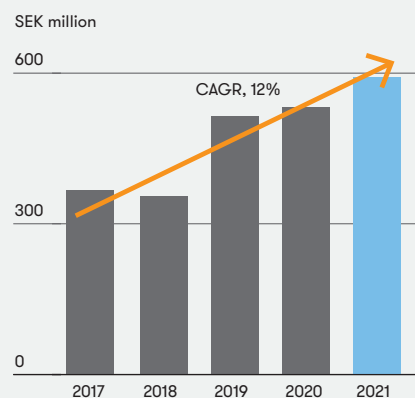
## DATA PER SHARE

	2021	2020	2019
Earnings, SEK	0.33	1.39	2.30
Shareholders' equity after dilution, SEK	9.37	8.28	8.11
Share price at close of period, SEK	163.80	250.00	102.00

## Sales

SEK  
**593** million

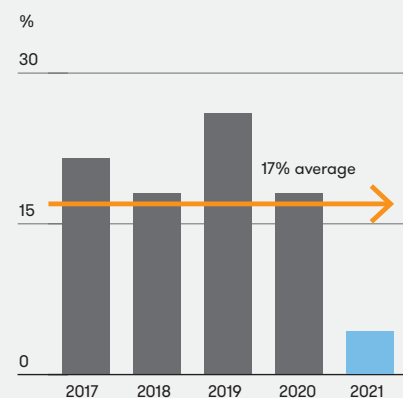
Revenue was SEK 593.0 million (532.0). This is an increase of 11 per cent compared to the previous year. Adjusted for exchange rate effects it was 15 percent. CAGR for the last 5 years is 12 per cent.



## Operating margin

**4.2%**

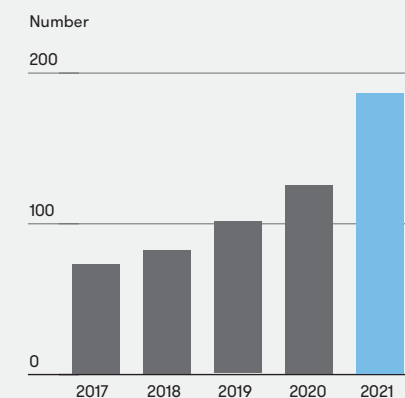
The operating margin was 4.2 per cent (17.9). The average margin for the last five years was 17 per cent.



## Number of employees

**+55**

The number of employees increased in 2021 by 55 people and in the past five years increased by a total of 114.



CEO's comments

# In 2021 we built a stronger INVISIO. Now we are gearing up.

2021 was to a great extent influenced by the pandemic. All in all, restrictions and travel difficulties meant major challenges to our sales efforts – which affected sales and earnings negatively. Despite the challenges in the business environment, in 2021 INVISIO decided to continue with its growth strategy for product development and organizational development. As we enter a new year we are stronger than ever.



The year's sales were SEK 593.0 million (532.0), corresponding to growth of 11 per cent. Adjusted for exchange rate effects growth was 15 per cent. The weaker sales were mainly due to the pandemic. Customers' purchasing processes have taken longer than before and it was difficult to carry out tests. In addition, some organizations have also had to make temporary changes in budget priorities that impacted purchases negatively.

The delays in sales mainly affected products marketed under the INVISIO brand, while sales under the Racal Acoustics brand have continued to show strong development. Vehicle programs often span long periods, in some cases up to 20-25 years, which makes sales more stable, compared with products under the INVISIO brand.

It is a sign of strength that the number of small orders continues to increase. This is a

logical consequence of a growing customer base, new product areas and a larger marketing organization. This development gives us increased stability and reduced dependence on individual customers.

The gross margin level, 57.4 per cent (58.1) is lower than our internal target and is mainly due to the product and sales mix, somewhat higher costs for some components and the fact that Racal Acoustics sales are largely via distributors. However, we expect a higher percentage of direct sales and our own price increases over time will bring the margin to a level higher than 60 per cent.

The operating margin was 4.2 per cent (17.9). Apart from weaker sales, profitability was also affected by the forward-looking investments. We are, however, convinced that in the long term it was right to keep to the growth strategy.

## Forward-looking investments have created a stronger INVISIO

Great focus in past years has been on continuing to build a stronger company, in accordance with the growth strategy. The growth-oriented investments included the following:

- Acquisition of Racal Acoustics – which broadened the product offer and extended INVISIO's unique communication system.
- Strengthened sales organization – we now have more than 60 salespeople, of whom 30 in the USA, which is the world's largest market for our solutions.
- Development and launch of new AI and software based technology platform, which considerably improves users' speech and hearing capability, while enabling a more effective way of developing and customizing new services and implementing updates.
- Strengthened R&D organization including experts in AI, software and system integration.
- Several new products have been launched, including the RA4000, Gen II Control Units, Intercom system and the new T7 headset. This increases depreciation.

“The investments in growth mean we are stronger than ever. 2022 will show it.”

### Great interest in the Intercom system

Interest in the Intercom system has grown increasingly strong during the year. This is evident for example through an order for some 40 systems from a European NATO country and a non-binding order for 200 systems from our partner SkyRunner in the USA. The order is, however, contingent on SkyRunner in turn receiving its expected orders.

It is also particularly positive that several of the customers who were first to buy the system are now submitting supplementary orders. This is an important sign of strength. It has been extremely satisfying to see how customers understand directly the value of the Intercom system and how it improves the work environment.

Apart from this, evaluation projects are ongoing together with several customers, manufacturers and equippers of vehicles, boats and helicopters.

### Strong position in the law enforcement and security market

In 2021 we saw clear and positive results from the reinforcement of the sales organization and increased number of distribution partners. The number of customers is steadily growing both in the USA and Europe. In 2021 collaboration with the Swedish Police Authority was intensified, which has resulted for example in the two 2019 framework agreements being extended by another year.

### Structurally driven market growth

We have said so before, but it bears repeating: our assessment is that we have not lost any orders or procurements during the pandemic. Delays and deferrals have affected the entire market.



### ACHIEVED IN 2021

“During the year through our two brands we have launched several new products and our new AI and software based technology platform.”

### FOCUS 2022

“We are intensifying market penetration and will participate in more trade fairs than ever before. There will be particular focus on continued introduction of the Intercom system.”

The degree of penetration in our current market segment continues to be low and our perception is that there is a pent-up need among actors in both defense and law enforcement and security.

At the same time, the market is growing in pace with the increase in use of defence communication systems in more and more military and law enforcement units. In several countries modernization and upgrading of existing equipment is in progress. Among the drivers is both increased awareness of the consequences of hearing loss, and the fact that weapons systems and vehicles tend to generate increasing levels of noise. Our solutions can really make a big difference here. In combination this gives scope for a continued sound growth rate in both our product markets.

### Forward focus

Expectations and hopes for 2022 are high. During the year we intend to intensify market penetration. We will carry out a large number

of customer visits and participate in more trade fairs than ever before. Now as the effects of the pandemic are starting to recede, we will also resume our geographic expansion and continue to address selected countries, mainly in Asia, but also in the Middle East and South America.

We will also take the next step in the integration of Racal Acoustics. This will include continuing work during the year to fully integrate the two product portfolios into a common communication system.

There will also be particular focus on continued introduction of the Intercom system. Our assessment is that it has good prospects of being a significant contribution to the company's continued growth journey and profitability.

### Thank you!

The INVISIO Group consists of almost 200 dedicated and committed employees, who together

create great value for our users, in the form of a safer work environment and protected hearing. In this annual report we have therefore decided to highlight some of our colleagues, to show the breadth and depth of the expertise and experience that makes the company unique.

It is impressive and inspiring to share in the ideas, drive and cooperation that runs through all parts of the company. One of my most important tasks is therefore to continue to strengthen our winning corporate culture. I would therefore like to extend warm thanks to you all for your great efforts under exceptional conditions. Now we are looking forward to doing more business.

Copenhagen in March 2022

**Lars Højgård Hansen**  
President and CEO of INVISIO

# A scalable business model

The core of INVISIO's business model is to use good understanding of the customer and innovative capacity to develop effective communication solutions, creating value for both users and society.

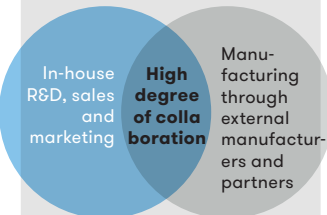
### An innovation company with a strong culture

INVISIO is a highly innovative company that develops groundbreaking solutions in close collaboration with its customers. High technical expertise and understanding of the customer, as well as a strong corporate culture are among the foremost success factors.

- High innovative capacity
- Close cooperation with customers
- Strong corporate culture
- Global niche strategy in a growing market

### Focus on core business

The company focuses on development, marketing and sales. Selected European contract manufacturers account for the greater part of manufacturing. Outsourcing manufacturing to external partners ensures the flexibility to be able to manage variations in order volumes.



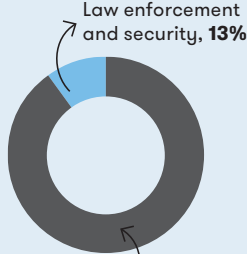
### Two complementary offers

**Personal communication systems**  
The company offers personal communication equipment with hearing protection for professional users, mobile and stationary users, under the INVISIO and Racial Acoustics brands.

**The Intercom system**  
enables users of the personal equipment to connect to internal and external communication systems in various forms of transport.

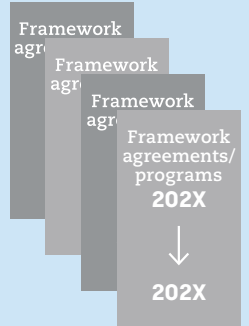
### Two customer groups

INVISIO's customers are primarily in the defense sector and the law enforcement and security industry. Special forces and SWAT teams are often the gateway to the larger volumes in the regular army and national law enforcement.



### Portfolio with long-term agreements

INVISIO's procurements won refer to framework agreements or long-term programs. The agreements do not guarantee sales volumes, but entail major barriers to entry for competing actors.



### Value creation for users and society

By enabling safe communication in critical situations INVISIO creates value for both individuals and society as a whole.

**Users**

- Safer work environment
- Increased operational capacity
- Prevents hearing loss and related problems

**Society**

- Higher efficiency
- Lower costs for rehabilitation and compensation for hearing loss



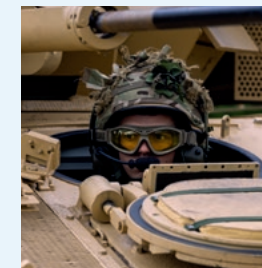
# Why invest in INVISIO?

INVISIO holds a leading position in a growing niche market. The main strengths include high growth with sound profitability, a strong corporate culture and a clear strategy – where continued broadening of the offer, penetration of new geographical markets and expansion to new user groups are important components.

## Stable financial development and continuous investments in R&D

### Good long-term growth

- INVISIO's average annual growth during the period 2017-2021 was 12 per cent. Growth in 2020 and 2021 was very negatively impacted by the pandemic, which brings down the average growth for the period.
- Despite the challenges in the business environment, INVISIO decided to continue to carry out its growth strategy for product development and organizational development.
- Expanded revenue base through the acquisition of Racal Acoustics.
- The market for INVISIO's offer is not cyclically dependent and is growing structurally.



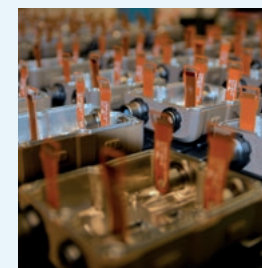
### Sound profitability enables offensive R&D

- The gross margin for the period 2017-2021 was on average 58 per cent. For 2021 the gross margin was 57 per cent.
- The average operating margin for 2017-2021 was 17 per cent. For 2021 the gross margin was just over 4 per cent.
- Investments in R&D for the period 2017-2021 amounted to an average of 14 per cent per year of the company's total revenue. For 2021 investments in R&D amounted to 15 per cent.



### High scalability and strong financial position

- All volume production takes place with the help of contract manufacturers, which enables scalability, flexibility and full focus on product development and sales.
- Cash flow from operating activities before changes in working capital amounted to SEK 62.2 million (96.7).
- INVISIO has a sound financial position. The Group's cash and cash equivalents at the year end amounted to SEK 134.8 million (157.7). Group equity at year-end amounted to SEK 417.5 million (378.9), which gave an equity/assets ratio of 61 per cent (73).





## Strong market position in a growing niche market

### Growing niche market with high entry barriers

- The market is growing structurally as increasing numbers of users in defense and law enforcement are issued with personal communication equipment.
- According to the US Department of Veterans' Affairs, tinnitus and hearing loss together accounted for about 17 per cent of the total number of claims registered, for which American veterans receive compensation.
- Entering the market and winning a public procurement normally takes several years. High entry barriers have meant that there are relatively few active players.

### Market leading position and a portfolio of multi-year framework agreements and programs

- INVISIO's market leadership was further strengthened by the acquisition of Racial Acoustics.
- INVISIO has a portfolio of framework agreements and programs that run for 3–7 years. Contracts with the Racial Acoustics brand can run for considerably longer. Examples of customers: US Department of Defense, several NATO armies and the Swedish Police. The framework agreements and programs enable recurrent sales.
- Access to two strong brands, INVISIO and Racial Acoustics – leading in their respective markets.

## Clear growth strategy

### Broadened customer offer, new user categories and geographical markets

- The new Intercom system is an entirely new source of revenue for INVISIO. The value of the addressable market is estimated to be about SEK 7 billion per year.
- The police are a growing user group. The addressable market for the personal system intended for the police is about SEK 1.5 billion per year.
- INVISIO is addressing new geographical markets in South America, the Middle East and Asia.
- The acquisition of Racial Acoustics means that the offer is being broadened with a new, complementary product category. The acquisition increases the value of the annual addressable market by about SEK 0.5 billion.

# 20%

The target is to increase average sales by at least 20 per cent per year.

## Strong corporate culture

- INVISIO's corporate culture is strong. Clear targets and incentive programs that include all employees help to motivate employees and strengthen the culture.
- The company's staff turnover is low and in 2021 was 4 per cent [3].
- The company has an experienced leadership with many years of cooperation behind it. The President/CEO, the SVP Global Sales & Marketing and the SVP R&D have each worked for INVISIO for more than 14 years.

A soldier in full tactical gear, including a helmet with a microphone and sunglasses, is climbing a dark, craggy rock face. The soldier is wearing olive green combat uniform and has a rifle slung over his shoulder. The background is a blurred, rocky landscape.

# Objectives & strategy

INVISIO's overall objective is to generate sustainable growth with sound profitability. The financial targets are to increase sales by an average of 20 per cent per year and that the operating margin should exceed 15 per cent. Achieving the targets requires continued innovative product development, market penetration and expansion, as well as cost focus.

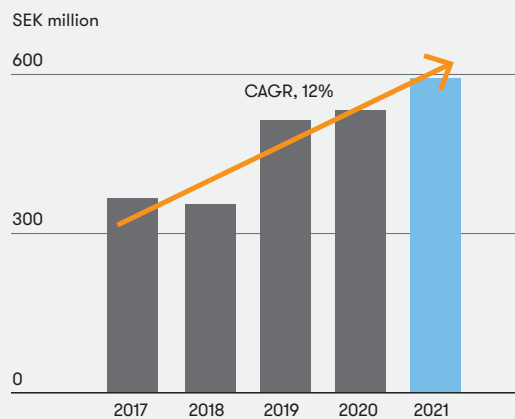
**Read more about our strategies and targets**

# Financial targets

INVISIO is a growth and innovation company focusing on product development and sales. The stated objective is to have a high rate of growth in combination with sound profitability. In recent years INVISIO has consolidated its global leading position by broadening

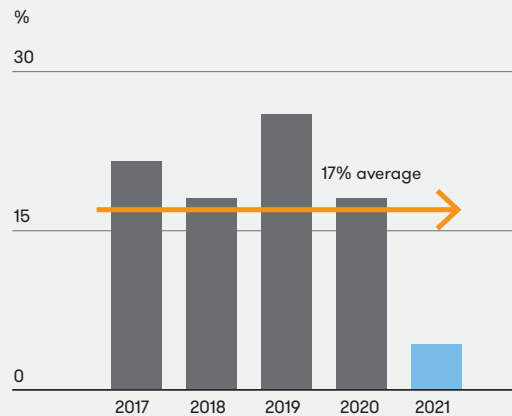
its offer and strengthening the organization in R&D and sales. The forward-looking investments have increased total costs, but have also equipped the company for the next phase of expansion.

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



The average sales growth in the last five-year period (compound annual growth rate – CAGR) was just over 12 per cent. In 2021 sales growth was 11 per cent, but adjusted for exchange rate effects it was 15 per cent. Growth in 2020 and 2021 was very negatively impacted by the pandemic, which brings down the average growth for the period.

## The operating margin is to exceed 15 per cent

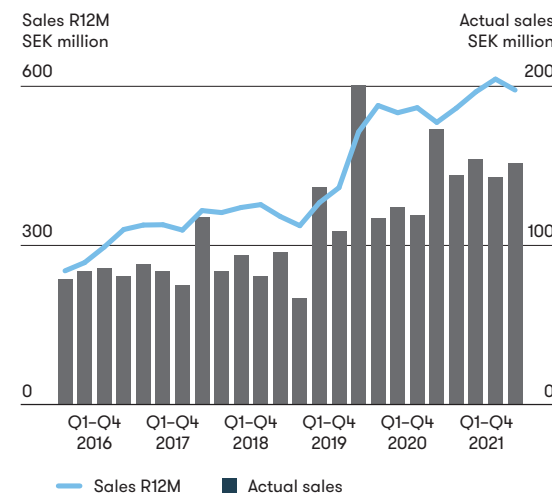


In the last five-year period the average annual operating margin was 17 per cent. The operating margin in 2021 was just over 4 per cent. The weak earnings trend during the year was mainly due to delayed sales, but also higher costs due to forward-looking investments, consolidation of Rascal Acoustics and substantially increased depreciation.

## Volatile order intake is managed through close collaboration with customers and suppliers

INVISIO’s order intake and sales are characterized by fluctuation and can vary intensely over time. INVISIO’s development should therefore be evaluated in a longer time perspective than an individual quarter or year.

INVISIO manages the volatility in order intake by working closely with customers and by outsourcing manufacture to contract manufacturers. The close customer relations make it possible for INVISIO to forecast new orders, which in turn makes it possible to adapt production starts. To some extent volatility has decreased as a result of the acquisition of Rascal Acoustics as well as a larger and broader customer base.



# Strategy for continued profitable growth

## 1 /

### Increase penetration in existing markets

Apart from winning new procurement contracts, INVISIO endeavors to increase its sales in the context of agreements already signed in the main markets in North America and Europe.

#### STRATEGY FOLLOW-UP

The number of users continues to grow. The degree of penetration for the personal system among defense customers in Europe and the USA is estimated to be just over 10 per cent.

## 2 /

### Broaden the product portfolio through innovative development

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

#### STRATEGY FOLLOW-UP

The launch of the new AI and software based technology platform considerably improves the potential for developing customized solutions. The acquisition of Rascal Acoustics has also contributed considerably to a significant broadening of the product portfolio.

## 3 /

### Address new user groups

INVISIO aims to reach new volume markets by addressing new user groups with a similar need to communicate in noisy and challenging environments while at the same time protecting hearing.

#### STRATEGY FOLLOW-UP

In 2021 INVISIO continued to address the law enforcement and security market. An increasing number of law enforcement organizations and fire-fighting services are showing interest in INVISIO's solutions.

## 4 /

### Expand to new geographies

INVISIO is to expand to new geographical markets. Not least, selected markets in Asia, the Middle East and South America will play a growing role.

#### STRATEGY FOLLOW-UP

The expansion to new geographical markets, mainly in Asia, was made more difficult by the pandemic.

## 5 /

### Sustainable and cost-effective operations

Continued sustainable and profitable growth will be maintained among other things by focusing on costs internally in the company and for manufacture of the company's products. INVISIO and its manufacturing partners collaborate closely to safeguard volume gains and competitive production costs.

#### STRATEGY FOLLOW-UP

A high level of cost awareness and a long-term sustainable perspective are a natural part of the business operations. Sustainability work was intensified during the year, for example through reporting of the company's CO<sub>2</sub> footprint and the forthcoming introduction of a whistleblower function.

# The offer



INVISIO develops and markets advanced communication systems that help professionals in noisy and mission critical environments to work more safely and effectively while protecting their hearing.

**[Read more about our offer](#)**

# Effective communication in difficult conditions

## Personal communication systems

### System for users in the field

The system under the INVISIO brand is primarily developed for users who are mobile and serving in the field. The system includes headset, cables and control unit. It is compatible with all radio models and other types of sound sources. Connection is via patented INVISIO IntelliCables®, smart special cables, which enable plug-and-play.

### Strengths and qualities

- 1 / Both INVISIO's headsets, in-ear and new over-the-ear, contain advanced technology that enables crystal clear communication.
- 2 / The system provides both passive and active hearing protection.
- 3 / Microphones on the outside of the equipment enable heightened situational awareness in all environments.
- 4 / Offers full integration with other sound sources, such as radios, mobile phones and mine detectors.
- 5 / The patented IntelliCable® technology enables plug-and-play integration with all types of equipment.

### System for environments with constant high noise

The Racal Acoustics brand includes systems primarily for stationary users active in environments characterized by constant high noise. These include crews of large military vehicles and land-based air traffic controllers. The systems include headset and cables and are usually mounted in vehicles.

### Strengths and qualities

- 1 / Industry-leading hearing protection for vehicle environments thanks to digital active noise reduction.
- 2 / High communication capacity in extreme conditions.
- 3 / Robust design that can withstand demanding and damp environments.
- 4 / High comfort level allows prolonged use.
- 5 / Compatible with all types of sound sources.
- 6 / Will be fully compatible with INVISIO's solutions.

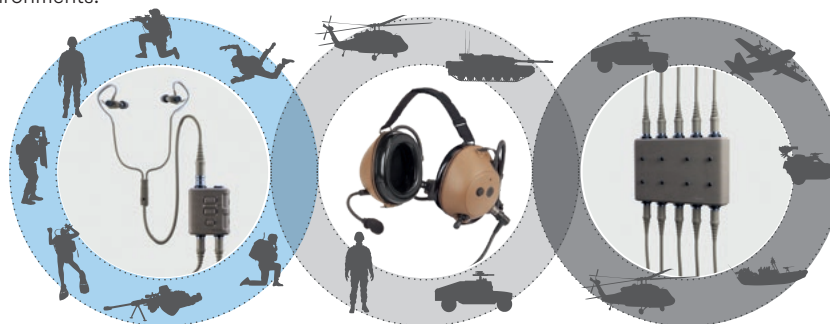
## Intercom system

### New system for communication in vehicles, boats and helicopters

INVISIO's Intercom system developed in-house enables simple and effective internal communication in vehicles, boats and helicopters, at a cost that is far below that of traditional solutions. With the help of the Intercom system, users of INVISIO's personal communication equipment can connect to the vehicle's communication network, and also communicate with the vehicle's driver and other passengers, in a far simpler way than has previously been possible.

### Strengths and qualities

- 1 / Enables users in vehicles, boats and helicopters to use the personal system to communicate within the group despite challenging radio conditions.
- 2 / Gives users access to the vehicle's various radio and communication systems, based on the individual user's permissions.
- 3 / Offers safer transition from one mode of transport to another, since the users can retain their radio contact while using hearing protection.
- 4 / Is fully compatible with INVISIO IntelliCable® – smart cables with technology that enables seamless integration with all types of new and older communication systems.



INVISIO®

INVISIO®

# Artificial intelligence and the world's smartest cables

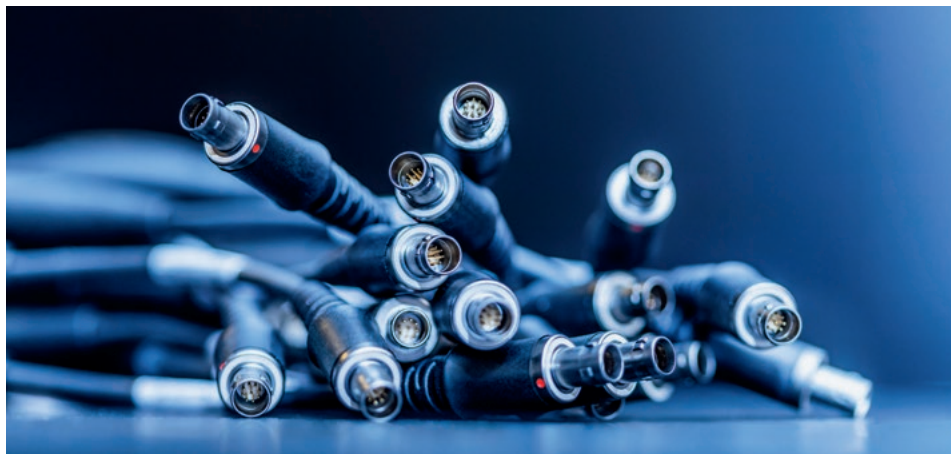
## INVISIO IntelliCable®

The key to the versatility and user-friendliness of INVISIO's offer lies in a seamless plug-and-play integration between the different parts of the system and external units such as radios, mobile phones, computers and other sound sources. What makes this possible is INVISIO's smart and unique IntelliCable®.

The patented cables can be programmed with a number of different presets, adapted on the basis of both specific conditions and individual user preferences. This plug-and-play functionality is unique to INVISIO's

solutions and constitutes a strong competitive advantage. When new equipment is connected to the control unit identification is automatic via information in the cable, which is helpful as no reprogramming of equipment is necessary.

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



## Artificial intelligence means a paradigm shift

As part of the forward-looking investments, INVISIO has expanded the company's expertise in artificial intelligence and digital signal processing. One result of this is the launch of the next generation product platform, the INVISIO V-Series Gen II, whose major advantage, apart from better performance, lies in substantially increased flexibility for customers. The platform makes it possible to more simply and regularly update and configure customers' solutions.

"Our new AI and software platform takes us to a higher level of sound quality and hearing protection. We have given a high level of commitment and time to training the AI algorithm to handle different languages, voices and sound environments – and also intense and rapid changes in the sound image.

The development team has succeeded in radically improving sound quality of speech and increasing the capability to filter out unwanted noise and provide better situational awareness. The result is almost 30 per cent better speech quality.

One of the users who was involved in the development and testing phase related that his colleagues had never before perceived his speech as clearly. Not once did he have to repeat himself.

Being able to work on and develop the latest software is a great privilege. It is exciting to work in a company that does not hesitate to enter unexplored areas of technology and trust that the employees will get the work done. This means both personal and professional development."

*Mikkel Heber Hahn Wagner  
Signal processing specialist*



# INVISIO's new negotiator solutions

## Customized for law enforcement

INVISIO's newly developed negotiator solutions were produced in close cooperation with police forces in Scandinavia, but are now used by the police in Australia, Italy and the USA, among others. The two products were developed for use in complex situations, such as hostage-taking, where the negotiation requires one or more teams of different experts. The standard solution meets the needs of most situations, while the more advanced solution can handle more complex situations where a larger number of people is involved in several different support teams.

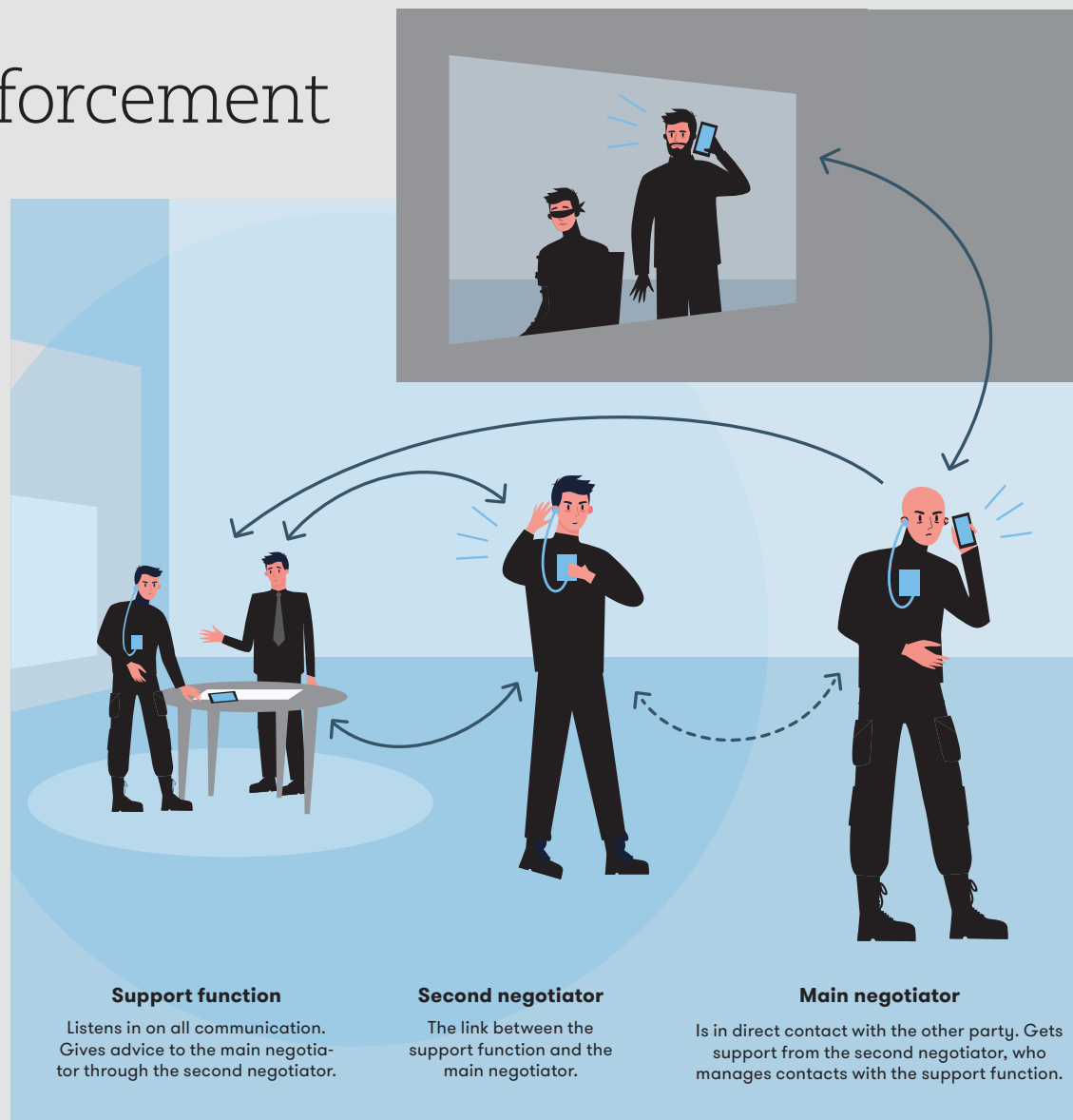
### Full focus on the other party

INVISIO's solution enables the main police negotiator to fully focus on the dialog with the other party, while other members of the team can follow the conversation in real time. The support teams can also discuss within the group without this being heard by and disturbing the main negotiator or the other party. To allow the main negotiator to concentrate 100 per cent on the task, a second negotiator deals with all communication between the teams and the main negotiator.

The standard solution builds on the main negotiator using the personal system, where they have a cable connected to a control box, which in turn leads to a mobile phone with an open conference call to which all the team's members are connected. The more advanced solution builds on the Intercom system, which enables communication between a larger group of people.

### A unique solution in its simplicity and cost-effectiveness

The strength of INVISIO's negotiator solution is the constant feature of all the company's products – simplicity of use. Close collaboration with users during development work enables user-friendly solutions that work in critical and stressed situations. Apart from their high degree of user-friendliness, the solutions are also in most cases considerably more cost-effective than older options.





” I understand the risks they face



**Bryan Munana**  
 Law Enforcement Market Segment Manager  
 Number of years at the company: 5

I am responsible for the law enforcement and fire-fighter markets in North America. My job,

which can be quite challenging, is a bit like being the conductor of an orchestra. I must be familiar with every function in the organization and be able to cooperate with both colleagues and customers – at all levels and within all areas. I coordinate every-

thing, from new product development, training and competition analysis to marketing ideas and sales. I spend a lot of time networking with end users, distributors and industry partners.

**How would you describe your workplace?**

My career at INVISIO has been a dream come true. As a former police officer I can understand and appreciate our customers’ needs and the risks they face. My work here allows me to give back to society by giving users the best possible solutions for their safety. I am surrounded by dedicated professionals and like-minded people. My job gives me the flexibility to travel and meet heroes from all over the country. The level of experience and expertise that INVISIO contributes is unrivaled in this industry, and even if we work remotely over large distances, I really see my team as an extended family.

” It feels good to help counteract hearing loss



**Neil Attwood**  
 Engineering Manager (NPD)  
 Number of years at the company: 21

I lead the development team that designs and develops new products under the Racal Acoustics brand.

Our work covers several engineering disciplines, including mechanics, electronics, software and acoustics. The challenge is to collect all expertise into a finished

product and then optimize our digital Active Noise Reduction technology to achieve the best possible performance. As a team we are involved in all phases of a product – from development of the concept to end-of-life, so it is in our interest to design it correctly.

**How would you describe your workplace?**

My 21 years at the company really says it all. I really appreciate the daily technical challenges of developing products that are to be used and function in really challenging environments. And without my colleagues it would not be possible. It is fantastic to be able to see the products that my team has developed being used by customers – and know that they actually help to prevent hearing loss due to noise.

” It is an honor to work for those who protect us

**Anita Nordhild Olsen**  
 Director of Global Marketing  
 Number of years at the company: 3



I am responsible for marketing INVISIO. I have always liked the challenge of explaining and clarifying advantages and benefit our high-tech solutions create for customers. The challenge is double-sided – it is both about understanding the solutions and the technology we supply – but even more important – about understanding the area of use and the actual needs of the customer. And finally, as part of a growing company, there are the constant challenges of developing the organization, new systems and processes. However, I enjoy the pace and challenges – that’s why I work here.

**How would you describe your workplace?**

The work here is characterized by freedom with responsibility. That is something I really appreciate. There is not so much unnecessary bureaucracy. The focus instead lies on getting the job itself done, together with others, and creating value for our customers and users. We are the small company where we all know each other, which creates a good atmosphere. It also feels meaningful to work with something that can save lives and protect people from life-long hearing loss.

# Market

A photograph of police officers wearing high-visibility yellow-green vests with reflective silver stripes. The word 'POLICE' is printed in blue on the back of the vests. The background is blurred, showing other officers and what appears to be a street scene.

INVISIO addresses a global niche market. Customers are mainly public agencies and other public sector actors associated with defense, law enforcement, security and rescue services.

**[Read more about our market](#)**

# A niche market with attractive growth potential and low penetration

Demand on INVISIO’s markets is growing, as requirements concerning police and defense communications equipment grow, and as awareness of the consequences of hearing loss become increasingly known. The INVISIO and Racal Acoustics brands have clear market leading positions in their respective niches.

INVISIO’s customers are mainly found in the USA, Western Europe and selected countries in Asia. In addition, potential customers are also addressed in South America and the Middle East. However, market maturity in these markets is lower than in the main markets.

## More user groups

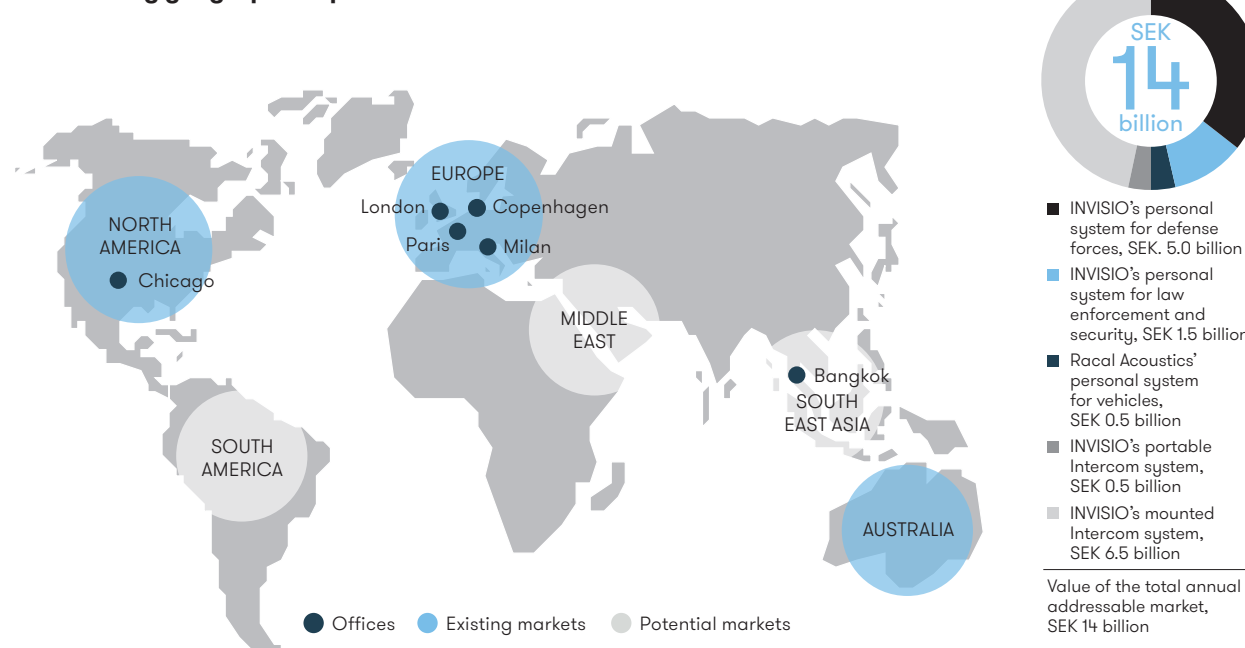
Defense customers have historically accounted for a predominant part of INVISIO’s revenue. Since 2019, however, even more extensive marketing has taken place to actors in law enforcement and security. The needs of law enforcement regarding effective communication and hearing protection are similar to those of defense forces and INVISIO’s offer is in several respects the same for both customer categories.

Through the acquisition of Racal Acoustics at the beginning of 2021, operations were broadened with a complementary product category, consisting of headsets for users in environments characterized by constant high noise.

## Size of the market

INVISIO estimates that the annual value of the addressable market in the USA, Europe and selected countries in Asia amounts to about SEK 14 billion, broken down into the sub-markets defense and law enforcement and security.

## Growing geographical presence



## High entry barriers

INVISIO's markets are characterized by high entry barriers, which makes it more difficult for new actors to establish themselves.

### Framework agreements and programs

The main entry barriers are the multi-year procurement programs and long framework agreements between supplier and customer. A program or framework agreement is usually preceded by a long selling in process. It usually takes many years from the first customer contact to the final order via inquiry, customer tests and public procurement tenders. These conditions have led to a market structure characterized by few actors and long-term relations between suppliers and customers.

### In-depth customer relations

INVISIO now has long and in-depth business relations with a considerable number of customers, primarily in the defense sector. Several of the customers are involved in INVISIO's product development, which apart from contributing to close relations also provides the company with invaluable knowledge about specific needs and wishes. Deep customer relations and good understanding of their needs are two of the company's strongest competitive advantages.

### Hard-to-beat standard of technology

For several years INVISIO has been investing major resources in product development. Investments in R&D for 2017-2021 amounted to an average of 14 per cent per year of the company's total revenue.

Today there is only a handful of competitors as regards communication and hearing protection solutions for personnel on foot or alternating between different modes of transport.

INVISIO's personal equipment has for several years been used in the field where it has proved its high functionality and reliability. The many positive references are of great importance in procurements.

### Global market leader

In the past 8-10 years INVISIO has also won most of the major procurements relevant to the company in the USA and Western Europe. This means that competitors that wish to enter the market must be prepared to make considerable investments of time and resources to gain a footing and achieve success.

INVISIO considers that the company has an advantage in relation to its competitors as regards innovative capacity, well-established relations with customers and an understanding of their needs. The high entry barriers mean that INVISIO has a strong market position in the short and medium-term perspective.

# 14%

of revenue to R&D

Investments in R&D for 2017-2021 amounted to an average of 14 per cent per year of the company's total revenue.

“ I appreciate working with really talented colleagues

Meet our  
**TEAM!**

### Flemming Jahn

Embedded Software Engineer  
Number of years at the company: 4



As a software engineer I develop firmware for INVISIO products. My speciality is the new Intercom system and at present I am developing it into a type of IOT (Internet of Things) unit. A challenge for us is that our products are cross-functional, which requires collaboration between many disciplines, including design, software development and production. This gives many interactions, which is fun.

Another challenge is that we work with systems that contain several microprocessors, which we must get to communicate and work together. The entire solution must be tested in our automated testing system, which requires that we use different programming languages depending on whether we are doing tests or system design.

### How would you describe your workplace?

I appreciate working with highly qualified colleagues and I enjoy the teamwork. I also think it is very rewarding to have a lot of influence over decisions on methods and technology. There is time to go in-depth with the technology and time to manufacture quality products.

## Drivers

Demand for INVISIO's products is driven by several interacting factors. Among the most important are structural growth in demand and greater awareness about hearing loss and its effects.

### Structural growth in demand

Currently in many countries there is ongoing modernization of the communications systems used in the defense and law enforcement sector. The increasing significance of communication for defense and law enforcement operations entails demands for better access to new or modified radio equipment for a growing number of users. The number of potential users is continually growing as more soldiers and police officers are provided with radio solutions. In turn, this means a structurally contingent growth in demand for the company's systems.

### The effects of hearing loss

Among the drivers of the increased demand is also a growing awareness of the effects of hearing loss on both individuals and society. According to data from the US Department of Veterans Affairs, hearing impairment and tinnitus are the most common injuries among veterans of the American defense forces. Hearing loss and tinnitus accounted for about 17 per cent of all claims registered in 2019 and qualifying for compensation<sup>1)</sup>. The US defense forces' direct costs for care and support amount to billions of dollars annually.

1) The 2019 Annual Benefits Report. US Department of Veterans Affairs, updated in July 2020.



### Ever more powerful weapon systems

New weapon systems tend to be ever more powerful and new vehicles increasingly noisy, which further increases the risk of serious hearing loss. This also contributes to increased demand for effective hearing protection.

### INVISIO drives the market

By developing communication solutions that gradually raise industry requirements regarding performance, functionality and user experience, INVISIO contributes extensively to developing the market and driving its growth.

## “ An extremely open-minded atmosphere

### Jesper Rye Bønnelykke

Senior Acoustics Engineer

Number of years at INVISIO: 6



I am a part of the product development team, focusing on acoustics. INVISIO's products must comply with many standards in both acoustics and sustainability, so each acoustic solution must be tailored to function under widely varying conditions. For example, it must cope with both high and rapid air pressure variations and also function under water. Sometimes we face entirely new challenges and then we need to think along different lines. These professional challenges are something I really appreciate. It makes the work varied and means that no day is ever like another.

### Describe INVISIO as a workplace

Our development team consists of a versatile group of technicians – from new graduates to highly experienced. All in all, this creates a pleasant and enjoyable work environment. We cooperate well between different functions and trust each other. The atmosphere is extremely open-minded.

Meet our  
**TEAM!**

# Market for personal systems

INVISIO addresses a global niche market. The customers are mainly found in defense forces as well as in the law enforcement and security market. They want to achieve operative advantages through improved communication, while at the same time protecting the users' hearing.



## Defense market

Industry statistics show that there are about 50 million soldiers in the world, of which 20 million are deemed to be active.<sup>1)</sup> The largest numbers of soldiers are in countries in Asia. Investments in advanced communication and hearing protection systems in these countries have historically been more limited, but are now growing at a relatively rapid rate.

INVISIO's primary target group consists of technologically mature countries in Europe and North America. About two million potential users are serving in these countries' defense forces. The market value of INVISIO's personal system is estimated here to be about SEK 20 billion. As a rule, procurements take place at four-year intervals, which means that the average annual target market is about SEK 5 billion.

There are currently almost 250,000 users of INVISIO's system, which means a market penetration of just over 10 per cent. Consequently, there is great potential for continued growth in the target market.

## Law enforcement and security market

There is a total of 2.7 million police in INVISIO's markets. Of these, 30 per cent are deemed to be relevant to the company's offer, which means that the target group has 700,000 to 900,000 potential users.

The law enforcement and security market is a relatively new market for INVISIO and initial focus is on addressing customers in the USA, Europe and selected countries in Asia. The value of the law enforcement and security market for INVISIO's personal system in these geographies is estimated to be about SEK 9 billion. The company estimates that its customers carry out procurements at intervals of five to seven years, which means that the annual addressable market for INVISIO's system is worth about SEK 1.5 billion.

The law enforcement and security market is more fragmented and decentralized than the defense market, which means that INVISIO must address a larger number of customers in its sales work. An average order is therefore generally smaller than in the more centralized defense market.

## Competition

Personal communication systems with hearing protection, both in the field and in vehicles, have traditionally consisted of an external microphone placed in front of the mouth and noise-reducing cups over the ears. The market for this type of product is large, mature and dominated by a small number of major actors.

Small, advanced communication headsets with in-ear microphones are becoming increasingly common in more extreme and mission-critical environments.

There is a handful of other suppliers on the market, such as manufacturers of helmets offering an integrated communication solution and hearing protection in the form of muffs.

With its innovative solutions INVISIO has a clear competitive advantage here. The company's comprehensive concept that includes both advanced and market-leading headsets and patented cable technology offers system integration that is unique. The offer is further enhanced by the Intercom solution for internal communication in vehicles, boats and helicopters.

<sup>1)</sup> Market data are based on INVISIO's internal assessments of industry statistics.

## The offer for environments with constant and extremely high noise levels

The acquisition of the British company Racal Acoustics in 2021 means that INVISIO is broadening its offer with a new, complementary product category consisting of advanced and robust hearing protection and communications headset for users in environments with constant high noise.



Characteristic for users of equipment under the Racal Acoustics' brand is that they are often stationed or in transit in a large military vehicle, or operating in another environment characterized by constant high noise, such as aircraft runways.

Industry statistics show that the total number of vehicle crew and passenger positions needing a headset for communication and hearing protection, is about 1.7 million. The company estimates that 1.2 million of these are relevant to address. The value of the global addressable market for the Racal Acoustics brand is estimated to be about SEK 7.0 billion. As a rule, customers carry out procurements at 15-year intervals, which means that the average annual target market is about SEK 0.5 billion.

### Market leader in a mature market

The market for these products is relatively mature and dominated by a small number of actors. For many years Racal Acoustics has been the leading brand in this market niche. It is well-known and strong among customers and the market as a whole.

Vehicle programs and framework agreements often span long periods, in some cases up to 20-25 years, which makes sales more stable, compared with products under the INVISIO brand.

Deliveries of products sold under the Racal Acoustics brand often lie further in the future than is the case for INVISIO's solutions.

SEK **0.5** billion

The annual addressable market for personal systems under the Racal Acoustics brand is worth approximately SEK 0.5 billion.



# Market for the Intercom system

The market for solutions that enable internal communication in defense and law enforcement transport equipment has up to now been dominated by large, stationary systems. High purchasing costs have meant, however, that they are normally only mounted in large vehicles. INVISIO's cost-effective solution expands the market by making the Intercom system available for smaller vehicles as well.

The Intercom system addresses communication problems that arise while in transit, where the members of the group want to be able to communicate both within the group and with the driver and units outside the vehicle. Here the Intercom system links communication simply and cost-effectively.

The Intercom system can be carried by an individual user as a portable solution or be mounted in a vehicle or other means of transport.

## The portable system

In a first phase INVISIO intends to focus on the portable offer and direct it towards current users of the personal system. The company estimates that the addressable market is 25,000–40,000 systems.

The company assesses that its customers will carry out procurements at intervals of five to seven years, which means that the annual addressable market for INVISIO's portable Intercom system is worth about SEK 0.5 billion.

## The mounted system

In a second phase INVISIO intends to address the customers' existing fleets of vehicles, as well as vehicle manufacturers and vehicle equipment companies. The company estimates that there are about 650,000 vehicles relevant to INVISIO's offer. The estimated life of the system is about ten years, which gives an annual addressable market of about SEK 6.5 billion.

## Competition

At the initial stage of market penetration, competition facing the Intercom system is expected to be relatively limited. There are currently no actors offering similar systems for small and ordinary military vehicles.

The system has been developed in close collaboration with a number of key customers and at present is offered primarily to existing customers. This means that sales are expected to get under way faster than when the personal system was introduced. All volume sales, however, take place in the context of time-consuming public procurements.

At a later stage, when INVISIO addresses vehicle manufacturers and companies that equip military vehicles, the company will meet more competition, since already on the market there are traditional larger internal communication systems for mounting. However, they are less flexible and considerably more expensive than INVISIO's alternative.

SEK **7.0**  
billion

The total annual addressable market for the Intercom system amounts to about SEK 7.0 billion.





## Special forces show the way

INVISIO’s sales strategy is usually to first address special forces and specialist units in defense and law enforcement. They have very high requirements concerning their equipment and usually do not need to carry out major procurements when purchasing. Special forces then serve as the most important reference when broader and larger user categories are addressed.

### Own sales organization and partners

Market penetration activities take place from the headquarters in Copenhagen and through our own sales organization in the USA, France, the UK and Italy. Within the company’s niche, INVISIO has one of the largest sales organizations, which means that the company can offer a unique level of service and training at the customer’s site. In countries where INVISIO does not have its own sales personnel, sales take place through a global network of partners and resellers.

## “ Close cooperation with suppliers contributes to short lead times



**Anita Vigh**  
 Sales, Inventory and  
 Operations Planning Manager  
 (SIOP Manager)  
 Number of years at INVISIO: 3.5

One of my main tasks is to develop and run processes with a bearing on forecasting incoming and outgoing product flows. This requires collection and analysis of large amounts of data, both qualitative and quantitative, from different departments. Customers’ orders are characterized by substantial fluctuation, which sometimes can be challenging. The most important part of my job is therefore to maintain a close dialog, both internally and with our manufacturing partners. Close cooperation with our suppliers helps to cut the time to market, which is crucial, since components for high-tech products have relatively long lead times, are supplied by fewer manufacturers and have a shorter life cycle.

### Describe INVISIO as a workplace

I appreciate the opportunity to be able to grow both as a person and in my professional role. That is possible in this job and being able to attend the INVISIO leadership program helped.

I like the constant challenges here but also the diversity at INVISIO. I have learned a lot through working together with people from different cultures.



# Sustainability



INVISIO's sustainability work is based on a materiality analysis in which the most relevant sustainability aspects have been identified. These include contributing to a safer work environment for users and reducing the risk of hearing loss, but also minimizing the climate and environmental impact of our own operations. The work is conducted in close interaction with suppliers, partners and customers.

**Read more about our sustainability work**

## **ABOUT THE SUSTAINABILITY REPORT**

This statutory sustainability report is submitted by the Board of Directors of INVISIO AB, but is not part of the formal annual report documentation.

# INVISIO and sustainability

Sustainability is an integrated part of INVISIO’s business operations. The work is characterized by a long-term perspective, constant improvements and a focus on user needs. All in all, the climate and environmental impact is deemed to be limited.

INVISIO’s products are used by professionals, mainly in defense, law enforcement and security, but also in other sectors and industries. The users are often found in critical and intensive situations. The common denominator for the products is that they enable effective communication, while protecting against hearing loss. Apart from reducing the risk of injury and personal suffering, they also contribute to reducing the costs to society related to care and compensation for hearing loss and physical injury.

Most of the company’s products are classed as personal protective equipment and thus not subject to legislation covering defense equipment etc. The exceptions are a few older headsets, under the Racal Acoustics brand, which are classed as military products because the business was previously part of a defense conglomerate.

## Limited environmental impact

INVISIO’s operations are not subject to licensing requirements. The environmental impact that exists mainly arises in connection with manufacture (in the form of consumption of resources, mainly plastic and metals) and emissions of CO<sub>2</sub> (in connection with travel and production of input components). The combined environmental impact is deemed to be limited and not of a significant nature. Nonetheless, INVISIO works continuously on improvements and efficiency gains.

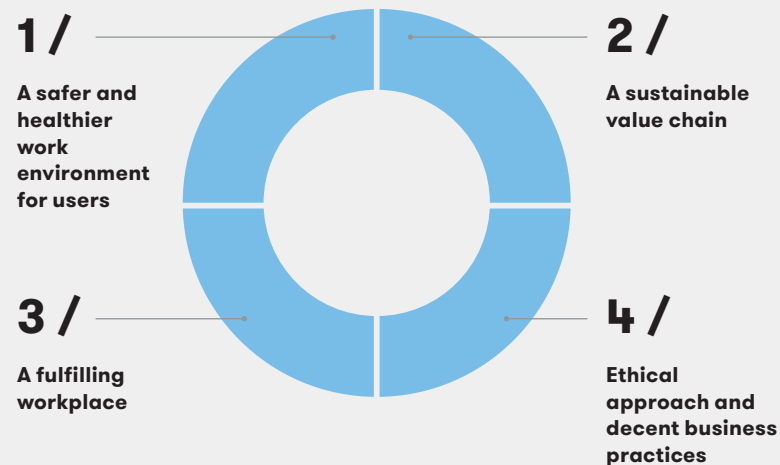
Other priority areas include questions related to ethics and anti-corruption. Here too, structured work is conducted that includes suppliers and partners as well as our own organization.

## INVISIO’s sustainability principles

- INVISIO’s products are to contribute to reducing the risk of personal injury or hearing loss.
- INVISIO only collaborates with established partners that share the company’s view of sustainability, work environment, business ethics and quality.
- INVISIO endeavors as far as possible to choose material and production methods that are environmentally friendly.
- INVISIO endeavors to offer a good workplace with development opportunities for each individual.
- All INVISIO’s employees are included in incentive and option programs.



## Four focus areas



**Clear processes, procedures and policy framework**

1/

# A safer and healthier work environment for users

INVISIO's communication systems help the users to work more safely and efficiently, while also protecting against hearing loss. Apart from reducing the risk of occupational injury, they thereby also contribute to reduced costs related to care and compensation for hearing loss.

The advantages of the system mainly consist of:

- **Clear communication in environments with high sound levels** The systems and their advanced microphones enable communication in environments where normal speech cannot be heard, and in situations where access to correct information may be the difference between life and death.
- **Increased situational awareness** Microphones on the outside of the equipment that pick up and amplify surrounding sounds. This makes it possible to hear sounds that the human ear cannot otherwise perceive and where they are coming from.
- **Improved communication capacities and increased flexibility** Combining the personal system with the Intercom system, primarily used in vehicles, enables communication in a considerably more effective and efficient way than is otherwise possible.

## Prevents hearing loss

INVISIO's system protects against hearing loss and related ailments that may arise as an effect of high sound levels. It is not unusual for hearing loss to also adversely affect perceived quality of life.

The equipment protects the user against harmful sounds through a combination of passive and active protection.

- **Passive protection** The headset's passive protection, in the form of ear-plugs or cups, reduces all ambient sounds and protects against injuries that may arise as an effect of high noise levels over a long period.
- **Active protection** The electronic protection in the control unit reduces both noise over a longer period – for example from aircraft – or more sudden noise from a mortar burst, for example.

“ **The best thing is the breadth of experience** ”

### Darwin Chan

Senior NPI Engineer  
Number of years at the company: 6



My main task is, together with suppliers and partners, to take products and concepts from the design stage to the production stage. The most challenging part of the process is to ensure a supply chain that really works. The requirements on our headsets are sky-high. In the project I am working on now they are required to function at a depth of 3 meters. That of course makes high demands on production – both in terms of efficiency and precision. Here I am now working together with our suppliers to create a good chain while ensuring that we meet requirements.

### Describe your workplace

We have a small team of engineers in Harrow, and we all work closely together. The best thing about our team is the breadth of experience, where some of us have worked here for a long time, while others, like myself, came later and can thus contribute experience from other industries. Together we develop ideas, from the early development and design stage, all the way to the final industrialization.

Meet our  
**TEAM!**

2 /

## A sustainable value chain

INVISIO's sustainability work runs throughout the value chain and covers a broad spectrum of areas. Among the most important are assuring the function and quality of the finished products, establishing the optimum sustainable production specification and principles for how INVISIO does business. As regards the overall environmental and climate footprint, this is deemed to be limited and not of a significant nature.



### Product development

Product development is one of INVISIO's key processes. The direct sustainability-related impact, environmental as well as social, in the product development phase is limited. All the greater is the possibility of influencing aspects later in the value chain, such as function, quality, user-friendliness and environmental impact – both in production and after the product has reached the end of its life cycle.

The inputs that can have the greatest impact are decisions taken when drawing

up a production specification for a new or updated product. This includes decisions on choice of material and production method. Here INVISIO endeavors to choose the most environmentally friendly material, to minimize risks related to production, use and scrapping. The elements of drawing up the product specification that have a bearing on production itself take place in collaboration with the intended contract manufacturer. This collaboration ensures both a good final result and an environmentally friendly production method.

#### Close cooperation with the customers

An important feature of product development is the interaction with customers. Product development is often based on an actual problem experienced by one or several customers that they have raised with INVISIO. Customers are often involved in the evaluation of prototypes for new products. The close collaboration with key customers in the work of development is one of INVISIO's strongest competitive advantages and the reason that the company's products are found at the forefront of technology.

A sustainable value chain, cont.

## Manufacture

INVISIO’s strategy as regards production is based on long-term and deep partnerships with leading established contract manufacturers. INVISIO consciously chooses to only work with established partners that share INVISIO’s view of quality, sustainability, work environment and business ethics.

Crucial to the choice of supplier, apart from the above and quality and price factors, is that they comply with requirements of REACH<sup>1)</sup>, RoHS<sup>2)</sup> and WEEE<sup>3)</sup>.

The absolute majority of production is by four European contract manufacturers. The relative proximity to the suppliers facilitates continual and close collaboration on sustainability issues.

### Regular inspections

All major suppliers have signed a Code of Conduct for suppliers and an anti-corruption policy. Contract manufacturers and important suppliers are regularly and systematically inspected by INVISIO. The inspections cover a number of different areas, including product quality, production methods, work environment and the training received by employees to enable them to perform quality work. A working group with representatives from the com-

pany’s Supply Chain, Manufacturing and Quality Assurance functions is responsible for assessing, approving and continually evaluating the suppliers. Written reports are drawn up and any non-conformances with agreements are discussed with the manufacturer, and where necessary a period of grace is granted to take corrective measures.

After a year heavily impacted by COVID-19, in 2021 inspections of suppliers slowly returned to more normal procedures.

A quality audit was conducted for INVISIO’s largest manufacturing facility, where the focus was on the supplier’s compliance with INVISIO’s requirements concerning product quality and related processes.

Furthermore, there were no indications of violations of the company’s Code of Conduct.

### Limited environmental impact

INVISIO has consciously chosen as far as possible to purchase components from suppliers in Europe and the USA, since this creates the conditions for more effective collaboration regarding quality and sustainability aspects.

The Finnish listed company Scanfil is one of INVISIO’s major contract manufacturers. In that the products are relatively small and not manufactured in large series, the production processes are not particularly energy consuming. Nor do they entail any significant emissions to water or air. Scanfil provides a detailed account of its environmental work, for example on its website and in the company’s annual report.

INVISIO’s overall environmental impact related to the products themselves is not deemed to be significant. The input components of the products mainly consist of plastic and metals that are traditionally used in the manufacture of products containing electronics. The products do not contain any “conflict minerals”.

The plastic in current products is made from virgin raw material. Together with its existing partners INVISIO has evaluated the possibility of using recycled plastic instead. However, this has not met INVISIO’s requirements concerning quality and function.

Only a few of INVISIO’s products contain batteries. Instead, they are powered from the sound source, usually a radio.

## Reporting of greenhouse gas emissions

In 2021 INVISIO started to measure the company’s CO<sub>2</sub> footprint within scope 1 and 2. The calculations are made in accordance with the GHG protocol. INVISIO will endeavor to start measurements in 2022 of relevant categories within scope 3 and also improve the quality of reported data.

Emissions of greenhouse gases according to the GHG protocol, tonnes CO <sub>2</sub> e*	2021
<b>Direct emissions of greenhouse gases according to Scope 1 (company cars)</b>	29.2
Scope 2, market-based emissions (electricity, district heating, heating**)	34.1
<b>Total Scope 1 and 2***</b>	63.3
Scope 2, location-based emissions (electricity, district heating, heating**)	103.0
<b>Greenhouse gas intensity (Scope 1 and 2)</b>	
Emissions per revenue, tonne CO <sub>2</sub> e/SEK million	0.12
Emissions per employee, tonne CO <sub>2</sub> e/average number of employees	0.37

\*) Refers to combustion of petrol and gas from INVISIO’s company cars.

\*\*) Includes INVISIO’s offices in Denmark, France and the United Kingdom. The calculation is based on assumptions about the Danish and French offices’ energy consumption.

\*\*\*) Excludes upstream emissions from energy production.

1) REACH, (Registration, Evaluation, Authorisation and restriction of Chemicals), is an EU Regulation applicable to production and safe use of chemicals.

2) RoHS, (Restriction of the use of certain Hazardous Substances) is an EU Directive that prohibits or restricts the use of certain heavy metals and flame retardants in electrical and electronic products.

3) WEEE (Waste Electrical and Electronic Equipment Directive) is an EU Directive for the treatment of electric and electronic waste.

A sustainable value chain, cont.



## Marketing and sales

INVISIO's products are classified as personal protective equipment and customers are mainly public agencies and institutions.

Sales are mainly through INVISIO's own personnel based in Denmark, France, the USA, England, Italy and Thailand, but also through distribution partners. As of 2017 partners are required to confirm compliance with the principles of INVISIO's Code of Conduct and anti-corruption policy. Sales activities and training operations

involve travel and this is probably where INVISIO's main environmental impact lies. At the end of 2021, the company's sales and training unit consisted more than 60 people, whose travel is both by air and road. Due to the pandemic there continued to be few business trips during the year. Physical meetings were to a great extent replaced by digital meetings. INVISIO predicts that the digital meetings will become more common, even when the pandemic is over.



## Use and end-of-use

Environmental impact in connection with use of the systems is virtually non-existent. Only a few of INVISIO's products contain batteries. The systems are instead powered by electricity from the sound source, which is usually a radio.

INVISIO is subject to producer responsibility. This includes responsibility for collecting, recycling and treating the waste that arises when the product has reached the end of its life. INVISIO has procedures in place to make this possible, but in

practice it is usually dealt with by the customers themselves. It is unusual for end-of-life and scrapped products to be returned to INVISIO. It is also unclear whether there are any environmental gains from such a procedure, as it often involves long-distance transport.

In its agreement with the Swedish Police INVISIO has undertaken to offer a recycling system.



A sustainable value chain, cont.

## Quality and sustainability

Meeting customers' requirements and needs is an important part of INVISIO's legacy and DNA. To ensure that all requirements related to customers, society or regulations are included in all processes, from idea generation, requirement specification, design, manufacture and delivery to after market, INVISIO uses the cross-functional quality management system QMS.

### Audit by independent agencies

The system is used to ensure that customers' requirements and needs are met throughout the value chain. It entails a long series of processes and procedures and spans all departments. The system is certified under ISO-9001:2015 – by far the most used international standard for quality management systems, and for which an external audit by independent authorities is conducted annually.

Each process in QMS is developed with the aim of ensuring that INVISIO is constantly focused on product performance, reliability, safety and compliance with regulatory product requirements. All new products to be developed follow a detailed verification and validation plan that also includes plans for environmental tests (temperature, humidity etc.), in accordance with international standards. All critical customer and regulatory

qualification tests are conducted by independent external test laboratories that are accredited for the specific test procedures.

### Meet the toughest requirements

Apart from requirements that are directly related to customers, QMS also includes global, regional and local regulatory requirements related to the products and their performance and safety – such as EMC (Electro Magnetic Compatibility). Depending on the region and country, this includes for example CE marking of products, which covers any reciprocal EU regulatory requirements. As regards hearing protection, the company's core activity, INVISIO was recently approved by the authorities in accordance with the most recent standards (the EN352 series), which require further independent annual external audits by the authorities.

### Reporting and follow-up

An important part of INVISIO's QMS is also constant monitoring of how the system functions. Quarterly reports are submitted to the management on performance and areas that need focus and improvement, which ensures that the QMS is further developed to support INVISIO's growth and business risk management.





### 3 /

## A fulfilling workplace

INVISIO combines the procedures and long-term perspective of a large company with the agility and commitment of a small company. The culture is characterized by a clear innovative spirit, a desire for constant development and a belief in the ability of individual employees to be free to make the right decisions.

Competition for competent, experienced and committed employees is strong. The ability to identify, develop, attract and retain the right employees, with the right skills and approach, is crucial for the company's continued success.

INVISIO works continuously to develop the company's attractiveness as an employer. This is done both by offering commercial terms and benefits of employment, but also by offering good opportunities for ongoing professional development and a stimulating work environment.

As a complement to external recruitment, there is a drive to enable internal mobility and career development.

#### **Bonus and option programs for everyone**

All employees are included in the annual bonus program, and the outcome is governed by regulations determined by the Board of INVISIO and linked to the company's performance during the year.

In addition, all employees are included in the company's two current share option programs, provided that they were employed at the start of the respective program. Through this arrangement, INVISIO wants to strengthen commitment in the company and promote a sustainable long-term personnel policy – which strengthens the company's brand as an attractive employer.

#### **Leadership training**

INVISIO is a distinctive knowledge-based company. It is therefore of the greatest importance that employees continually enhance their skills. This applies not only to technical development but also to how INVISIO designs and runs its internal processes and leadership in the company. Among the continuing professional training activities is the GROW leadership training, which is run externally, and in which many employees have participated over the years.

### Gender equality and diversity

At INVISIO everyone – regardless of sex, gender identity, ethnicity, sexual orientation, age, religion or other belief – is to have the same chance at recruitment and in-work development. Violations and any form of discrimination are unacceptable. Questions concerning work environment, health and safety are regulated in the company's staff manual.

As in many technology companies, the percentage of women in the operations is relatively low. At the close of 2021 the figure was about 18 per cent [19]. The stated objective is that both sexes should be represented among the final candidates in all recruitment processes. The long-term goal is to achieve a more even gender balance at the workplace.

The proportion of women on the Board of INVISIO is 66 per cent.

### Recurrent employee surveys

Great effort is put into regularly measuring and following up employees' attitudes and the initiatives taken within the Group. Recurrent employee surveys are an important part of this work. This enables regular follow-up, increased transparency and the possibility of quickly taking the right type of action.

“Our good reputation as an employer is one of the main drivers behind recent years' successful growth and expansion”

Lars Højgård Hansen President and Chief Executive Officer

A major employee survey was scheduled for 2021. However, due to the pandemic it was postponed. Previous employee surveys have given INVISIO high marks overall as an employer. Many appreciate the trust that is shown and the opportunity to plan their work independently.

### Continued growth in 2021

At year-end the number of employees, restated as full-time equivalents, was 181 (125), of which 130 men (103) and 31 women (22). In recent years the rate of recruitment has been high. In 2021 the number of employees increased by 56 people, most from the acquisition of Racal Acoustics but also as a strengthening of the organization in R&D and sales.

Staff turnover in 2021 was less than 4 per cent (3). Short-term sickness absence in relation to the total number of hours worked was 1.0 per cent (0.8).

Outstanding expertise and top-level skills are the hallmark of INVISIO employees. More than a third work with R&D. Acoustics, electronics, mechanics and software are among the particular areas of specialty. In addition INVISIO's employees have skills for example in sales and marketing, quality assurance and purchasing. Most of the employees work at INVISIO's headquarters in Copenhagen. In addition there are also staff in the USA, France, England and Italy as well as in Thailand.



## INVISIO benefits from The Danish Sound

INVISIO's solutions build on deep understanding of sound and human hearing.

Recruitment of employees with outstanding expertise in sound and acoustics has been facilitated by the proximity to the leading international industry cluster “The Danish Sound”. For more than 50 years the Copenhagen region has been home to several world-leading companies in sound technology, whose success was made possible through

internationally recognized and close collaboration with Danish universities and institutes of technology, mainly in three areas:

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

## 4 /

# Ethical approach and decent business practices

INVISIO's work on ethics and against corruption is of central importance. The company works actively to ensure a high level of confidence among customers, suppliers, employees, partners, shareholders and society in general.

## Ethical approach

For INVISIO it is important to be ethically correct. This strengthens competitiveness and contributes to high credibility. INVISIO respects the laws and rules that apply in the markets where it operates. The Code of Conduct describes the basic principles for how managers and employees throughout the organization should act in their daily work and in contacts with customers, suppliers, competitors and other external parties. The corresponding principles are also laid down in the Code of Conduct for suppliers and partners.

## Anti-corruption

Zero tolerance applies to all forms of corruption, which includes all offering or accepting of bribes. INVISIO's Code of Conduct also defines what applies, for example to gifts or in the event of any conflict of interest. In 2021 no cases linked to corruption were reported.

## Governance and organization

As a complement to current legislation, the Board and Management of INVISIO have together formulated and adopted a framework that sets out guidelines for how INVISIO is to act as a responsible company and employer. The framework consists of both internal regulations and guidelines, and adherence to external principles and recommendations. Some of the most important are presented below.

- Code of Conduct** The Code of Conduct establishes common rules for how INVISIO employees are to act towards each other and when representing the company. The guidelines aim to guarantee a safe work environment and equal and fair treatment of all employees. Underlying the Code of Conduct are the ten principles of the UN Global Compact.

All employees in the INVISIO Group have a personal responsibility to read, sign and



## Procurement of a whistleblower system

In 2022 an external whistleblower system will be implemented. The system will enable employees to report anonymously and via a third party any irregularities that are in violation of the law or INVISIO's Codes of Conduct, values and policies. The purpose of the function is to ensure that any irregularities come to the attention of INVISIO if communication via the immediate manager or the HR function is for any reason not possible.

comply with the Code of Conduct. To ensure that this is done, a procedure for follow-up is integrated into the company's quality management system. Approval is registered in the document management system.

INVISIO's Group Management is responsible for compliance with the Code of Conduct. The guidelines are supplemented by INVISIO's anti-corruption policy and Code of Conduct for suppliers, corporate governance rules and a number of internal policies.

- **Code of Conduct for Suppliers** As part of the company's methods for accountability in the supplier chain, INVISIO works continually to tighten up requirements and expectations of suppliers regarding matters related to social aspects, ethics, environmental issues and anti-corruption. The company's Code of Conduct for Suppliers establishes principles for ethical and responsible conduct in accordance with internationally recognized regulations.

The requirements of the Code of Conduct include minimum wages, regulated working hours and a prohibition on child labor.

- **Anti-corruption policy** INVISIO considers that all forms of corrupt procedures, such as bribes, improper pressure, fraud, money laundering or cartel formation are harmful. To ensure that employees and existing partners and customers comply with laws as well as good practice in the area, the company has established an anti-corruption policy.
- **Quality policy** The quality policy reflects INVISIO's view of quality and aims to ensure that the company's products meet customer needs and comply with regulatory requirements. Quality awareness is a central element of INVISIO's corporate culture and makes its mark on the company's sustainability work throughout the value chain.
- **Other policy documents** Apart from the above-mentioned policy documents, INVISIO has produced further documents to support the company's operations, such as policies to ensure that financial reporting to the capital market is correct and that the company is governed in accordance with applicable laws and ordinances.



# The INVISIO share and ownership structure

## Share capital

At the close of 2021, share capital in INVISIO AB (publ) was SEK 44,540,494 divided between 44,540,494 shares with a quotient value of SEK 1.00. Each share confers one vote and each person entitled to vote may vote at the general meeting of shareholders for the full number of shares owned and represented. All shares confer the same right to participate in the company's assets and profit. Full development of share capital is presented on INVISIO's website, [www.invisio.com/IR](http://www.invisio.com/IR)

## Trading in the share

The INVISIO share has been listed on Nasdaq Stockholm since May 29, 2015 and since 2016 has been included in the Mid Cap segment. The highest price paid during the year was SEK 259.00 and the lowest was SEK 152.40. The closing price on December 31, 2021, was SEK 163.80, giving a total market value of SEK 7,296 million. Shares were traded on average for SEK 12.2 million per day on the Stockholm Stock Exchange. In total shares were traded for SEK 3,078 million in 2021.

## Shareholders

The number of registered shareholders at the close of the year was 6,132 (5,978) according to data from Euroclear. The ten largest shareholders accounted for 56.8 per cent of the company's shares on the balance sheet date. Swedish and Danish ownership accounted for 38.1 and 23.4 per cent respectively of the votes and capital.

## Proposed dividend

The Board of Directors of INVISIO proposes to the 2022 Annual General Meeting that a dividend of SEK 0.70 per share be distributed for 2021 (0.70). According to the dividend policy adopted by the Board, the dividend size must take into account INVISIO's long-term growth and earnings trend as well as capital needs, taking financial targets into consideration. The dividend target is that over time it should constitute 25 to 50 per cent of profit after tax.

## Employee Stock Option Program

At the 2018, 2019 and 2020 Annual General Meetings it was resolved to offer the staff an incentive program based on stock options, the Employee Stock Option Program 2018/2021, 2019/2022 and 2020/2023. The programs are for all employees of the Group. To ensure availability of shares in INVISIO for transfer within the programs stock options were issued for the wholly-owned Danish subsidiary INVISIO A/S. During the year the 2018/2021 employee stock option program was closed. Of the total 442,000 allocated options, all were exercised, which increased the Group's share capital by SEK 442,000 distributed among 442,000 new shares.

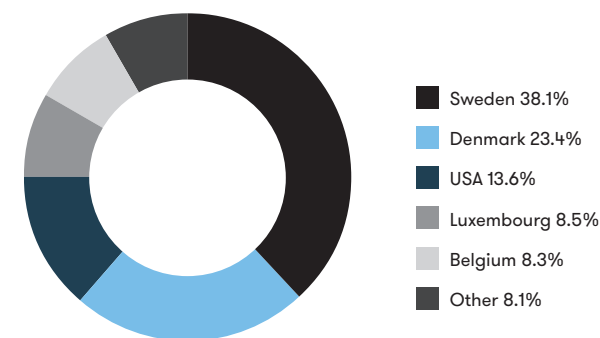
The remaining stock options entitle holders to subscribe for a total of no more than 1,300,000 shares in INVISIO. As shown in Note 7, 1,200,000 stock options were allocated. A new incentive program will be proposed to the 2022 Annual General Meeting.

## INVISIO's 10 LARGEST SHAREHOLDERS AS AT DECEMBER 30, 2021

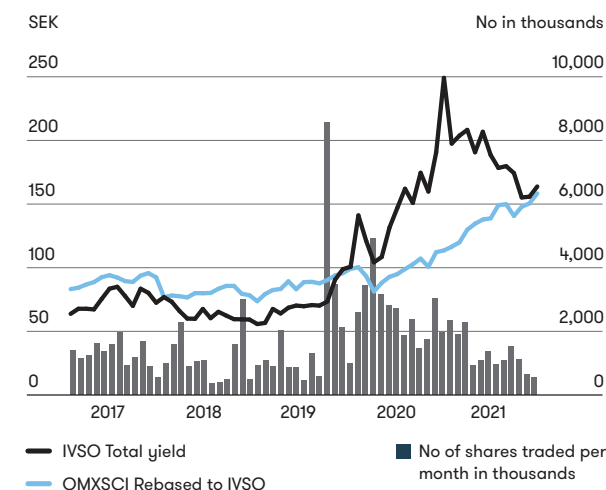
Owner	Number of shares	Percentage of votes and capital, %
Swedbank Robur funds	4,217,000	9.5
Novo Holdings	3,985,805	8.9
BNY Mellon SA/NV W8IMY	3,609,468	8.1
William Demant	3,474,631	7.8
SEB Investment Management	3,457,395	7.8
State Street Bank and Trust Co, W9	3,356,036	7.5
JP Morgan Bank Luxembourg S.A.	2,187,835	4.9
Fourth National Pension Fund	1,896,220	4.3
Handelsbanken Fonder	1,833,897	4.1
The Northern Trust Company	1,506,405	3.4
Other	15,015,802	33.7
<b>Total</b>	<b>44,540,494</b>	<b>100.0</b>

Source: Euroclear Sweden

## OWNERSHIP BY COUNTRY, %



## SHARE PRICE AND TRADING 2017-2021



## Equity analyst on INVISIO

Equity analyst Hjalmar Ahlberg at Redeye conducts commissioned analysis of INVISIO. Hjalmar's analyses are public and can be found at [redeye.se](https://redeye.se).

### What factors are most important to keep a check on as regards INVISIO?

One of the major drivers of growth is customers' modernization programs, which create good conditions for stable and rising demand for INVISIO's products. These defense programs run for long periods of time and provide good visibility for the company's long-term sales potential. In the short term, historically it has been important to keep track of receipts of large orders, but as INVISIO has grown, its dependence on individual orders has decreased, although one large order can still have a great effect on a quarterly basis.

### How do you estimate the value of a growth company like INVISIO?

When estimating the value of a growth company like INVISIO you should take into account that much of the value of the company lies in future earnings, and therefore a valuation using discounted future cash flows (DCF) is appropriate. Growth companies are also generally traded at higher valuation multiples, which means that you should mainly look at INVISIO's own valuation history, or multiples for other growth companies to assess what a reasonable multiple would be.

### Does anything stand out when you study INVISIO?

INVISIO's journey towards a broader eco-system of communication products indicates a company with strong innovative

capacity. Another thing that is interesting about the products is that they not only help the customers to improve their communication systems, but also prevent hearing loss.

### Is there anything that makes the assessment more difficult?

The quarterly results can be uneven, depending on the outcome of large orders. A quarter with delivery of a large order can give strong growth and a boost to profitability, while the reverse can be true in a quarter without large orders. Consequently, the focus should be on a rolling 12-month basis when looking at the company from a financial perspective.

### Which key ratios do you study most?

The most important key ratio is rate of growth over several years. A stable gross margin is also important, as this shows the underlying long-term profitability, while the operating margin can vary in the shorter term depending on such things as investments in new products or for future growth.

### How do you see the growth potential?

The growth potential is very attractive as there are several possible growth tracks. There is potential to increase penetration of existing products with existing customers. There is also growth potential in new geographical markets through an expanded product range or in entirely new customer groups.



Hjalmar Ahlberg, equity analyst

“A broader eco-system of products indicates a company with strong innovative capacity.”

# A history of steady growth

INVISIO's roots are in "The Danish Sound", an international industry cluster with a long tradition of outstanding achievements in acoustics, hearing and mobile communication, based on partnership between business and university. INVISIO was established in 1999 and until 2008 marketed its products to both the consumer market and professional users. After that, operations were streamlined so as to focus on communication solutions for professional users.

## 2021

INVISIO acquires Racial Acoustics, a world-leading supplier of systems for communication and hearing protection in vehicles. The Swedish Police extends its framework agreement for another year. The company received an order for 40 Intercom systems from a NATO country. INVISIO launches new tactical AI and software based technology platform.

## 2020

The offer is broadened through the launch of the T7 over-the-ear headset. SFAB, a specialist unit in the US army, places another major order. Through the GSA contract, INVISIO receives an order worth SEK 44 million from a customer in the US Department of Defense. INVISIO also receives around ten smaller orders for the Intercom system.

## 2019

The five-year framework agreement with a customer in the American Department of Defense worth SEK 290 million is the largest in the company's history. The Belgian army and the elite unit Guardian Angels choose INVISIO. Orders from the German and Japanese police, together with a framework agreement with the Swedish police means a market breakthrough. Launch of the Intercom system.

## 2014

Several large follow-up orders from the American TCAPS and several volume orders from special forces in other NATO countries. Launch of the second product generation headset, INVISIO X5.

## 2015

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

## 2016

Strengthened market position through follow-up orders from modernization programs in the USA, UK and Australia, as well as defense customers in France and other NATO countries. Launch of control unit INVISIO V20.

## 2017

Own sales team in place in the USA, France and Italy. Launch of control unit INVISIO V50.

## 2018

Continued focus on building a larger company with a broader product portfolio, more markets and stronger customer relations. Collaboration with the Danish Ministry of Defence is extended through a 5-year agreement.

## 2013

Breakthrough order worth SEK 40 million from the U.S. Army through the TCAPS modernization program. Continued orders from special forces in NATO.

## 2012

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

## 2011

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

## 2010

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

## 2009

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

## 2008

INVISIO leaves the consumer market to focus on professional users.



# Racal Acoustics

## A history of more than 100 years

Racal Acoustics' pedigree can be traced back as far as 1911. One of the pioneers of the first heydays of radio communications was Sidney George Brown, a successful inventor with some 1,000 registered patents. His company, SG Brown Limited, produced some of the first headphones along with telephone relays, receivers and loudspeakers.

Throughout both the First and Second World Wars, S.G Brown played a key role in technology development. He was behind the type 'A' headset, for example. Brown's efforts resulted in a letter of appreciation from Winston Churchill.

### Birth of the Racal Acoustics brand

Racal was founded in 1950 by Raymond Brown and George Calder Cunningham. The company soon became one of the leading providers of communication systems in the global defense industry.

A series of mergers between SG Brown, Amplivox and Avionics formed the backbone of Racal Acoustics, before it was acquired by INVISIO in 2021.

Racal's headsets have featured in many blockbuster films, such as Star Wars and Alien. One was even worn by John Lennon on the cover of the classic Imagine album.

### Technology pedigree

In the spirit of SG Brown, Racal Acoustics continued to develop and find innovative solutions to new challenges. Today the technology is embedded in international standards, which stipulate that headsets must also protect hearing – while maintaining the user's situational awareness. This is particularly important in military vehicle environments where the noise level is high.



Type A headset used in WW1



Racal Acoustics developed the first analogue, electronic Active Noise Reduction (ANR) headset – adapted for military use. The company was also behind the development of electronic "hear through", a further development of the conventional mechanical valve technology.

In the mid-2000's, analogue and digital technologies started to be combined, enabling the addition of software functionality. This in turn enabled easier integration into the customer's systems and solutions.

Continuing investment in product development has made it possible to develop platforms based on Digital Signal Processing (DSP). This technology allows customized solutions, including ANR profiling to specific vehicles, to be implemented throughout the lifetime of the headset without the need for costly hardware upgrades, thus reducing life-cycle costs.

Military communications equipment has become increasingly digital, which presents opportunities to use 3D sound technology. This is used in the latest headsets from Racal Acoustics, allowing the user to listen to eight audio channels at the same time, compared with two or three channels, which is the limit for conventional technology.

Meet our  
**TEAM!**

“ Nearly half a century of service

### Mohindra Patel

Production operator  
Number of years at the company: 49



I joined Racal Acoustics in 1973 when it was still known as Amplivox, just months after emigrating to London from India. I worked in Wembley for 17 years before the operations at Wembley and Watford were brought together here in Harrow, around 1990. I started off working with plastic molding, feeding in and controlling the flow of the plastic molding powder. Since then, I have worked on producing cables and headset components – as well as assembling the headsets themselves.

### What is your role today?

Today, I am one of eight production operators working in Harrow. I am responsible for assembly, but also support my colleagues in their work. I am the go to person if there is some intricate problem that needs solving.

### What do you like best about working here?

What I like best is the people here, I am proud to be part of Racal. It is my second home. If I am not at home, I am at work.

### What made you stay so long?

I have always enjoyed the job, working with the products, finding solutions or improving efficiencies. I feel challenged every day.

# Corporate Governance Report

INVISIO AB (publ.) ("INVISIO") is a Swedish public limited liability company with its registered office in Stockholm. Apart from the parent company, the Group consists of the wholly-owned subsidiaries INVISIO A/S (Denmark), INVISIO Communications SAS (France), INVISIO Communications Inc (USA), INVISIO Srl (Italy), Nextlink IPR AB, Nextlink Patent AB, Racal Acoustics Inc. (USA) and Racal Acoustics Ltd (UK). The Group's headquarters are in Copenhagen. INVISIO has applied the Swedish Code of Corporate Governance ("the Code") since the shares started to be traded in May 2015 and reports no deviations from the Code for 2021.

## Principles for corporate governance

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

This corporate governance report is prepared as a separate document from the formal annual report. The responsibility for governance and control of the INVISIO Group is divided between the shareholders at the general meeting of shareholders, the Board of Directors and the President/CEO. An overview of the Group's organization, governance and control, including external and internal policy instruments, is shown in the illustration on the right.

## Shareholders

### Voting rights

The INVISIO share has been listed on Nasdaq Stockholm since May 2015. The Company's share capital at December 31, 2021 amounted to SEK 44.5 million (44.1), divided into 44,540,494 shares (44,098,494), each with a quotient value of 1.00.

All shares have equal voting rights and there is no limit to the number of votes each shareholder may use at a general meeting.

### Ownership structure

As at December 31, 2021, INVISIO had 6,132 shareholders (5,978). No shareholder held more than 10 per cent of the capital and votes.

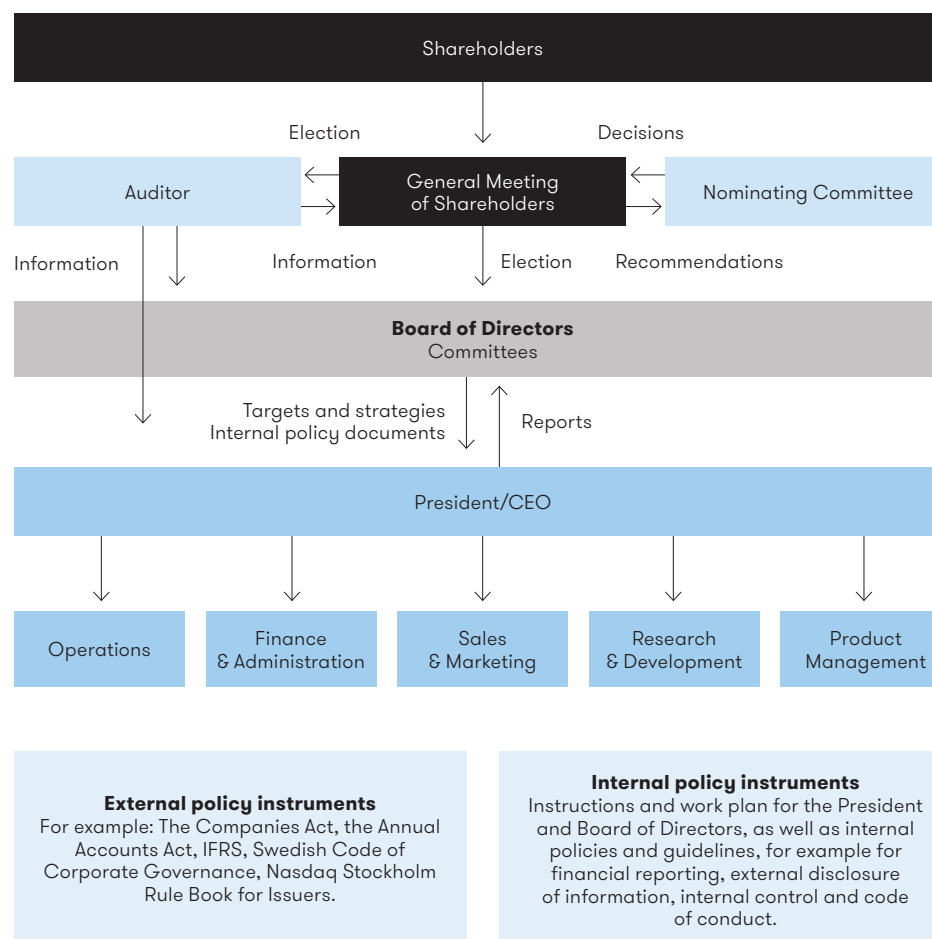
### General Meeting of Shareholders

The right of shareholders to decide on the affairs of INVISIO is exercised at the general meeting of shareholders, which is the company's highest decision-making body. The Annual General Meeting must be held within six months of the close of the financial year and is usually held in April, or May in Stockholm. At the Annual General Meeting, resolutions are adopted concerning adoption of the company's income statement and balance sheet, disposition of the Company's profit or loss, discharge of the board members and CEO from liability to the Company, election of members of the Board, the Chair of the Board, and auditor, the setting of board and auditors' fees, and other items of business that are incumbent upon the AGM pursuant to the Swedish Companies Act, the Articles of Association or the Swedish Code of Corporate Governance. An extraordinary general meeting of shareholders will be held where the Board finds reason to do so in accordance with the Swedish Companies Act. The Articles of Association do not contain any special provisions concerning amendment of the Articles by the general meeting of shareholders.

### Annual General Meeting 2021

- A digital 2021 Annual General Meeting was held on April 28. Participating shareholders and proxies represented 29,189,587 shares, which

## Overview of corporate governance at INVISIO



constitute 65.5 per cent of the number of shares and votes. A number of the resolutions that were passed are set out below.

- The general meeting adopted the income statement and balance sheet in the annual report and resolved in accordance with the Board's proposed appropriation of earnings and granted discharge from liability to the members of the Board and the President/CEO.
- The general meeting re-elected members of the Board Annika Andersson, Charlotta Falvin, Lage Jonason, Ulrika Hagdahl and Martin Krupicka and Charlott Samuelsson in accordance with the Nominating Committee's proposal. Annika Andersson was elected as Chair of the Board of Directors.
- The general meeting voted in accordance with the Nominating Committee's proposed board fee. For more information, please refer to Compensation of the Board and Committees presented below.
- The general meeting resolved in accordance with the Board's proposal on guidelines for remuneration to the President/CEO and other senior executives as presented on page 49–50.

The minutes of the Annual General Meeting can be found on the INVISIO website [www.invisio.com/IR](http://www.invisio.com/IR).

### Nominating Committee for the Annual General Meeting in 2022

Member	Representing	Voting share <sup>1)</sup>
Elisabet Jamal Bergström (chair)	SEB Investment Management	7.8%
Simon Vesterby Kold	Novo Holdings	8.9%
Lennart Francke	Swedbank Robur funds	9.5%
Annika Andersson	Member by virtue of being Chair of the Board	Not applicable

1) Source: Euroclear Sweden, INVISIO December 31, 2021.

### Annual General Meeting for 2021

INVISIO's Annual General Meeting for the 2021 financial year will be held in Stockholm on May 4, 2022 at 13:00. INVISIO is following closely developments regarding any changes in the rules for the form and arrangement of the Annual General Meeting.

### Nominating Committee

The main function of the Nominating Committee is to present proposals to the Annual General Meeting on the composition of the Board, for approval by the Annual General Meeting. The work of the Nominating Committee starts by studying the evaluation of the work of the Board that the Board has commissioned. The Nominating Committee then nominates Board Members and Chair for the coming mandate period. Furthermore, the Nominating Committee presents proposals for the election of auditor and remuneration to the Board and auditors.

### Composition of the Nominating Committee

In accordance with a resolution of the 2020 Annual General Meeting, INVISIO's Nominating Committee must be composed of the Chair of the Board and a representative of each of the three largest shareholders in terms of voting rights. The members of the Nominating Committee and the shareholders appointing them are presented in the table adjacent. In 2021 the Nominating Committee held six meetings as well as maintaining contacts between meetings.

Ahead of the Annual General Meeting, the Chair of the Board must contact the three largest shareholders of the company, based on shareholder data as at August 31, and call a first meeting of the Nominating Committee at the latest seven months before the Meeting.

If any of the largest shareholders refrain from appointing a member, the Chair of the Board is to invite the shareholder next in size to appoint a member. The analysis of ownership shall be based on Euroclear's list of registered shareholders and on any other circumstances that are known to the Board Chair.

In the event that a member voluntarily resigns from the Nominating Committee, the shareholder that appointed the outgoing member shall appoint a successor, provided the ownership structure has not materially changed. If the ownership structure in the company is materially changed the Nominating Committee can decide to change its composition so that the the Committee reflects the ownership of the company appropriately. Even if changes are made in the ownership structure of the company, no changes need to be made to the composition of the Nominating Committee where the changes are minor or where a change occurs less than three months before the Annual General Meeting unless it is justified as a result of special circumstances. The member representing the largest shareholder by voting power shall be appointed as chair of the Nominating Committee unless otherwise agreed by the members. However, neither the Chair of the Board nor another Board member may chair the Nominating Committee.

The Nominating Committee is encouraged to contact both large shareholders that have not appointed a member to the Nominating Committee and representatives of small shareholders, to ascertain their assessments of the matters that concern the Nominating Committee. As part of the Nominating Committee's work, the Chair of the Board shall report to the Committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be significant to the composition of the Board.

### Remuneration of the Nominating Committee

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

### Board of Directors

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

### Composition of the Board of Directors

In accordance with the Articles of Association, INVISIO's Board of Directors shall consist of a minimum of three and a maximum of eight

members. The Annual General Meeting in 2021 re-elected Annika Andersson, Charlotta Falvin, Lage Jonason, Ulrika Hagdahl, Martin Krupicka and Charlott Samuelsson. Further, Annika Andersson was elected as Chair.

The members of the Board represent a group with technical, commercial and economic knowledge, with experience of business development, growth, sustainability and internationalization. They are well suited and focused on conducting business in all respects in a sustainable way.

The company has applied rule 4.1 of the Code as its diversity policy, which states that the composition of the Board of Directors must exhibit diversity and breadth of qualifications, experience and background. Further, the company is to strive for gender balance. The Board of Directors is composed of four women and two men, which in the opinion of the Nominating Committee is compatible with the gender balance requirement. For further information on the Board members, please refer to pages 44–45.

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

### Independence of the Board

The composition of the Board meets the requirements of the Code concerning independent members. The independence assessments for each member are presented on pages 44–45.

### The Board's Work Plan

Every year the Board adopts a work plan for its work. This is done at the time of the inaugural board meeting and the work plan is thereafter updated as necessary. The work plan describes the responsibilities and duties of the Board and its Committees, their internal division of duties and working methods, as well as distribution between the Board and the President/CEO. The current work plan was adopted on 28 April 2021.

### The work of the Board

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

In 2021 the Board held eleven meetings, including the inaugural meeting. Standing items at the meetings are the business situation, financial situation and performance monitoring. Important matters during the year included business objectives, strategic focus, R&D initiatives and organization, as well as acquisitions. The attendance of the members at the meetings is shown in the table below. INVISIO's CEO and CFO regularly participate in the Board meetings. Other senior executives participate in the Board meetings if necessary as presenters. The presenter at Board meetings is normally the company's CEO, the secretary is INVISIO's CFO.

### 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 2021 evaluation took place partly through a questionnaire that was compiled by an independent party, and partly through separate interviews with all members of the Board conducted by the Nominating Committee. These interviews were conducted by Simon Vesterby Kold, representing Novo Holdings A/S, Elisabet Jamal Bergström, representing SEB and Lennart Franke, representing Swedbank Robur Fonder. In addition an external evaluation was conducted with in-depth interviews with the Board of Directors and the CEO.

### Board members' attendance at Board meetings

Member	Attendance
Annika Andersson, chair	11 of 11
Charlotta Falvin	11 of 11
Ulrika Hagdahl	11 of 11
Lage Jonason	11 of 11
Martin Krupicka	11 of 11
Charlott Samuelsson	11 of 11

### Committees

#### Audit Committee

At the inaugural board meeting after the 2021 Annual General Meeting it was resolved that the Audit Committee is to consist of a maximum of three Board members. The Committee is to meet as necessary, though at least three times per calendar year, and the meetings must be minuted. The following Board members were elected to the Committee: Annika Andersson, Lage Jonason and Ulrika Hagdahl (Committee Chair). The duties and responsibility of the Audit Committee include:

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

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

#### Remuneration Committee

In connection with the inaugural Board meeting after the Annual General Meeting in 2021 the Board appointed a Remuneration Committee

consisting of Charlotta Falvin (Committee Chair) and Annika Andersson.

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

In 2021 the Remuneration Committee met seven times and in addition maintained contact between meetings. All members participated in these meetings.

### Remuneration of the Board and Committees

Board fees are determined by the shareholders at general meetings. The 2021 Annual General Meeting resolved that board fees totaling SEK 575,000 will be paid to the Chair of the Board and SEK 220,000 to each of the other Board members. In addition, a fee of SEK 100,000 is payable to the Chair of the Audit Committee and SEK 60,000 to the Chair of the Remuneration Committee and SEK 50,000 each to a maximum of two members of the Audit Committee and SEK 40,000 to one member of the Remuneration Committee. Remuneration of the Board is described in more detail in Note 8.

### Auditor

INVISIO's auditor audits the annual report, consolidated accounts and bookkeeping, as well as the administration by the Board and President/CEO. The auditor works according to an audit plan and reports any findings to the Audit Committee at audit meetings and Board meetings. The auditor participates at the Annual General Meeting in order to present the auditor's report, which describes the audit work and the auditor's conclusions. Apart from this, the auditor also normally participates in three Audit Committee meet-

ings and one Board meeting during the autumn and one in the spring. On behalf of the Board the auditor has also reviewed the interim report for January–September 2021.

The Company's firm of auditors, PricewaterhouseCoopers AB, was re-elected at the 2021 Annual General Meeting for the period until 2022. The auditor in charge is authorized public accountant Mats Åkerlund.

### Remuneration of the auditor

The Annual General Meeting in 2021 resolved that the fee to the auditor shall be payable in accordance with an approved invoice. Remuneration of the auditors is described in more detail in Note 6.

### President/CEO and management

The President/CEO is responsible for the day-to-day administration of INVISIO in accordance with the Board's guidelines and instructions. The current instruction to the President/CEO was adopted by the Board on April 28, 2021. The President/CEO prepares information and decision-making documentation for the Board meetings.

The President/CEO is assisted by a group management team consisting of the heads of the company's functions: Finance & Administration, Marketing & Sales, Research & Development, Product Management and Operations. All members of the management are based at INVISIO's headquarters in Copenhagen, apart from the SVP Sales North America who works in the USA and Manager Racial Acoustics, who is based in the United Kingdom. The management holds weekly meetings at which operational issues are discussed. A more detailed presentation of the President/CEO and the management group is given on pages 46–47.

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

The 2020 Annual General Meeting resolved in accordance with the Board's proposal to adopt the following guidelines for remuneration to the President/CEO and other senior executives, valid until further notice, though no longer than until the 2024 Annual General Meeting.

The company is to endeavor to offer total remuneration that enables the Group to attract and retain senior executives. Remuneration of senior executives, both in the short and long term, must be based on the individual's performance and responsibility, as well as the earnings of INVISIO and its subsidiaries and it must link the interests and rewards of the senior executives with those of the shareholders. Remuneration of senior executives may consist of fixed salary, short-term variable cash compensation, the opportunity to participate in long-term share or share-price related incentive programs, as well as pension and other benefits. The senior executives' fixed salaries are revised annually and must be competitive and based on the individual's skills, responsibilities and performance.

The variable cash remuneration is to be based on how well the targets set for the respective areas of responsibility and for INVISIO and its subsidiaries have been met. The outcome is to be linked to measurable targets (qualitative, quantitative, sustainability-related, general and individual). The targets within the senior executives' respective areas of responsibility aim to promote the development of INVISIO, both in the short and long term, including its sustainability. The variable remuneration shall not exceed 60 percent of the fixed salary and shall not be used as a basis for calculation of pension or vacation pay, to the extent permitted by applicable law. Any pension benefits shall be through a defined contribution plan.

Remuneration of the President/CEO and other senior executives is described in more detail in Notes 7 and 8, in the Administration Report and the Remuneration Report.

### Long-term incentive program

The 2018, 2019 and 2020 Annual General Meetings resolved in accordance with a proposal by the Board of Directors, to establish employee stock option programs 2018/2012, 2019/2022 and 2020/2023. During the year the 2018/2021 employee stock option program was closed. All options were exercised of the total of 442,000

allocated. The programs are described further in Note 7.

### Period of notice

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

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

### Internal control and risk management referring to financial reporting

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

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

### Control environment

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

zation, governance and control, including external and internal policy instruments can be found on page 40.

The Board of Directors has the overall responsibility for internal control and reporting with the task of and responsibility for monitoring INVISIO's financial reporting and monitoring the effectiveness of this process. See the previous page under the heading "Audit Committee" for more information.

### Risk assessment

The Board has delegated the operative responsibility for risk assessment and internal control to the management group. INVISIO's management group conducts annual systematic risk assessments. This means that the company management assesses the risks that are removed or added, as well as selecting prioritized processes. Process descriptions are prepared as decision-making data for the Board. They include information on the purpose, risks, controls and effectiveness of the process. The Company's risk management is described further in the Administration Report and in Note 2.

### Control activities

In accordance with the internal control policy, the CFO is responsible for coordination, management and follow-up of internal control, including financial reporting. The CFO, together with the accounting department and others, is to ensure that process descriptions and internal frameworks are prepared and be responsible for reporting on the work concerning internal control and risk management in INVISIO to the Board and the Audit Committee.

To ensure good internal control concerning financial reporting, the company has established control activities for each main process, aimed at preventing, discovering and correcting errors and non-compliance. Among the areas of control are approval of business transactions, reliability of business systems, compliance with laws and other requirements placed on listed companies, segregation of duties, application of accounting standards and other areas that include material elements of assessment.

### Information and communication

The Board of Directors has drawn up an information policy for external provision of information that is to ensure that the market receives relevant, reliable, correct and current information on the development and financial position of the company. The Board has also drawn up an insider policy aimed at safeguarding the integrity of information disclosure.

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

### Monitoring

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

INVISIO has not set up a dedicated internal audit function. The Board of Directors has evaluated the need for this function and concluded that the size of the organization and scope of its activities do not justify such a function.

### Events and activities in 2021

During the year INVISIO continued its work of continual improvement of internal control and governance as the business grows and demands increase, for example by means of greater integration and automation of flows in the business system.

During the year work intensified to increase IT security. This work has had very high priority.

# Board of Directors

## Annika Andersson

Chair of the Board since 2019.  
Member since 2014.  
Born: 1958.

Annika Andersson is a professional board director. She has long experience of the financial industry, including the Fourth Swedish National Pension Fund as portfolio manager and responsible for shareholder issues, information, and sustainability.



### Other engagements

Board Chair of Karolinska Institutet Holding AB, Karolinska Institutet Innovations AB and Sequitor Engineering AB.

### Education

M.Sc. in Business Administration and Economics, Stockholm School of Economics.

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

22,000 shares.

### Independence

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

Member of the Audit Committee.  
Member of the Remuneration Committee.

## Charlotta Falvin

Member since 2014.  
Born: 1966.

After an operational career in IT and the telecoms industry, Charlotta Falvin now devotes herself to board positions. She has many years' experience of international business development and leadership, for example as Vice President at Axis and CEO of Decuma and The Astonishing Tribe [TAT].



### Other engagements

Board Chair of Skåne Startups. Board member of Bure Equity AB, Net Insight AB, Boule Diagnostics AB, Tobii AB, Tobii Dynavox AB, Nel ASA and Minc AB.

### Education

MBA, Lund University.

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

0 shares.

### Independence

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

Chair of the Remuneration Committee.

## Lage Jonason

Member since 2012.  
Born: 1951.

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



### Other engagements

Member of the board and CEO of Lage Jonason AB. Board Chair of Urb-it AB. Member of the board of INSPI AB, AB Paternum, AB G C Lapidem, AB I.V. Numen Adest, Odinviken Fastighetsutveckling AB and Culot AB. Chair of the Board of Stockholm International School Foundation and member of the board of the Sweden-America Foundation.

### Education

Master of Laws and M.Sc. in Business Administration, Lund University.

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

110,600 shares.

### Independence

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

Member of the Audit Committee.

<sup>1)</sup> Source: Euroclear Sweden, INVISIO December 31, 2021.

Board of Directors, cont.

### Ulrika Hagdahl

Member since 2018.  
Born: 1962.

Ulrika Hagdahl previously successfully built up and ran Orc Software, where, among other roles, she acted as CEO, from 1990 to 2000.



#### Other engagements

Member of the board of Beijer Electronics Group AB, Resolution Games AB, tbd30 AB and AB Idre Golf Ski & Spa.

#### Education

M. Sc. (Engineering), Royal Institute of Technology, Stockholm.

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

3,400 shares.

#### Independence

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

Chair of the Audit Committee.

### Martin Krupicka

Member since 2018.  
Born: 1973.

Since 2009 Martin has been CEO of the Brokk Group, which is part of Lifco AB. Martin has previously worked on company strategy and mobile services at Microsoft in the USA and as management consultant at Connecta and Accenture.



#### Other engagements

CEO of the Brokk Group. Member of the boards of Ahlberg Cameras AB, Aquajet Systems AB, and Darda GmbH.

#### Education

M.Sc. (Engineering), Linköping Institute of Technology, MBA from Harvard Business School.

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

0 shares.

#### Independence

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

### Charlott Samuelsson

Member since 2019.  
Born: 1963.

Charlott is Sr Vice President and head of the business area Pattern Generators at Mycronic AB, a company where she has held various leading positions since 2000.



#### Other engagements

—

#### Education

M.Sc. (Engineering), Chalmers University of Technology.

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

2,150 shares.

#### Independence

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

### Auditor

PricewaterhouseCoopers AB

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

<sup>1)</sup> Source: Euroclear Sweden, INVISIO December 31, 2021.

# Management



## Lars Højgård Hansen

President and Chief Executive Officer since 2007.

Employed: 2006.

Born: 1963.

Lars Højgård Hansen has long experience of international sales and marketing, mainly in technology companies and has previously held several leading marketing positions within the Sony Ericsson Group and GN.

### Education

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

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

386,511 shares and 70,000 options.



## Thomas Larsson

CFO.

Employed: 2012.

Born: 1964.

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

### Education

M.Sc. (Business Administration), Växjö University.

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

240,038 shares and 34,000 options.



## Carsten Aagesen

SVP Global Sales & Marketing.

Employed: 2007.

Born: 1968.

Carsten Aagesen has long experience of international sales and marketing from leading positions at GN and Apple, among others. Previous experience includes marketing director at GN's mobile division and marketing manager at Apple Nordic & Benelux.

### Education

Cand.merc. (M.Sc. in Economics and Business Administration) Marketing and Strategic Management, Copenhagen Business School.

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

20,058 shares and 34,000 options.



## Joakim Birgersson

SVP Operations.

Employed: 2018.

Born: 1964.

Joakim Birgersson has many years' experience of the safety and hearing protection industry and has held leading positions in both small and large manufacturing companies, such as Sordin and Peltor. His most recent position was as Corporate Vice President and General Manager Europe at MSA Safety.

### Education

Mechanical engineer. University studies. Diploma in Marketing.

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

12,000 shares and 34,000 options.

<sup>1)</sup> Source: Euroclear Sweden, INVISIO December 31, 2021.



Management, cont.



### Ray Clarke

SVP Sales North America.  
Employed: 2017.  
Born: 1961.

Ray Clarke has many years' experience in the defense and security sector, where he has held various leading positions. Ray has led global sales, marketing and business development teams in technology-intensive companies such as Draeger, Mine Safety Appliances and Revision Military.

#### Education

Bachelor of Science, West Virginia University.

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

3,114 shares and 29,000 options.



### James Ewing

SVP R&D.  
Employed: 2021.  
Born: 1962.

James Ewing has many years' international experience of leading teams in various countries in the electronics, aviation and defense industries. He has held leading positions in development, program management, law, IT and business development.

#### Education

B.Sc. (Hons) in electronic engineering from the University of Southampton, United Kingdom.

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

0 shares and 0 options.



### Jan Larsen

SVP R&D.  
Employed: 2007.  
Born: 1962.

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

#### Education

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

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

72,921 shares and 34,000 options.

<sup>1)</sup> Source: Euroclear Sweden, INVISIO December 31, 2021.

Sigge Frolov, SVP Product Management & Product Marketing, was a member of the management group until January 31, 2022.

## Auditor's report on the Corporate Governance Statement

To the General Meeting of the shareholders of INVISIO AB (publ), corporate identity number 556651-0987

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2021 on pages 40-43 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinion

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö, April 8, 2022

PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized Public  
Accountant  
Auditor in charge

Tomas Hilmarsson  
Authorized Public  
Accountant

## Auditor's report on the statutory sustainability report

To the Annual General Meeting of the shareholders of INVISIO AB (publ), corporate identity number 556651-0987

### Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2021 on pages 25-35 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### Opinion

A sustainability report has been prepared.

Malmö, April 8, 2022

PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized Public  
Accountant  
Auditor in charge

Tomas Hilmarsson  
Authorized Public  
Accountant

# Remuneration report

## Introduction

This remuneration report gives an account of how the guidelines for remuneration of senior executives adopted by the 2020 Annual General Meeting have been implemented in 2021. The report also gives an account of details of remuneration to the President/CEO and contains a summary of INVISIO's outstanding incentive programs. The report was prepared in accordance with the Swedish Companies Act (2005:551) and the Swedish Code of Corporate Governance.

Further information on remuneration of senior executives required under Chapter 5, Sections 40–44 of the Annual Accounts Act (1995:1554) can be found in Note 8. For more information about the work of the Remuneration Committee in 2021 please refer to the Corporate Governance Report on pages 40–43.

Remuneration of the Board of Directors is not covered by this report. That remuneration is decided annually by the Annual General Meeting and reported in Note 8.

## Development of the company

The development of the company and significant events for the year are described in the CEO's presentation on pages 4–5.

## INVISIO's remuneration principles and application of guidelines in 2021

Successful implementation of INVISIO's business strategy and safeguarding the company's long-term interests, including its sustainability, assumes the company's ability to recruit and retain qualified personnel. For this purpose INVISIO is to offer competitive total remuneration. The company's guidelines for remuneration make it possible for the company to offer senior executives such remuneration. Under the guidelines, remuneration to the President/CEO and other senior executives must be competitive and based on the individual's expertise, responsibilities and performance and may consist of the following components: fixed salary, short-term variable cash remuneration, the opportunity to participate in long-term share-price related incentive programs, as well as

pension and other benefits. The variable cash remuneration is to be based on how well the targets set for the respective senior executive's areas of responsibility and for INVISIO and its subsidiaries have been met. The outcome is to be linked to measurable targets (qualitative, quantitative, general and individual). The target components, weighting and target levels may vary from year to year to reflect business priorities and they generally balance the Group's financial targets and non-financial targets (for example operational, strategic, environmental, social or other sustainability-related targets).

The guidelines can be found on pages 54–55. The remuneration guidelines, adopted unanimously by the 2020 Annual General Meeting, have been fully complied with. No deviations from the guidelines have been approved, no remuneration has been repaid, and no exceptions to the guidelines' procedures have been applied. The auditor's statement on compliance with the guidelines is available on INVISIO's website.

## Option program

The 2018, 2019 and 2020 Annual General Meetings resolved in accordance with a proposal by the Board of Directors, to establish an employee stock option program 2018/2012, an employee stock option program 2019/2022 and an employee stock option program 2020/2023. The programs were issued without charge and the right to subscribe for shares in INVISIO under the provisions of the employee options (through stock options) is exercised at a price corresponding to the average INVISIO share price in a given measurement period. All employees of the company and its subsidiaries are included in the programs.

The purpose of the employee stock option programs is to link the employees', including the CEO's, remuneration to INVISIO's long-term performance and value creation for shareholders and in that way link the long-term incentives of the employees and CEO with shareholder interests.

For all employee stock options to entitle the holder to acquire INVISIO shares it is a requirement, apart from employment throughout the vesting period, that the share price for INVISIO exceeds SIXPRX by 20 percentage points. If the INVISIO share price exceeds SIXPRX by 10 percentage points half of the employee stock options will confer entitlement to acquire shares in INVISIO. If the INVISIO share price exceeds SIXPRX by more than 10 but less than 20 percentage points, the stock options will entitle the holder to acquire shares in INVISIO

## TOTAL REMUNERATION TO THE PRESIDENT/CEO

2021, SEK million	Fixed salary	Other benefits <sup>1)</sup>	Variable remuneration	Multi-year variable remuneration <sup>2)</sup>	Pension	Total remuneration	Percentage fixed/variable remuneration
Lars H. Hansen, President/CEO Group	3.1	0.0	–	4.9	0.2	8.2	40/60
<b>Total</b>	<b>3.1</b>	<b>0.0</b>	<b>–</b>	<b>4.9</b>	<b>0.2</b>	<b>8.2</b>	

1) Refers to health insurance and mobile telephony.

2) Multi-year variable remuneration consist of option programs. During the year 35,000 options were exercised, see the table Employee stock option program for the CEO on the next page for details.

on a linear basis between 50 and 100 per cent. If the share price for INVISIO does not exceed SIXPRX by 10 percentage points, all stock options will lapse. For more information on the option programs please refer to Note 7.

During the year the 2018/2021 employee stock option program was closed. All options were exercised of the total of 442,000 allocated, of which 35,000 referring to the President/CEO. The exercise price was SEK 60.70 per share and the weighted average share price during the exercise period was SEK 199.95.

### Performance criteria

The CEO's variable cash remuneration is based on how well targets have been met. The targets aim to promote INVISIO's development in both the short and long term. The measurement period for variable remuneration is based as a principal rule on performance over a period of twelve months. The variable remuneration shall not exceed 60 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. The performance criteria in 2021 were order intake and operating margin and applied to all INVISIO employees. The threshold must be reached for both criteria for remuneration to be payable.

In 2021 none of the criteria were met and therefore no variable remuneration was paid. For details of performance criteria and outcomes please refer to the table on the right.

### EMPLOYEE STOCK OPTION PROGRAM FOR THE PRESIDENT/CEO

Employee stock option program	Exercise price (SEK)	Share price on allocation date	Allocation date	Vesting period	Exercise date	Opening balance options (Number)	Allocated options for the year (Number/Value)	Exercised options for the year (Number/Value) <sup>1)</sup>	Closing balance options (Number)
2018/2021	61.10	61.10	May 1 2018	May 1 2018 – April 30 2021	May 15 2021 – June 30 2021	35,000	-	35,000 / 4.9 SEK m	0
2019/2022	69.60	70.70	May 7 2019	May 7 2019 – May 9, 2022	May 15 2022 – June 30 2022	35,000	-	-	35,000
2020/2023	108.00	108.00	May 7 2020	May 7 2020 – May 9, 2023	May 15 2023 – June 30 2023	35,000	-	-	35,000
<b>Total</b>						<b>105,000</b>	<b>-</b>	<b>35,000 / 4.9 SEK m</b>	<b>105,000</b>

1) The value of exercised options is calculated through the difference between weighted average share price during the exercise period and the exercise price.

### VARIABLE REMUNERATION TO PRESIDENT/CEO

	Criteria	Weighting	Threshold	Maximum level	Outcome	Allocated bonus
Lars H. Hansen, President/CEO Group	Order intake	70%	SEK 651 million	SEK 796 million	SEK 628 million	-
	Operating margin	30%	15%	19%	4%	-

### ANNUAL CHANGE IN REMUNERATION AND COMPANY'S PROFIT/LOSS, FIVE-YEAR REVIEW

	2017 vs 2016 <sup>1)</sup>	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020 <sup>2)</sup>	2021 (SEK million)
Group's operating profit	-13%	-19%	109%	-28%	-74%	24.9
Order intake	20%	-31%	132%	-17%	19%	628.1
Remuneration of President/CEO	-17%	-79%	31%	-24%	134%	8.2
Average remuneration to employees in the Group	-15%	-62%	22%	-6%	21%	1.3

1) In 2017 a total of 649,988 options were exercised, of which 116,667 referring to the President/CEO. The value of exercised options is calculated through the difference between weighted average share price during the exercise period and the exercise price. Excluding the options, remuneration of the President/CEO and other employees increased by 14 per cent and 14 per cent respectively in relation to the previous year.

2) In 2021 a total of 442,000 options were exercised, of which 35,000 referring to the President/CEO. The value of exercised options is calculated through the difference between weighted average share price during the exercise period and the exercise price. Excluding the options, remuneration of the President/CEO and other employees increased by 6 per cent and 9 per cent respectively in relation to the previous year.

# Financial statements

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# Administration report

The Board of Directors and President of INVISIO AB (publ.) ("INVISIO"), corporate identity number 556651-0987, hereby submit the annual report and consolidated accounts for the 2021 financial year. Unless otherwise indicated, all amounts are stated in millions of Swedish kronor (SEK). Figures in parentheses refer to the previous year.

## Operations

INVISIO develops and sells advanced communication systems that enable professionals in noisy and mission critical environments to communicate, protect their hearing and work effectively. The company combines specialist knowledge in acoustics and hearing with broad engineering know-how in software, materials technology and system integration. Most sales are via the Copenhagen based headquarter and sales offices in the USA, France, the United Kingdom, Italy and Thailand, but also via a global network of partners. The business is normally conducted via procurements.

## Sales and profit

- Sales for 2021 were SEK 593.0 million (532.0), an increase of 11 per cent in comparison with the previous year. Sales on international markets are mainly in USD, EUR and GBP. Adjusted for exchange rate effects sales increased by 15 per cent.
- The order book totaled SEK 224.7 million (123.2) at the close of the year.
- Gross profit was SEK 340.4 million (309.0) and the gross margin was 57.4 per cent (58.1).
- Operating expenses were SEK 315.5 million (213.6). The cost increases are due to forward-looking investments in line with our growth strategy, consolidation of Racal Acoustics and substantially increased depreciation.
- Development costs of SEK 14.9 million (19.1) were activated during the year. Depreciation of capitalized development costs of SEK 18.9 million (6.4) were included in operating expenses.
- Operating profit was SEK 24.9 million (95.4) and the operating margin was 4.2 per cent (17.9).
- Net financial income was SEK -1.3 million (-10.5).
- Profit before tax amounted to SEK 23.5 million (84.9) and profit for the year was SEK 14.5 million (61.2).
- Earnings per share were SEK 0.33 (1.39).

## Uneven order flow and sales over the year

INVISIO's market is characterized in general by large procurements, often with long lead times due for example to extensive processes with customer tests both in laboratories and among end users. This means that the order intake and sales for individual quarters may vary and have an effect on the full year figures. The acquisition of Racal Acoustics has, however, meant somewhat more stable sales in that vehicle programs and framework agreements often extend over long periods of time, in some cases up to 20-25 years. Deliveries of products sold under the Racal Acoustics brand often lie further in the future than is the case for INVISIO brand solutions.

## Cash flow and investments

The Group's cash flow for 2021 was SEK -27.9 million (20.7), of which cash flow from operating activities was SEK 91.0 million (85.6). Cash flow from investing activities was SEK -191.9 million (-25.4), of which SEK -185.6 million (-) was investment in subsidiaries. Capitalized development costs were SEK -14.9 million (-19.1) and net investment in property, plant and equipment was SEK -3.7 million (-6.2). Cash flow from financing activities was SEK 73.0 million (-39.5), of which SEK 85.0 million (-) was loans taken up and amortization of loans. Dividend paid was SEK -30.9 million (-37.5).

At year-end, inventories were SEK 117.5 million (115.7).

## Cash and cash equivalents and financial position

The Group's cash and cash equivalents at the year end amounted to SEK 134.8 million (157.7). INVISIO has sound financial strength. Group equity at year-end amounted to SEK 417.5 million (378.9), which gave an equity/assets ratio of 61 per cent (73).

## Significant events during the year

2021 has been characterized by both continuing good order intake as regards small and medium-sized orders, and somewhat improved stability in sales thanks to the acquisition of Racal Acoustics. However, for larger projects and orders there are still pandemic related delays. This is mainly because customers' purchasing processes take longer than before, partly due to challenges in implementing tests. In addition, some organizations have had to make temporary changes in budget priorities. In this context it should be pointed out

that INVISIO, in the company's estimation, has not lost any order or procurement. Delays and deferrals have affected the entire market.

Despite the absence of large orders, the company has reported a stable order intake, which is a clear sign of strength and a direct consequence of a large customer base and a broader offer.

During the pandemic, INVISIO has not been affected by delivery problems or component shortages. However, towards the end of 2021 somewhat longer lead times were experienced. In early 2022 this may affect the normally rapid customer deliveries.

## Orders of strategic or material significance:

- An American elite force chose INVISIO and submitted a first order. The order value was less than SEK 20 million but is of strategic significance.
- INVISIO received an order worth SEK 40 million from an existing customer in the US Department of Defense.
- The Swedish Police Authority extended its framework agreements from 2019 for another year.
- INVISIO signed a distribution agreement and received a non-binding order for 200 Intercom systems from SkyRunner - manufacturer of ultralight aircraft for professional use.
- INVISIO received an order for 40 Intercom systems from a European NATO country
- Through a partner the company received a first order from another European army. The order is for the personal system and is worth almost SEK 25 million. INVISIO expects that the first order will be followed by another order for about SEK 20 million in the first half of 2022.

## Acquisition of Racal Acoustics

In January 2021, the acquisition was completed of Racal Acoustics, a world-leading company with a hundred year history in the design, development and manufacture of advanced and robust hearing protection and communication headsets for environments with constantly high sound levels. Customers are mainly in defense, rescue services and aviation.

The acquisition means that INVISIO has broadened its offer with a new, complementary, product category. In addition,

## ADMINISTRATION REPORT

the acquisition gave INVISIO access to customers that are relevant for the company's Intercom system.

The integration of Racal Acoustics has gone according to plan. The quality of the business corresponded fully to the promised condition and has therefore not given rise to any negative surprises. The acquisition was met with great satisfaction among Racal Acoustics' employees.

See Note 24 for an acquisition analysis and further information on the acquisition.

### Launch of a new technology platform

One of the most significant events of the financial year was the launch of the new technology platform, the INVISIO V-Series Gen II. It constitutes the next generation of tactical communication solutions. In combination with the company's headsets it sets a new standard for audio performance, communication and hearing protection.

The INVISIO V-Series Gen II is built entirely from scratch and means a paradigm shift from hardware to software with AI technology (artificial intelligence).

The platform's main strength is that it enables a considerably greater degree of flexibility when developing customized solutions and updating.

### Great interest in the Intercom system

Interest in the Intercom system continued to be considerable during the year. Despite COVID-19 and travel restrictions, marketing of the system is largely going to plan.

As mentioned before, towards the end of the year INVISIO received an order for 40 Intercom systems. The customer was a European NATO country. The order was the first more substantial commercial Intercom order. The value of the order was less than SEK 10 million.

In addition to that, in the second half-year around ten small orders from specialist units in the USA and Europe were received. INVISIO has also seen growing interest from the police special forces.

Several partnerships were initiated in 2021. INVISIO has initiated sales and distribution cooperation with Zodiac and signed a distribution agreement with SkyRunner for the use of the Intercom system in RIB boats and ultralight aircraft. Furthermore, interest in using the Intercom system in helicopters has been strong. During the third quarter the system was certified by a number of customers for use in Black Hawk helicopters.

Evaluation projects are ongoing with several potential customers in Europe and the USA and with several manufacturers and equipers of transport vehicles, boats and helicopters. It is worth remembering, however, that when it comes to volume orders, considerable time often passes between initial tests and an order.

### Continued focus on law enforcement and security

The efforts to strengthen the sales organization and increase the number of distribution partners in the USA and Europe, with special focus on law enforcement and security continued to go well in 2021. One significant success was the Swedish Police Authority's extension of its current framework agreement by another year.

### Weak development in other markets

It is INVISIO's strategy to address new geographical markets in Asia, the Middle East and South America. In 2021 successes were limited, particularly in Asia, mainly due to challenges related to business travel. In the Middle East some progress has been made, although no large orders have been received. Market penetration in South America has also been negatively impacted by the pandemic.

INVISIO sees the same pattern here as in more established markets, where orders from military and police special forces pave the way for more business with other parts of the respective organization.

### More employees

To maintain a high rate of innovation and utilize market opportunities, both the development organization and the marketing and sales departments were augmented with a number of new employees. At the beginning of 2021 the management group was augmented with the head of the Racal Acoustics operations. Sigge Frolov, member of the management group, left his employment with the company on January 31, 2022.

### Organization and employees

The Group consists of the parent company INVISIO AB and the wholly-owned subsidiaries INVISIO A/S (Denmark), INVISIO Communications SAS (France), INVISIO Communications Inc. (USA), INVISIO Srl (Italy), Nextlink IPR AB, Nextlink Patent AB, Racal Acoustics Inc. (USA) and Racal Acoustics Ltd (UK). INVISIO AB is a limited company with no operations, whose shares are listed on Nasdaq Stockholm, Sweden. The company's registered office is Stockholm, Sweden.

The main operations are in the subsidiary INVISIO A/S in Copenhagen, Denmark, where the headquarters are also located. The function of the subsidiaries is mainly direct sales and market support to partners and resellers.

The number of employees in the Group, restated as full time positions, was 187 (125) at the close of the year. Of the employees, 154 were men (103) and 33 women (22). One employee (1) was employed in the parent company. More information can be found on pages 32-33.

### Background

INVISIO's business was started in 1999 in the Danish company Nextlink.to A/S. In 2003 Nextlink AB (publ) was formed, to which the shareholders in Nextlink.to A/S transferred all their shares in 2004. Nextlink.to A/S thereby became a wholly-owned subsidiary of Nextlink AB (publ). This company changed its business name in 2008 to Invisio Headsets AB (publ) and in 2010 to Invisio Communications AB (publ) and in 2020 to INVISIO AB (publ).

The parent company's shares were listed in 2004 on the then Nordic Growth Markets OTC list. In 2006 trading moved first to First North and then, in 2009, to First North Premier. In 2015 the shares were listed on Nasdaq Small Cap, and trading was moved in 2016 to Nasdaq Mid Cap.

### Research and development

Product development and technical innovation are important parts of INVISIO's growth strategy. Development is internal and based on knowledge of acoustics, electronics, mechanics and software as well as experience from Denmark's hearing industry. The region around Copenhagen is considered to be one of the world's leading clusters in acoustics and hearing.

Strong customer relations and understanding of user needs are success factors when developing the portfolio.

INVISIO is constantly evaluating new inventions and technical solutions which may be suitable for patenting, and it takes the potential commercial value into account in each and every case. This is done as an integrated part of the product development process.

After the acquisition of Racal Acoustics the company has two development centers, where Racal Acoustics is the Group's development center for solutions focused on environments with constant high noise levels.

### Manufacture

The company's products are mainly manufactured by contract manufacturers in Europe. Prototypes and product adaptations in smaller volumes are manufactured to some extent by INVISIO in Copenhagen and at the facility in Harrow. The company works continually to find the most optimum conditions for effective manufacture.

## ADMINISTRATION REPORT

### The share and shareholders

Information about the INVISIO share and shareholders can be found on page 36.

### Financial Instruments

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

### Environment

The company does not conduct any operations that require permits or notification under the Swedish Environmental Code. The Annual Report's sustainability section can be found on pages 25–35.

### Parent company

Net sales in 2021 amounted to SEK 0.1 million (0.1). The operating result was SEK –8.8 million (–8.6). The net profit for the year was SEK 15.0 million (151.6). At year-end the parent company's cash and bank balances amounted to SEK 41.8 million (38.9). Equity amounted to SEK 247.2 million (232.2), which gave an equity/assets ratio of 71 per cent (98).

### Corporate Governance Report

The corporate governance report is prepared as a separate document from the formal annual report. The Corporate Governance Report is on pages 40–43.

### Sustainability report

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, INVISIO has decided to prepare the sustainability report separately from the annual report. The sustainability report is on pages 25–35. Sustainability related risks and risk management are on page 58.

### Risks and risk management

Technical advantage, close customer relations and long-term framework agreements are factors that reduce the company's risk level.

### Structured process for risk management

Risk management is an important part of governance and control of INVISIO and affects the company's possibilities of achieving its objectives. INVISIO carries out an annual structured analysis of the company's overall risk exposure. Risks can generally be divided into market-related, operational, and financial risks.

Market-related risks and financial risks are managed mostly at board and management level. In the first instance, operational risks

are managed at management and business area management level, but can also be managed at Board level if they are of strategic importance. On pages 56–58 an account is given of the most significant risks (without ranking) and how they are managed. Detailed information about INVISIO's financial risks can be found in Note 2.

### Guidelines for remuneration to senior executives

The last adopted guidelines for remuneration of senior executives are described in Note 8 and the remuneration report, on pages 49–50 and will remain in force until further notice, though no longer than until the 2024 Annual General Meeting. The guidelines cover remuneration of senior executives in the INVISIO Group and members of the Board of the parent company, to the extent they receive remuneration outside their board assignment. The guidelines do not include remuneration resolved by the general meeting of shareholders.

### The guidelines' promotion of the company's business strategy, long-term interests and sustainability

INVISIO's strategy for profitable growth is in brief to increase market share in existing markets, broaden the product portfolio through innovative development, expand to new geographies and conduct the business cost-effectively.

INVISIO's financial targets are that the company's sales are to increase by an average of 20 per cent per year and that the operating margin should exceed 15 per cent. Successful implementation of the company's business strategy and safeguarding the company's long-term interest, including its sustainability, assume the ability of INVISIO to recruit and retain qualified employees. INVISIO must therefore endeavor to offer total remuneration that enables the Group to attract and retain senior executives. Remuneration to senior executives of INVISIO, both in the short and long term, must be based on the individual's performance and responsibility, as well as the earnings of INVISIO and its subsidiaries and it must link the interests and rewards of the senior executives with those of the shareholders. Variable cash remuneration covered by these guidelines must aim to promote the company's business strategy and long-term interests, including its sustainability.

### Forms of remuneration etc.

Remuneration of senior executives may consist of fixed salary, short-term variable cash remuneration, the opportunity to participate in long-term share or share-price related incentive programs, as well as pension and other benefits.

### Fixed salary

The senior executives' fixed salaries are revised annually and must be competitive and based on the individual's skills, responsibilities and performance.

### Variable remuneration

The variable cash remuneration of senior executives is to be based on how well the targets set for their respective areas of responsibility and for INVISIO and its subsidiaries have been met.

The outcome is to be linked to measurable targets (qualitative, quantitative, general and individual). The target components, weighting and target levels may vary from year to year to reflect business priorities and they generally balance the Group's financial targets and non-financial targets (for example operational, strategic, environmental, social or other sustainability-related targets).

The measurement period for variable remuneration is based as a principal rule on performance over a period of about twelve months. The targets within the senior executives' respective areas of responsibility aim to promote the development of INVISIO, both in the short and long term. When the measurement period for meeting the criteria for payment of variable cash remuneration has been completed, an assessment and a decision are to be made on the extent to which the criteria have been fulfilled. The Remuneration Committee is responsible for the assessment concerning variable cash remuneration to senior executives.

The Board of Directors has the right to disregard the fulfillment of the criteria and adjust payment of variable remuneration both upwards and downwards on the basis of actual progress during the year. Additional cash remuneration may be payable in extraordinary circumstances, provided that such extraordinary arrangements are made solely at individual level as remuneration for extraordinary work input in addition to ordinary duties. The total variable remuneration shall not exceed 60 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.

### Share or share price related incentive programs

The Annual General Meeting may decide, independently of these guidelines, on share and share price-related incentive programs for senior executives, i.e. the company's management.

The 2018, 2019 and 2020 Annual General Meetings resolved to introduce employee stock option programs. The programs were resolved by the general meeting and are thus not subject to these



## ADMINISTRATION REPORT

guidelines. The purpose of the employee stock option programs is to link part of the employees' remuneration to INVISIO's long-term performance and in that way link employee interests with shareholder interests.

During the year the 2018 employee stock option program was closed. All options were exercised of the total of 442,000 allocated. The programs are described further in Note 7

### Pensions and other benefits

The pension terms of senior executives shall be based on defined contribution pension solutions and follow or correspond to, and thus be limited to, general pension plans in accordance with the ITP plan. As regards terms of employment that are subject to non-Swedish rules, in the case of pension and other benefits appropriate adaptations may be made to follow mandatory rules or established local practice, whereby the overall purpose of these guidelines is to be met as far as possible. Senior executives' non-monetary benefits are to facilitate the work performance of senior executives and be proportionate to what may be regarded as reasonable in relation to market practice where the respective senior executive operates.

### Termination of employment

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

### Salary and conditions of employment for employees

When preparing the Board's proposals for these remuneration guidelines, the salary and conditions of employment of the company's employees have been taken into account in that data concerning employees' total remuneration, the components of the remuneration as well as the increase in remuneration and rate of growth of remuneration over time have made up part of the Remuneration Committee's and Board's decision support when evaluating the reasonability of the guidelines and the constraints that follow from them.

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

In accordance with the Swedish Code of Corporate Governance, the Board monitors and evaluates the application of the guidelines for remuneration to senior executives, as adopted by the Annual General

Meeting. In accordance with Chapter 8, Section 54 of the Swedish Companies Act, the company's auditor has expressed an opinion on compliance with the guidelines for compensation of senior executives for 2021. The Board's evaluation and the auditor's review have resulted in the conclusion that in 2021 INVISIO has complied with the guidelines adopted by the Annual General Meeting.

### Significant post year-end events

The war in Ukraine may affect INVISIO's business, in both the short and long term. However, it is not possible at present to assess the consequences of the conflict for the company. INVISIO does not, however, conduct any sales or operations either in Russia or Ukraine. After the close of the year INVISIO entered into a five-year framework agreement where the end customer is a European defense force. The contract applies to Racal Acoustics' new CVC headset, the RA4000 Magna™ with accessories. The value is about SEK 275 million for the contract period but no volumes are guaranteed.

### Outlook for 2022

Despite the challenges in the business environment, in 2021 INVISIO decided to consistently carry out its growth strategy for product development and organizational development. The future-oriented investments we have made, which include the acquisition of Racal Acoustics, have further strengthened INVISIO's position. The company is firmly convinced that this will reap good rewards going forward.

The underlying need in the market is great, as is the interest in the company's products. In 2022 INVISIO intends to be involved in more than 60 trade fairs worldwide. That is more than ever before. Although deliveries in early 2022 may still be affected by the pandemic, the company believes in a return to more normal conditions during the year.

The company's focus in the current year is on the continued long-term investment in both the new Intercom system, and addressing the law enforcement and security market.

INVISIO stands by its financial targets, which means that sales are to increase by an average of 20 per cent per year and that the operating margin is to exceed 15 per cent.

### Proposed appropriation of earnings

A minor clarifying adjustment has been made to INVISIO's dividend policy in the form of the words "over time", which were inserted in the sentence "It is INVISIO's objective that dividend over time is to be between 25 and 50 per cent of profit after tax."

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 0.70 per share be distributed for 2021 (0.70).

According to the dividend policy adopted by the Board, the dividend size must take into account INVISIO's long-term growth and earnings trend as well as capital needs, taking financial targets into consideration. It is INVISIO's objective that dividend over time is to be between 25 and 50 per cent of profit after tax. It is proposed that the remaining amount be carried forward.

In the latest five-year period SEK 147 million has been distributed to shareholders, equivalent to a dividend payout ratio of 40 per cent of INVISIO's total profit after tax of SEK 365 million. Including the year's proposed dividend, the dividend payout ratio is 47 per cent.

### Parent Company (SEK)

#### At the disposal of the Annual General Meeting:

Retained earnings	139,599,263
Share premium reserve	26,436,800
Profit/loss for the year	14,994,418
	<b>181,030,482</b>

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

Dividend to shareholders, SEK 0.70 per share	31,178,346
To be carried forward	149,852,136
	<b>181,030,482</b>

### Board of Directors' statement concerning proposed appropriation of earnings

In the opinion of the Board of Directors the proposed dividend does not impede the company from fulfilling its obligations in the short and long term. When assessing the size of the proposed dividend the Board took into consideration the requirements which are imposed by the nature, scope and risks associated with the operations and the company's and Group's need to strengthen the balance sheet and their liquidity and financial position in general. The proposed dividend means that the parent company's and the Group's equity/assets ratio will be 69 per cent and 59 per cent respectively. Liquidity in the company continues to be good. The proposed dividend can therefore be justified under the provisions of the prudence concept specified in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2-3.

# Risks and risk management

## MARKET RISK

### Legislation and political decisions

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

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

### Demand for INVISIO's products fluctuates

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

**Treatment:** The company endeavors to obtain more customers and to broaden its product portfolio, to achieve diversification of purchasing patterns and lower risk of uneven order and income flows. An expanding customer base and the acquisition of Racal Acoustics has reduced the order fluctuations to some extent.

### Competition

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

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

## RISKS AND RISK MANAGEMENT

**OPERATIONAL RISKS****Ability to manage growth**

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

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

**Dependence on key personnel**

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

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

**Market acceptance of newly developed products**

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

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

**Customer dependency**

A limited number of customers account for a large proportion of INVISIO's net sales, though no customer accounted for more than 10 per cent of total net sales in 2021. The Group's largest customer accounted for just under 9 per cent of sales. The loss of any of the company's large customers could in the short term have a significantly negative impact on INVISIO's business, financial position and performance.

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

**Niche product portfolio**

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

**Treatment:** The company endeavors to continually broaden the product portfolio by development or acquisition of complementary products in related areas.

**Dependency on suppliers**

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

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

**IT and cyber risks**

Increased digitalization implies greater exposure to interruption and disruption in IT systems, which can have major consequences. Moreover, breaches in the IT environment or deficiencies in management of customer data or business critical data can lead to reduced confidence and entail negative impact on the Group's earnings.

**Treatment:** In recent years INVISIO, together with external experts, has intensified its efforts to safeguard the company's IT system against breaches and disruptions, work which will continue unabated in the future.

## RISKS AND RISK MANAGEMENT

**RISKS RELATED TO SUSTAINABILITY AND CLIMATE CHANGE****Climate change and compliance**

INVISIO's overall environmental and social impact is deemed to be limited and not of a significant nature. For example, INVISIO's operations are not considered to have any significant climate impact. Nor is climate change assessed to have any great negative impact on INVISIO's operations, either financially or operationally.

The greatest sustainability related risk is instead deemed to be lack of compliance with the Code of Conduct, for example as regards ethics and anti-corruption, on the part of suppliers and partners. Manufacture of INVISIO's products takes place to a great extent through collaboration with external contract manufacturers. Correspondingly, sales on some geographical markets are through collaboration with external parties.

The arrangements constitute a potential risk, as they entail a lower degree of continual transparency in critical processes compared with in-house production. Violations or alleged violations may mean serious negative consequences for the business operations, including reputational damage to the company, fines or imprisonment of employees.

**Treatment:** A central part of INVISIO's sustainability work is working in accordance with, and ensuring compliance with, relevant policy documents, standards and certifications. These include the Codes of Conduct for employees and suppliers, the anti-corruption policy, the quality policy and various quality management systems.

To minimize the risk of non-compliance with policies and rules, INVISIO has decided to only initiate collaboration with actors deemed by the company to have the best prospects of being able to meet INVISIO's requirements and ambition level in this area. A characteristic of INVISIO's partnerships is that they are long-term and continue over many years. It is a conscious choice on the part of the company not to change suppliers too often. In that way, INVISIO gains a good knowledge of and insight into its partners' operations, which reduces the risk of non-compliance with the Code of Conduct by suppliers. Follow-up is quarterly with annual reviews. Responsibility for implementing controls lies with a working group with representatives from Supply Chain, Manufacturing and Quality Assurance. The results are reported to the Group Management quarterly.

**Lack of transparency**

Expectations of companies by customers and the public have increased in recent years. This applies not least to the degree of transparency as to how operations impact, and are impacted by, sustainability related aspects in the rest of the world.

INVISIO is expected to conduct extensive sustainability work and be open about both positive and negative impact. Lack of transparency or lack of confidence in the sustainability work, for example as a consequence of poor quality or dubious working conditions at suppliers, may impact INVISIO's long-term development, financially as well as from an employer perspective. This could also entail limitations in terms of the ability or inclination of investors to invest in the INVISIO share.

**Treatment:** INVISIO's external communication is to be characterized by transparency, both as regards opportunities and challenges. INVISIO's communication policy, adopted by the Board of Directors, establishes fundamental values in the form of openness and transparency. In the financial reporting, mainly in the annual report, work in the four focus areas for sustainability is described in more detail.

**FINANCIAL RISK****Currency risk**

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

**Treatment:** The company hedges large orders to offset any currency fluctuations in the short term.

# Consolidated income statement and statement of comprehensive income

January–December (SEK million)	Note	2021	2020
	1, 2		
Revenue	3	593.0	532.0
Cost of goods sold	4, 15	-252.6	-222.9
<b>Gross profit</b>		<b>340.4</b>	<b>309.0</b>
<b>Operating expenses</b>			
Selling and marketing costs	4, 6, 7, 8	-148.2	-107.0
Administrative expenses	4, 6, 7, 8	-76.5	-50.5
Research and development costs	4, 6, 7, 8	-90.9	-56.1
<b>Operating profit</b>		<b>24.9</b>	<b>95.4</b>
<b>Financial items</b>			
Financial income		1.1	1.7
Financial expenses		-2.4	-12.2
<b>Net financial items</b>		<b>-1.3</b>	<b>-10.5</b>
<b>Profit/loss before tax</b>		<b>23.5</b>	<b>84.9</b>
Income tax	9	-9.0	-23.7
<b>Profit/loss for the year</b>		<b>14.5</b>	<b>61.2</b>
(Attributable to parent company shareholders)			
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Translation differences from foreign operations for the period		24.1	-14.4
<b>Total comprehensive income for the year</b>		<b>38.6</b>	<b>46.8</b>

(Attributable to parent company shareholders)

January–December (SEK million)	Note	2021	2020
Earnings per share, SEK	22	0.33	1.39
Earnings per share after dilution, SEK	22	0.32	1.37
Gross margin, %		57.4	58.1
Operating margin, %		4.2	17.9
Profit margin, %		2.4	11.5
Depreciation incl. in operating expenses	11, 12, 13, 14	-45.1	-12.7

# Consolidated statement of financial position

December 31 (SEK million)	Note	2021	2020	December 31 (SEK million)	Note	2021	2020
	1, 2						
<b>ASSETS</b>				<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Non-current assets</b>				<b>Shareholders' equity</b>			
Goodwill	10	54.5	-	Share capital	19	44.5	44.1
Capitalized development costs	11	92.6	94.8	Other contributed capital		298.7	272.3
Other intangible assets	12	89.3	-	Translation difference		32.0	7.8
Property, plant and equipment	13	17.1	4.1	Retained earnings including profit/loss for the year		42.3	54.7
Rights of use, leases	14	33.7	24.0	<b>Total shareholders' equity</b>		<b>417.5</b>	<b>378.9</b>
Deferred tax assets	9	3.2	2.8				
Long-term deposits for rent		2.4	2.3	<b>Long-term liabilities</b>			
<b>Total non-current assets</b>		<b>292.9</b>	<b>128.0</b>	Liabilities to credit institutions	20	65.0	-
<b>Current assets</b>				Lease liabilities	14	26.5	19.6
Inventories	15	117.5	115.7	Deferred tax liabilities	9	35.5	20.5
Trade receivables	16	117.6	100.4	<b>Total long-term liabilities</b>		<b>127.0</b>	<b>40.1</b>
Other receivables	17	6.2	7.4				
Prepaid expenses and accrued income	18	21.1	6.6	<b>Current liabilities</b>			
Cash and cash equivalents		134.8	157.7	Liabilities to credit institutions	20	20.0	-
<b>Total current assets</b>		<b>397.1</b>	<b>387.8</b>	Trade payables <sup>1)</sup>		34.1	35.3
				Lease liabilities	14	7.8	4.2
<b>TOTAL ASSETS</b>		<b>690.0</b>	<b>515.8</b>	Current tax liabilities	9	16.6	5.7
				Other liabilities		4.5	9.9
				Accrued expenses and deferred income	21	57.3	36.8
				Warranty provision		5.3	4.9
				<b>Total current liabilities</b>		<b>145.6</b>	<b>96.8</b>
				<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>690.0</b>	<b>515.8</b>

1) All trade payables mature within 3 months.

# Consolidated statement of changes in equity

December 31 (SEK million)	Note	Share capital	Other contributed capital	Translation differences	Retained earnings including profit/loss for the year	Total shareholders' equity <sup>1)</sup>
	1, 2, 19					
<b>OPENING BALANCE AT JANUARY 1, 2020</b>		<b>44.1</b>	<b>272.3</b>	<b>22.2</b>	<b>27.5</b>	<b>366.0</b>
Profit/loss for the year		-	-	-	61.2	61.2
Translation differences from foreign operations for the period		-	-	-14.4	-	-14.4
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-14.4</b>	<b>61.2</b>	<b>46.8</b>
<b>Transactions with shareholders</b>						
New issue through exercising employee stock options	7	-	-	-	-	-
Employee Stock Option Program	7	-	-	-	3.5	3.5
Dividend		-	-	-	-37.5	-37.5
<b>Total transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-33.9</b>	<b>-33.9</b>
<b>CLOSING BALANCE AT DECEMBER 31, 2020</b>		<b>44.1</b>	<b>272.3</b>	<b>7.8</b>	<b>54.7</b>	<b>378.9</b>
Profit/loss for the year		-	-	-	14.5	14.5
Translation differences from foreign operations for the period		-	-	24.1	-	24.1
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>24.1</b>	<b>14.5</b>	<b>38.6</b>
<b>Transactions with shareholders</b>						
New issue through exercising employee stock options	7	0.4	26.4	-	-	26.9
Employee Stock Option Program	7	-	-	-	3.9	3.9
Dividend		-	-	-	-30.9	-30.9
<b>Total transactions with shareholders</b>		<b>0.4</b>	<b>26.4</b>	<b>-</b>	<b>-27.0</b>	<b>-0.1</b>
<b>CLOSING BALANCE AT DECEMBER 31, 2021</b>		<b>44.5</b>	<b>298.7</b>	<b>32.0</b>	<b>42.3</b>	<b>417.5</b>

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

# Consolidated cash flow statement

January–December (SEK million)	Note	2021	2020	January–December (SEK million)	Note	2021	2020
	1, 2			Amortization of loans		-15.0	-
<b>Operating activities</b>				Amortization of lease liabilities	14	-8.0	-2.1
Profit/loss before tax		23.5	84.9	Dividend paid		-30.9	-37.5
Adjustments for non-cash items	23	47.7	24.0	<b>Cash flow from financing activities</b>		<b>73.0</b>	<b>-39.5</b>
Income tax paid		-9.0	-12.3	<b>CASH FLOW FOR THE YEAR</b>		<b>-27.9</b>	<b>20.7</b>
<b>Cash flow from operating activities before changes in working capital</b>		<b>62.2</b>	<b>96.7</b>	Cash and cash equivalents at start of year		157.7	145.1
Change in inventories		21.5	-27.1	Translation differences in cash and cash equivalents		5.0	-8.1
Change in trade receivables		18.2	3.6	<b>Cash and cash equivalents at year-end</b>		<b>134.8</b>	<b>157.7</b>
Change in other operating receivables		-1.0	-5.2	<b>Supplementary disclosures to the cash flow statement</b>			
Change in trade payables		-7.1	6.7	Interest received from operating activities during the year		0.1	0.1
Change in other operating liabilities		-2.8	10.8	Interest paid from operating activities during the year		-2.4	-0.5
<i>Cash flow from changes in working capital</i>		<i>28.8</i>	<i>-11.1</i>				
<b>Cash flow from operating activities</b>		<b>91.0</b>	<b>85.6</b>				
<b>Investing activities</b>							
Capitalization of development costs	11	-14.9	-19.1				
Change in other intangible assets	12	12.5	-				
Investments in subsidiaries	24	-185.6	-				
Purchases of property, plant, and equipment	13, 14	-3.7	-6.2				
Acquisition of financial assets		-0.1	-0.1				
<b>Cash flow from investing activities</b>		<b>-191.9</b>	<b>-25.4</b>				
<b>Financing activities</b>							
New issue through exercising employee stock options		26.9	-				
Loans raised		100.0	-				



# Parent company income statement

January–December (SEK million)	Note	2021	2020
	1, 2		
Revenue	5	0.1	0.1
Administrative expenses	4, 5, 6, 7, 8	-8.9	-8.7
<b>Operating profit</b>		<b>-8.8</b>	<b>-8.6</b>
<b>Financial items</b>			
Profit/loss from participation in Group companies	25	26.8	160.0
Financial income		0.0	0.2
Financial expenses		-3.0	0.0
<b>Net financial items</b>		<b>23.8</b>	<b>160.3</b>
<b>Profit/loss before tax</b>		<b>15.0</b>	<b>151.6</b>
Income tax	9	-	-
<b>Profit/loss for the year<sup>1)</sup></b>		<b>15.0</b>	<b>151.6</b>

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

# Parent company balance sheet

December 31 (SEK million)	Note	2021	2020
	1, 2		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Participations in Group companies	25	304.0	88.9
<b>Total non-current assets</b>		<b>304.0</b>	<b>88.9</b>
<b>Current assets</b>			
Receivables from Group companies	25	-	108.7
Other receivables		0.3	0.5
Prepaid expenses and accrued income		0.1	0.3
Cash and bank balances		41.8	38.9
<b>Total current assets</b>		<b>42.2</b>	<b>148.4</b>
<b>TOTAL ASSETS</b>		<b>346.2</b>	<b>237.3</b>

December 31 (SEK million)	Note	2021	2020
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital	19	44.5	44.1
Statutory reserve		21.6	21.6
<b>Total restricted shareholders' equity</b>		<b>66.1</b>	<b>65.7</b>
<b>Non-restricted equity</b>			
Share premium reserve		26.4	-
Retained earnings		139.6	15.0
Profit/loss for the year		15.0	151.6
<b>Total unrestricted shareholders' equity</b>		<b>181.0</b>	<b>166.6</b>
<b>Total shareholders' equity</b>		<b>247.2</b>	<b>232.3</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	20	65.0	-
<b>Total long-term liabilities</b>		<b>65.0</b>	<b>-</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	20	20.0	-
Trade payables <sup>1)</sup>		0.5	0.6
Liabilities to Group companies	25	11.4	2.7
Other liabilities		0.3	0.3
Accrued expenses and deferred income	21	1.7	1.4
<b>Total current liabilities</b>		<b>33.9</b>	<b>5.0</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>346.2</b>	<b>237.3</b>

1) All trade payables mature within 3 months.

# Parent company changes in equity

December 31 (SEK million)	Note	Restricted equity		Non-restricted equity		Total shareholders' equity
		Share capital	Statutory reserve	Share premium reserve	Retained earnings including profit/loss for the year	
	1, 2, 19					
<b>OPENING BALANCE AT JANUARY 1, 2020</b>		<b>44.1</b>	<b>21.6</b>	<b>-</b>	<b>48.9</b>	<b>114.6</b>
Previous year's appropriation of earnings						
Profit/loss for the year <sup>1)</sup>		-	-	-	151.6	151.6
New issue through exercising employee stock options	7	-	-	-	-	-
Employee Stock Option Program	7	-	-	-	3.5	3.5
Dividend		-	-	-	-37.5	-37.5
<b>CLOSING BALANCE AT DECEMBER 31, 2020</b>		<b>44.1</b>	<b>21.6</b>	<b>-</b>	<b>166.6</b>	<b>232.3</b>
Profit/loss for the year <sup>1)</sup>		-	-	-	15.0	15.0
New issue through exercising employee stock options	7	0.4	-	26.4	-	26.9
Employee Stock Option Program	7	-	-	-	3.9	3.9
Dividend		-	-	-	-30.9	-30.9
<b>CLOSING BALANCE AT DECEMBER 31, 2021</b>		<b>44.5</b>	<b>21.6</b>	<b>26.4</b>	<b>154.6</b>	<b>247.2</b>

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

# Parent company cash flow statement

January–December (SEK million)	Note	2021	2020
	1, 2		
<b>Operating activities</b>			
Profit/loss before tax		15.0	151.6
Adjustments for non-cash items	23	-	-110.0
<b>Cash flow from operating activities before changes in working capital</b>		<b>15.0</b>	<b>41.6</b>
Changes in operating receivables		-27.7	-49.1
Changes in operating liabilities		8.9	-0.2
<i>Cash flow from changes in working capital</i>		<i>-18.8</i>	<i>-49.4</i>
<b>Cash flow from operating activities</b>		<b>-3.8</b>	<b>-7.7</b>
<b>Investing activities</b>			
Investments in subsidiaries		-211.1	-
<b>Cash flow from investing activities</b>		<b>-211.1</b>	<b>-</b>
<b>Financing activities</b>			
New issue through exercising employee stock options		26.9	-
Loans raised		100.0	-
Amortization of loans		-15.0	-
Dividends from subsidiaries		136.8	50.0
Dividend paid		-30.9	-37.5
<b>Cash flow from financing activities</b>		<b>217.8</b>	<b>12.5</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>2.9</b>	<b>4.8</b>
Cash and cash equivalents at start of year		38.9	34.1
<b>Cash and cash equivalents at year-end</b>		<b>41.8</b>	<b>38.9</b>
Interest received during the year		0.0	0.1
Interest paid during the year		-1.5	-0.0

# Notes

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

### General information

The INVISIO Group ("INVISIO") consists of the parent company INVISIO AB (publ) and the wholly-owned subsidiaries INVISIO A/S (Denmark), INVISIO Communications Inc. (USA), INVISIO Communications SAS (France), INVISIO Srl (Italy), Nextlink IPR AB, Nextlink Patent AB, Racal Acoustics Inc. (USA) and Racal Acoustics Ltd (UK). The parent company's registered address is 201 21 Malmö, Sweden.

### Basis of preparation

The consolidated accounts are prepared in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS) and interpretation statements from the International Financial Reporting Standards Interpretations Committee (IFRIC) as adopted by the EU.

Further, the consolidated accounts are prepared in accordance with Swedish law through application of the Swedish Financial Reporting Board recommendation RFR 1, Supplementary accounting rules for groups.

The parent company's annual accounts are prepared in accordance with Swedish law, applying the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for legal entities.

### New and amended standards adopted by the group

None of the standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2021 have had any significant impact on the Group's financial statements.

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

None of the new standards and amendments of interpretations and existing standards which are effective for financial years starting on or after January 1, 2022 have had any significant impact on the Group's financial statements.

### Consolidated Accounts

The consolidated accounts include the parent company INVISIO AB (publ.) and its subsidiaries. Subsidiaries are companies over which the Group has a controlling interest. The financial statements for INVISIO and its subsidiaries included in the consolidated accounts refer to the same period and are prepared in accordance with the accounting policies applicable to the Group.

The consolidated accounts have been prepared in accordance with the historical cost method except as regards financial assets and liabilities (including derivative instruments), which is measured at fair value or amortized cost. All inter-company business transactions, revenue, expenses, earnings or losses arising in transactions between companies covered by the consolidated accounts are eliminated in their entirety. A subsidiary is included in the consolidated accounts through the purchase method from the acquisition date, which is the date on which the parent company gains a controlling interest and is included in the consolidated accounts up until the date on which the controlling interest ceases.

The acquisition method of accounting is used to account for the Group's business combinations. The transferred compensation for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities and shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities that are a consequence of an agreement on contingent purchase price. Acquisition related expenses are recognized as expenses when they arise. Identifiable acquired assets and transferred liabilities in a business combination are initially valued at fair value on the acquisition date. For each acquisition the Group determines if all non-controlling interests in the acquired company are to be measured at fair value or at their proportionate share of the acquiree's identifiable net assets. The difference by which the transferred compensation, any holdings without controlling interest and the fair value 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 the amount is less than the fair value of the acquired subsidiary's assets, in the case of a "bargain purchase", the difference is reported directly in other comprehensive income.

### 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 accounts use the parent company's functional currency as presentation currency, which is Swedish kronor.

The results and financial position of all group companies with a functional currency other than the presentation currency are restated as follows: assets and liabilities for each of the balance sheets are restated at the closing day rate, income and expenses for each of the income statements are restated at the average exchange rate. All foreign exchange differences arising are recognized in other comprehensive income. When translating subsidiaries the following exchange rates were used:

Currency	Income statement	Balance sheet
DKK	1.3641 (1.4068)	1.3753 (1.3492)
EUR	10.1449 (10.4867)	10.2269 (10.0375)
GBP	11.8022 (-)	12.1790 (-)
USD	8.5815 (9.2037)	9.0437 (8.1886)

### Estimates and assumptions

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

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

### Impairment loss on intangible assets

If there is an indication of impairment loss, the recoverable amount of the asset is calculated. For goodwill and other intangible assets

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

with an indefinite useful life and intangible assets not yet available for use the recoverable amount is calculated annually or as soon as there is an indication of impairment. If it is not possible to determine largely independent cash flows for an individual asset, and its fair value less selling expenses cannot be used, when testing impairment the assets are to be grouped in a cash generating unit.

An impairment loss is recognized when the carrying amount of an asset or cash generating unit exceeds the recoverable amount. An impairment loss is recognized as an expense in the income statement. When an impairment loss is identified for a cash generating unit, the impairment loss is in the first instance allocated to goodwill. Remaining impairment loss is thereafter allocated to other assets of the unit on a pro rata basis.

The recoverable amount is the higher of fair value less selling costs and value in use. When calculating value in use, future cash flows are discounted using a discount factor that takes into account risk-free rates and the risk connected with the specific asset. For sensitivity analyses of goodwill and capitalized development costs, please see Notes 10 & 11.

### Warranty provision

A provision is made when the Group has a legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources is required to settle the obligation and the amount can be reliably measured. Reported provisions refer to any future commitments for warranties for products sold. The amount is calculated on a continuous basis during the year, based on previous outcomes and current sales, plus a supplement for other known circumstances. At December 31, 2021, warranty provision was SEK 5.3 million (4.9). If sales had been 5 per cent lower/ higher than the actual outcome, all other variables being constant, the warranty provision at December 31, 2021, would have been SEK 0.3 million (0.2) lower/higher.

### Leases

When the lease term is established, the management takes into account all available information which gives an economic incentive to exercise an extension option, or not to exercise an option to terminate a lease. The option to extend a lease is only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated). The leases that are mainly affected by this assessment refer to premises in Copenhagen and London where INVISIO can either extend the lease one month at a time (after the original lease term has expired at the end of 2026 and 2024

respectively) or decide to terminate the lease prematurely (though including a break-up fee). The assessment as at December 31, 2021 is that the Group will not exercise the option to terminate the leases prematurely. Nor has INVISIO considered that it is reasonably certain that they will exercise the extension option.

### Revenue

The Group applies IFRS 15 Revenue from contracts with customers.

The Group develops and sells advanced communication systems with hearing protection. The Group's revenue mainly consists of two revenue flows (1) Sales through purchase orders (2) sales through programs. Sales through purchase orders mean that the Group's customers submit separate purchase orders and in connection with this approve the Group's standardized sales agreements. Sales through programs means that there is usually a larger framework agreement with customers, for example as part of a modernization program concerning soldiers' personal equipment.

Regarding sales through purchase orders, the Group uses standardized terms of sale and delivery in connection with all sales. Each order is a specific performance obligation, since the goods are regarded as distinct. The transaction price is set for each sales order and only includes fixed consideration; there is no variable consideration. The revenue is recognized when the performance obligation is satisfied, which means that the revenue is recognized at a given point in time. For sales through purchase orders control mainly passes when INVISIO makes the goods available to the customer (Ex Works) or when INVISIO has delivered the goods to a determined place (DAP).

Sales through programs have several similarities with sales through purchase orders. The difference is that there is some form of underlying framework agreement or distribution agreement. When a framework agreement is signed neither the seller nor the buyer is obliged to deliver/buy a certain quantity; enforceable rights and obligations arise only when a purchase order is made. The transaction price is set for each sales order and only includes fixed consideration; there is no variable consideration. The revenue is recognized when the performance obligation is satisfied, which means that the revenue is recognized at a given point in time. For sales through programs control passes at different times depending on what has been agreed with the specific customer. Usually control passes when INVISIO makes the goods available to the customer (Ex Works) or when INVISIO has delivered the goods to a determined place (DAP). Sales through programs may include training in connection with the purchase. The revenue for training is recognized

on performance of the service and is usually before the first delivery of goods.

No revenue stream includes any financing component as the credit period is short, often about 30 days.

The Group's obligation to repair or replace defective products in accordance with normal guarantee rules is recognized as a provision.

### Segment reporting

The business consists of only one segment. Operating segments are reported in line with the internal reports submitted to the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and assessing the operating segment's performance. In the Group this function has been identified as the management group.

### Remuneration to employees

#### Variable remuneration

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

#### Pension obligation

The Group has only defined contribution pension plans, which are expensed on a current basis. The company has no obligations after the pension premium is paid.

#### Share-based benefits

The Group has two ongoing share-based remuneration plans where settlement is in shares. The fair value of the requisite service that entitles employees to allocation of options is expensed. The total amount to be expensed during the vesting period is based on fair value of the allocated options, excluding any impact of non-market related vesting conditions. Non-market related vesting conditions are taken into account when assuming how many options are expected to be redeemable. Every balance sheet day the company revises its estimates of how many options are expected to be redeemable. Any impact of the revision on the original estimates is recognized in corresponding adjustments made to equity. For more information on the employee stock option program, see Note 7.

#### Current and deferred tax

Tax expense for the period consist of current and deferred tax. Current tax is calculated on the basis of the tax rules applicable

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

or adopted at the balance sheet date in the countries in which the company's subsidiaries operate and create taxable income.

Deferred tax is recognized using the balance sheet method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is calculated on the basis of the tax rates and rules applicable or adopted at the balance sheet date and expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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

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

### Financial Instruments

The Group applies IFRS 9 Financial instruments. The Group's financial assets and liabilities consist of the items; trade receivables, other receivables, deposits for rent, cash and cash equivalents, trade payables, liabilities to credit institutions and other liabilities.

### Initial recognition

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

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

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

A company is to classify a financial asset in three different ways depending on the company's business model for managing financial assets and the qualities of the contractual cash flows from the asset. The three categories are fair value through profit or loss, amortized cost and fair value through other comprehensive

income. The Group only holds debt instruments that are classified and measured through amortized cost.

### Financial assets are measured at amortized cost

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

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

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

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

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

### Derecognition of financial assets

Purchases and sales of financial assets are recognized on the trade date. Financial assets are derecognized when the rights to receive cash flows from the instrument have expired or have been transferred and the Group has transferred substantially all risks and benefits of ownership.

Gains and losses arising on derecognition from the balance sheet are recognized directly in profit or loss in financial items.

### Financial liabilities – Classification and measurement

The Group's financial liabilities are measured after initial recognition at amortized cost, applying the effective interest method and financial liabilities measured at fair value through profit or loss.

The Group's financial liabilities measured at amortized cost consist of the items trade payables, other liabilities and accrued expenses.

### Derecognition of financial liabilities

Financial liabilities are removed from the balance sheet when the obligations have been discharged, annulled or otherwise extinguished. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the payment made, including transferred assets that are not cash or assumed debts, are recognized in other comprehensive income.

When the terms and conditions for a financial liability are renegotiated, and not derecognized from the balance sheet, a gain or loss is recognized in other comprehensive income. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

### Offset of financial instruments

Financial assets and liabilities are offset and recognized net in the balance sheet only when there is a legally enforceable right to set off the recognized amounts and an intention to settle them net or simultaneously realize the asset and settle the liability. The legal right may not be contingent on a future event and it must be legally enforceable on the company and the counterparty, both in the normal course of business or in the event of default, insolvency or bankruptcy.

### Impairment losses on financial assets

#### Assets carried at amortized cost

The Group assesses future expected credit losses linked to assets recognized at amortized cost. The Group reports a credit reserve for these expected credit losses on each reporting date.

The Group applies the simplified approach for expected credit loss; in other words the reserve will correspond to the expected loss over the entire life of the trade receivables.

The credit reserve is based on the expected credit loss and consists of a general reserve and an individual assessment. For the general reserve a percentage rate is calculated based on historical credit losses and forward-looking assumptions. For the individual assessment the customer's current situation and other relevant circumstances, such as credit risk characteristics, days past due and historical situation. Expected credit losses are recognized in the consolidated statement of comprehensive income in the item 'Other external costs'.

Note 1 (cont) General information, accounting policies and valuation principles

### Goodwill

Goodwill is measured at cost of acquisition less any accumulated impairment losses. Goodwill is allocated to cash generating units and tested at least annually for impairment (please see the accounting policy for Impairment loss on intangible assets). Goodwill arising on acquisition of associated companies is included in the carrying amount for the holdings.

### Capitalized development costs

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

Development expenditure includes salary and other expenses for employees arising through the development of products, as well as directly attributable external expenses such as molds, testing and type approval. Other development expenditure is expensed as it arises. Development expenditure already expensed is not recognized as an asset in subsequent periods.

Capitalized development expenditure has a limited useful life and is amortized on a straight line basis from the time commercial production of the product is started. Amortization is over the expected useful life; 3-7 years.

### Other intangible assets

Other intangible assets consist of customer contracts, technology and trade marks in connection with company acquisitions. Other intangible assets are recognized at fair value on the date of acquisition and thereafter at cost of acquisition less accumulated depreciation/amortization and impairment. Amortization is on a straight-line basis over the estimated life of the assets and is 15 years for technology, 7 years for customer relations and 8 years for trade marks.

### Property, plant and equipment

Property, plant and equipment are reported at cost of acquisition less planned depreciation based on an estimation of the useful life of the assets. Any gains/losses on divestment are recognized through the income statement. The residual value and useful life of the asset is determined at every year-end closing and is adjusted as necessary. Property, plant and equipment have a limited useful life and are amortized on a straight-line basis over the expected economic life, 3-10 years.

### Impairment losses on non-financial assets

The carrying amounts of the Group's assets, with the exception of financial assets at fair value with changes in value in the income statement, are tested whenever there is the need to assess whether there is indication of impairment loss. If such indication exists, the recoverable amount of the asset is calculated. An impairment loss is recognized when the carrying amount of an asset exceeds the recoverable amount. An impairment loss is charged to the income statement. See below for more details on calculation of the recoverable amount of an asset.

### Reversal of impairment losses

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

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

### Provisions

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

### Inventories

Inventories are measured at the lower of cost and net realizable value on the balance sheet date. Cost is determined using the "first-in, first-out" principle. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision for obsolescence is based on the articles' age and recoverable amount.

### Cash and cash equivalents

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

### Receivables and liabilities in foreign currency

In the individual companies, receivables, liabilities and provisions in foreign currency have been translated at the closing rate of

exchange. Foreign exchange effects are recorded in the income statement as financial income/expense.

### Cash flow statement

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

### Calculation of recoverable amount

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

### Leases

The Group applies IFRS 16 Leases. INVISIO's leases where INVISIO is the lessee are mainly for rented premises and vehicles. Leases are normally signed for fixed periods of 2-10 years for rented premises and three years for vehicles. Extension and premature termination options may exist, as described below. Terms and conditions are negotiated separately for each contract and include a large number of different contract terms.

Lease contracts are recognized as rights of use and a corresponding liability, on the date the leased asset is available for use by INVISIO. The right of use and lease liability are recorded on separate lines on the balance sheet as Right of use, lease contract and Lease liability. Each lease payment is allocated between amortization of the debt and interest expense. The interest expense is allocated over the lease term so that each accounting period is charged with an amount equivalent to a fixed interest rate on the reported debt in the respective period. The right of use is depreciated on a straight line basis over the shorter of the useful life of the asset and the term of the lease.

Assets and liabilities arising from leases are initially recognized at present value. Lease liabilities include the present value of the following lease payments:

- fixed charges (including in-substance fixed payments),
- variable lease payments based on an index or a rate, initially measured using the index or the rate at the commencement date,



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

- guaranteed residual value the lessee expects to have to pay to the lessor,
- the exercise price of a purchase option, if it is reasonably certain that the lessee will exercise the option and
- penalty payments for terminating the lease, if the lease term reflects the lessee exercising this option.

The lease payments are discounted using the implicit interest rate if that can be determined, otherwise the incremental borrowing rate.

The assets with right of use are measured at cost of acquisition and include the following:

- the amount of the original lease liability,
- lease payments made on or before the commencement date, less any benefits received in connection with signing the lease agreement,
- initial direct costs and
- costs of restoring the asset to the condition required by the terms and conditions of the lease.

INVISIO has decided to apply an exemption in IFRS 16 that means that payments for short-term and low-value leases are expensed on a straight-line basis in the income statement. Short-term leases are leases with a term of 12 months or less. Low-value leases mainly include low-value IT equipment. The Group recognizes each lease component separately from non-lease components.

Options to extend and terminate leases are included in a number of the Group's lease agreements for rented premises. These conditions are used to maximize flexibility in the management of the agreements. The majority of the options to extend and terminate lease agreements can only be exercised by the Group and not by the lessors. Assessments concerning exercise of options to extend or terminate lease agreements are reviewed if any significant event or change in circumstances arises that impacts these assessments and the change is within the control of the lessee.

### Related party transactions

Regarding salaries and other remuneration to the Board and President/CEO, costs, obligations and benefits, as well as agreements on severance payment, please see Note 8. Inter-company transactions are presented in Note 5. Other disclosures on related party transactions are presented in Note 26.

### Parent company's accounting policies

The parent company prepares its financial statements in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for legal entities. The same accounting policies are applied as for the Group, as far as this is possible, subject to the Annual Accounts Act and the Act on Safeguarding Pension Obligations, taking into account the connection between accounting and taxation. The differences between the Group's and the parent company's accounting policies are mainly the following two principles.

### Leases

The parent company does not apply IFRS 16 Leases in accordance with the exception in the Swedish Financial Reporting Board's recommendation RFR 2. Lease payments are expensed on a straight line basis over the lease term. Hence no right of use or lease liability is recognized in the balance sheet.

### Subsidiaries and associated companies

Investments in subsidiaries and associated companies are recognized in the parent company in accordance with the cost method. All dividends from subsidiaries and associated companies are recognized in the parent company's income statement. Under special circumstances such dividends may be an indication of depreciation and that an impairment test should be performed.

## Note 2 / Financial risk management and capital risk

### Financial risk factors

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

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

### Interest rate risk

Interest rate risk is the risk of the value of financial instruments varying due to changes in market interest rates. The Group's and parent company's interest-bearing financial assets consist of bank balances.

The Group's interest-bearing financial liabilities refer to liabilities to credit institutions in the form of bank loans. Based on the level of financial interest-bearing assets as at December 31, 2021, a one percentage point change in market rates of interest would affect the Group's earnings and equity by SEK 0.7 million (-).

### Currency risk

Currency risk is defined as the risk of a reduction in earnings and/ or a reduction in cash flow due to changes in currency exchange rates. Changes in foreign exchange rates impact the Group's earnings and equity in different ways:

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

## Note 2 (cont) Financial risk management and capital risk

### Transaction exposure

INVISIO has a strong international profile, with most of its sales being made in EUR, GBP and USD and is thereby exposed to transaction risks when buying/selling and making financial transactions in foreign currency. Sales in these currencies in 2021 were USD 35.2 million (30.0), EUR 17.4 million (17.2) and GBP 6.2 million (1.8). Components are primarily purchased in SEK, DKK and GBP. Purchases in these currencies in 2021 were SEK 77.2 million (83.5), DKK 48.3 million (64.2) and GBP 8.1 million (1.3). Currency risks are managed in accordance with the financial policy established by the Board, which in brief means that large sales orders received and confirmed are to be hedged. During the year INVISIO has not received any sales orders of the kind that need hedging.

If the average exchange rate for the Swedish krona had strengthened/weakened by 5 per cent against EUR, all other variables remaining constant, revenues and earnings after tax for 2021 would have been SEK 8.8 million (9.0) and SEK 4.2 million (4.1) lower/higher. If the average exchange rate for the Swedish krona had strengthened/weakened by 5 per cent against USD, all other variables remaining constant, revenues and earnings after tax for 2021 would have been SEK 15.1 million (13.8) and SEK 7.3 million (7.0) lower/higher. If the average exchange rate for the Swedish krona had strengthened/weakened by 5 per cent against GBP, all other variables remaining constant, revenues and earnings after tax for 2021 would have been SEK 3.7 million (1.0) and SEK 1.6 million (0.4) lower/higher.

### Translation exposure

The Group has cash and cash equivalents, trade receivables and trade payables in foreign currencies, above all in USD, EUR and GBP. At December 31, 2021 the net exposure in USD against SEK was SEK 83.3 million (97.5), in EUR against SEK, SEK 53.3 million (38.5) and in GBP against SEK, SEK 58.9 million (19.8) for these items. If the exchange rate for USD had been 5 per cent higher/lower compared with that on December 31, 2021, the Group's earnings after tax would have been positively/negatively affected by SEK 3.3 million (3.8). If the exchange rate for EUR had been 5 per cent higher/lower compared with that on December 31, 2021, the Group's earnings after tax would have been positively/negatively affected by SEK 2.1 million (1.5). If the exchange rate for GBP had been 5 per cent higher/lower

compared with that on December 31, 2021, the Group's earnings after tax would have been positively/negatively affected by SEK 2.3 million (0.8). As part of hedging transaction exposure, related trade receivables are also hedged. In other respects INVISIO does not work actively with translation exposure.

### Translation exposure in the balance sheet

The Group's net assets are largely in DKK and GBP. If the exchange rate for DKK had been 5 per cent higher/lower compared with that on December 31, 2021, the Group's equity would have been positively/negatively affected by SEK 10.6 million (12.8). If the exchange rate for GBP had been 5 per cent higher/lower compared with that on December 31, 2021, the Group's equity would have been positively/negatively affected by SEK 7.2 million (-).

### Credit risk

Credit risk is the risk of a party to a transaction with a financial instrument failing to fulfill its obligations. INVISIO's customers have a good debt-servicing ability, as they mainly consist of government agencies in charge of procurement for police, security forces and defense forces. In order to limit the risks of any credit losses, the Group's credit policy includes guidelines and provisions for credit checking new customers, payment terms and procedures and processes for managing unpaid receivables. For an age analysis of trade receivables, please see Note 16.

The Group works with several reputable banks that are subject to supervision by Finansinspektionen (Swedish Financial Supervisory Authority) or the equivalent foreign authority and that have high creditworthiness. During the year INVISIO has had deposits mainly with SEB, SBAB, Société Générale, BPM Banco, HSBC and JP Morgan Chase Bank.

### Financing and liquidity risk

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in meeting its payment commitments. Liquidity risk is the risk of not being able to make payments when they fall due. Treatment of liquidity risk is based on prudence, which entails retaining sufficient liquidity, access to financing and sufficient agreed lines of credit. At December 31, 2021 cash and cash equivalents amounted to SEK

134.8 million (157.7). The Company's total borrowing as at December 31, 2021 amounted to SEK 85 million (-), of which SEK 20 million (-) will fall due for payment within 12 months. The loan has been taken in SEK, with the maturity date February 2, 2026. The interest is variable.

All trade and other payables mature within three months, with the exception of lease liabilities. See Note 14 for a maturity analysis of lease liabilities.

### Management of capital

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

### Financial instruments, December 31

Financial assets	2021	2020
Measured at amortized cost:		
- Trade receivables	117.6	100.4
- Deposits for rent	2.4	2.3
- Other receivables	24.1	9.1
- Cash and cash equivalents	134.8	157.7
<b>Total financial assets</b>	<b>278.9</b>	<b>269.5</b>
<b>Financial liabilities</b>	<b>2021</b>	<b>2020</b>
Measured at amortized cost:		
- Trade and other payables	73.4	69.5
- Liabilities to credit institutions	85.0	-
<b>Total financial liabilities</b>	<b>158.4</b>	<b>69.5</b>

For the Group's financial instruments the carrying amount corresponds to the fair value since the interest is in parity with current market rates or the items are current.

## Note 3 / Revenue

Revenue by geographical area	2021	2020
Sweden	36.6	26.0
Europe	218.8	181.0
North America	253.3	280.1
Rest of the world	84.3	44.9
<b>Total</b>	<b>593.0</b>	<b>532.0</b>

No customers account for more than 10 per cent of total net sales for the year. In the previous year two customers accounted for more than 10 per cent of the total sales for the year. Net sales to these two customers constituted 12 per cent and 12 per cent of the total. The largest customers may vary from year to year.

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

## Note 4 / Costs by nature of expense

Group	2021	2020
Cost of goods sold	252.6	222.9
Costs of employee benefits (Note 7)	181.3	127.4
Depreciation/amortization and impairment losses (Notes 11, 12, 13 & 14)	45.1	12.7
Other costs	89.2	73.6
<b>Total</b>	<b>568.1</b>	<b>436.5</b>

Parent Company	2021	2020
Costs of employee benefits (Note 7)	2.7	2.6
Other costs	6.1	6.0
<b>Total</b>	<b>8.9</b>	<b>8.7</b>

## Note 5 / Inter-company transactions

Of the parent company's invoicing, SEK 0.1 million (0.1) refers to subsidiaries. The invoicing consists of services provided to subsidiaries. Invoicing from subsidiaries to the parent company amounted to SEK 0.3 million (0.3).

## Note 6 / Auditors' remuneration

	Group		Parent company	
	2021	2020	2021	2020
<b>PwC<sup>1)</sup></b>				
Audit assignments <sup>2)</sup>	1.2	0.7	0.9	0.3
Audit business in addition to audit engagement	0.0	0.1	0.0	0.1
Other services <sup>3)</sup>	0.1	1.2	0.1	1.2
<b>Total</b>	<b>1.3</b>	<b>2.0</b>	<b>1.0</b>	<b>1.6</b>
<b>Other auditors<sup>4)</sup></b>				
Audit assignments	0.9	-	-	-
Audit business in addition to audit engagement	0.0	-	-	-
Other services	-	-	-	-
<b>Total</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>-</b>

1) Total fees amount to SEK 1.3 million (2.0), of which SEK 1.0 million (1.6) refers to fees to PricewaterhouseCoopers AB.

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

3) Other services refer primarily to consulting on accounting and tax matters. Other services for 2020 referred mainly to due diligence in connection with the acquisition of Rocal Acoustics.

4) Other auditors refers mainly to fees for audit of Rocal Acoustics Ltd.

## Note 7 / Personnel

Average number of employees	2021		2020	
	Number	Of which men	Number	Of which men
Parent company	1	100%	1	100%
Subsidiaries	179	82%	114	81%
<b>Total</b>	<b>180</b>	<b>82%</b>	<b>115</b>	<b>81%</b>

Gender breakdown, senior executives	2021		2020	
	Number	Of which men	Number	Of which men
Board of Directors	6	33%	6	33%
Remuneration to the President/CEO and other senior executives	8	100%	7	100%

Salaries and other remuneration	2021	2020
Parent company	2.5	2.4
Subsidiaries	173.5	129.6
Capitalized salaries for research and development	-10.1	-9.6
<b>Group total</b>	<b>165.9</b>	<b>122.4</b>

Social security costs excluding pension costs	2021	2020
Parent company	0.0	0.0
Subsidiaries	8.5	3.2
<b>Group total</b>	<b>8.6</b>	<b>3.3</b>

Pension costs	2021	2020
Parent company	0.2	0.2
Subsidiaries	6.6	1.5
<b>Group total</b>	<b>6.8</b>	<b>1.7</b>

<b>Total personnel costs</b>	<b>181.3</b>	<b>127.4</b>
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### Pensions

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

### Employee Stock Option Program

The 2018, 2019 and 2020 Annual General Meetings of Shareholders resolved in accordance with the Board's proposal, to establish employee stock option programs comprising a decision to issue stock options, plus approval of the transfer of stock options, Employee Stock Option Programs 2018/2021, 2019/2022 and 2020/2023. A total of 1,642,000 employee stock options have been allocated, of which 35,000 from the 2018/2021 Employee Stock Option Program, 35,000 from the 2019/2022 Employee Stock Option Program and 35,000 from the Employee Stock Option Program 2020/2023 to the CEO and 68,000, 97,000 and 102,000 respectively to other senior executives. Employee stock options are not transferable.

The purpose of the employee stock option programs is to link part of the employees' remuneration to INVISIO's long-term performance and in that way link employee interests with shareholder interests. The programs target all employees of the company and its subsidiaries, divided into three different categories. Provided that the participants were employed by the Group on the allocation date, the employee was offered employee stock options without charge which may entitle them to acquire shares in the company.

To enable all employee stock options to entitle the participant to acquire INVISIO shares it is a requirement, apart from the participant being employed within the INVISIO Group throughout the vesting period, that the share price for INVISIO exceeds SIXPRX by

20 percentage points. If the INVISIO share price exceeds SIXPRX by 10 percentage points half of the participant's stock options will entitle the participant to acquire shares in INVISIO. If the INVISIO share price exceeds SIXPRX by more than 10 but less than 20 percentage points, the stock options will entitle the holder to acquire shares in INVISIO on a linear basis between 50 to 100 per cent. If the INVISIO share price does not exceed SIXPRX by 10 percentage points, all stock options will lapse.

The market value was calculated on the basis of the Black & Scholes valuation model with the following inputs:

	2018/2021	2019/2022	2020/2023
Share price, SEK	61.10	69.60	108.00
Expected dividend per share, SEK	0.60	0.70	0.85
Volatility, %	30	35	40
Risk-free interest rate, %	-0.43	-0.45	-0.37
Expected number of earned options, %	43	41	45
Value per employee stock option, SEK	4.87	5.90	12.28

During the year the 2018/2021 employee stock option program was closed. Of the total 442,000 allocated options, all were exercised, which increased the Group's share capital by SEK 442,000 distributed among 442,000 new shares. The exercise price was SEK 60.70 per share. During the exercise period the weighted average share price was SEK 199.95.

Employee stock option program	Allocation date	Vesting period	Maximum allocation	Actual allocation	Exercise date	Expensed during the year (SEK million) <sup>1)</sup>
2018/2021	May 1 2018	May 1 2018 – April 30 2021	500,000	442,000	May 15 2021 – June 30 2021	0.2 (1.9)
2019/2022	May 7 2019	May 7 2019 – May 9, 2022	600,000	558,000	May 15 2022 – June 30 2022	1.1 (2.1)
2020/2023	May 7 2020	May 7 2020 – May 9, 2023	700,000	642,000	May 15 2023 – June 30 2023	2.6 (2.1)
<b>Total</b>			<b>1,800,000</b>	<b>1,642,000</b>		<b>3.9 (6.1)</b>

1) Social security contributions were -1.3 (2.6).

## Note 8 / Remuneration to the Board of Directors and senior executives

	2021				2020			
	Fee/Salary	Pension	Other remuneration	Total	Fee/Salary	Pension	Other remuneration	Total
<b>Board of Directors<sup>1)</sup></b>								
Annika Andersson, Chair of the Board <sup>2)</sup>	0.6	-	-	0.6	0.6	-	-	0.6
Lage Jonason <sup>3)</sup>	0.3	-	-	0.3	0.2	-	-	0.2
Charlotta Falvin <sup>4)</sup>	0.3	-	-	0.3	0.3	-	-	0.3
Ulrika Hagdahl <sup>5)</sup>	0.3	-	-	0.3	0.3	-	-	0.3
Martin Krupicka	0.2	-	-	0.2	0.2	-	-	0.2
Charlott Samuelsson	0.2	-	-	0.2	0.2	-	-	0.2
<b>Total</b>	<b>1.9</b>	<b>-</b>	<b>-</b>	<b>1.9</b>	<b>1.7</b>	<b>-</b>	<b>-</b>	<b>1.7</b>
<b>Management</b>								
Lars H. Hansen, President/CEO <sup>6)</sup>	3.1	0.2	0.0	3.4	3.2	0.2	0.0	3.5
Other management <sup>7)</sup>	15.5	0.3	0.3	16.1	12.3	0.2	0.2	12.7
<b>Total</b>	<b>18.6</b>	<b>0.5</b>	<b>0.3</b>	<b>19.4</b>	<b>15.6</b>	<b>0.5</b>	<b>0.2</b>	<b>16.2</b>

1) The 2021 Annual General Meeting resolved that board fees totaling SEK 575,000 shall be paid to the Chair of the Board and SEK 220,000 to each of the other Board members. In addition, a fee of SEK 100,000 is payable to the Chair of the Audit Committee and SEK 60,000 to the Chair of the Remuneration Committee and SEK 40,000 to one member of the Remuneration Committee and SEK 50,000 each to two members of the Audit Committee.

2) Includes fee for work as member of the Remuneration Committee and Audit Committee.

3) Includes fee for work as member of the Audit Committee.

### Guidelines for remuneration to senior executives

The last adopted guidelines for remuneration to senior executives are described below. The guidelines were adopted at the 2020 Annual General Meeting and apply until further notice, though no longer than until the 2024 Annual General meeting.

#### General

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

4) Includes fee for work as Chair of the Remuneration Committee.

5) Includes fee for work as Chair of the Audit Committee.

6) Variable salary may be a maximum of 60 per cent of the fixed salary. No variable salary was payable in 2021. Variable salary in 2020 was SEK 0.5 million.

7) Variable salary may be a maximum of 40 per cent of the fixed salary. Variable salary of SEK 2.2 million (1.3) was paid in 2021. The year's variable remuneration refers to bonus agreements entered into previously in Racal Acoustics under the previous owner. During the year there were six other members of the management group until January 28 and seven from January 29.

Remuneration to senior executives may consist of fixed salary, short-term variable cash compensation, the opportunity to participate in long-term share or share-price related incentive programs, as well as pension and other benefits.

#### Fixed salary

The senior executives' fixed salaries are revised annually and must be competitive and based on the individual's skills, responsibilities and performance.

#### Variable salary

The variable cash remuneration of senior executives is to be based on how well the targets set for their respective areas of

responsibility and for INVISIO and its subsidiaries have been met. The outcome is to be linked to measurable targets (qualitative, quantitative, general and individual). The targets within the senior executives' respective areas of responsibility aim to promote the development of INVISIO, both in the short and long term. The variable remuneration shall not exceed 60 percent of the fixed salary and shall not be used as a basis for calculation of pension or vacation pay, to the extent permitted by applicable law.

### Employee Stock Option Program

For more information on the employee stock option program, see Note 7.

### Pension

Any pension benefits shall be through a defined contribution plan.

### Period of notice

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

### Remuneration to members of the Board

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

### Deviations from the guidelines

The board may, if it determines that there are special grounds in an individual case, deviate from the guidelines. In the case of such deviation, the Board shall report the grounds for the deviation at the Annual General Meeting immediately following.

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

In accordance with the Swedish Code of Corporate Governance, the Board monitors and evaluates the application of the guidelines for remuneration to senior executives, as adopted by the Annual General Meeting. In accordance with Chapter 8, Section 54 of the Swedish Companies Act, the company's auditor has expressed an opinion on compliance with the guidelines for remuneration to senior executives for 2021. The Board's evaluation and the auditor's review have resulted in the conclusion that in 2021 INVISIO has complied with the guidelines adopted by the Annual General Meeting.

## Note 9 / Income tax

	Group		Parent Company	
	2021	2020	2021	2020
<b>Tax on profit for the year</b>				
Current tax on profit for the year	-16.1	-9.9	-	-
Deferred tax	7.1	-13.8	-	-
<b>Total current tax</b>	<b>-9.0</b>	<b>-23.7</b>	<b>-</b>	<b>-</b>
<b>Differences between reported tax expense and tax expense based on current tax rate</b>	Group		Parent Company	
	2021	2020	2021	2020
Profit/loss before tax	23.5	84.9	15.0	151.6
Tax 20.6% (21.4)	-4.8	-18.2	-3.1	-32.5
Tax effect of;				
- Foreign tax rates	0.5	-1.1	-	-
- Non-taxable revenue	-	-	5.5	34.3
- Expenses not deductible for tax purposes	-3.4	-3.7	-	-
- Other	1.1	1.2	-	-
- Tax attributable to previous years	-	0.1	-	-
- Tax losses for which no deferred tax asset is recognized	-2.4	-1.8	-2.4	-1.8
<b>Tax on profit for the year according to income statement</b>	<b>-9.0</b>	<b>-23.7</b>	<b>-</b>	<b>-</b>
Effective tax rate, %	38.4	28.0	-	-
<b>Deferred tax assets</b>	Group		Parent Company	
	2021	2020	2021	2020
Deferred tax asset attributable to other temporary differences	3.2	2.8	-	-
<b>Closing balance</b>	<b>3.2</b>	<b>2.8</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>	Group		Parent Company	
	2021	2020	2021	2020
Deferred tax liability attributable to capitalized development costs in Denmark	-19.9	-20.9	-	-
Receivable attributable to temporary differences in other intangible assets	-16.1	-	-	-
Deferred tax asset attributable to other temporary differences in Denmark	0.4	0.3	-	-
<b>Closing balance</b>	<b>-35.5</b>	<b>-20.5</b>	<b>-</b>	<b>-</b>
<b>Unutilized loss carry forwards</b>	Group		Parent Company	
	2021	2020	2021	2020
Unutilized loss carry-forwards for which no deferred tax asset has been recognized	135.5	123.7	132.7	120.9
Potential tax asset	27.9	25.5	27.3	24.9

Deferred tax assets are recognized for tax loss carry-forwards insofar as it is likely that they can be utilized via future taxable profits. An individual assessment is made of each company with reference to historical performance and possibilities of utilizing the loss carry-forwards.

The Group's total loss carry-forwards as at December 31, 2021 were SEK 135.5 million (123.7), of which no amount is capitalized.

Unutilized tax loss carry-forwards refer mainly to the parent company and cannot be used at present, as the parent company is a holding company with no other business activities.

## Note 10 / Goodwill

Group, December 31	2021	2020
<b>Opening carrying amount</b>	-	-
Acquisition of subsidiary	51.2	-
Foreign exchange differences for the year	3.2	-
<b>Closing carrying amount</b>	<b>54.5</b>	-

Goodwill is tested annually for impairment. The recoverable amount for the Group's cash generating units (CGU) is determined on the basis of value in use calculations. These calculations are based on expected future cash flows based on financial forecasts and strategies approved by the management, and which cover a five-year period. The assumptions reflect the financial targets set up by the Board, market reports concerning future growth and technological trends. Cash flows beyond the five-year period are extrapolated using an estimated rate of growth. Material assumptions used to calculate value in use are perpetuity growth rate, forecasted operating margin and discount rate before tax.

The perpetuity growth rate used is 2 per cent (-). The discount rate before tax used is 10.8 per cent (-). This is to reflect the specific risks applicable to the segment the company operates within.

A decrease in perpetuity growth rate of 0.2 percentage points (-) does not trigger any impairment loss. A decrease in forecasted operating margin of 1 percentage point (-) does not trigger any impairment loss. An increase in discount rate of 1 percentage points (-) does not trigger any impairment loss.

Based on the above, it is not deemed necessary to recognize any impairment losses.

## Note 11 / Capitalized development costs

Group, December 31	2021	2020
<b>Opening acquisition value</b>	<b>155.2</b>	<b>141.7</b>
Internally developed assets	14.9	19.1
Foreign exchange differences for the year	3.2	-5.6
<b>Closing accumulated acquisition value</b>	<b>173.3</b>	<b>155.2</b>
<b>Opening depreciation</b>	<b>-60.4</b>	<b>-56.2</b>
Depreciation for the year	-18.9	-6.4
Foreign exchange differences for the year	-1.3	2.2
<b>Closing accumulated depreciation</b>	<b>-80.6</b>	<b>-60.4</b>
<b>Closing carrying amount</b>	<b>92.6</b>	<b>94.8</b>

### Impairment testing

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

This is to reflect the specific risks applicable to the segment the company operates within.

A change in discount rate of 3 percentage points (3) does not trigger any impairment loss (IAS 38). A change in estimated EBITDA of 2 percentage points (2) does not trigger any impairment loss. A change in estimated gross margin of 3 percentage points (3) does not trigger an impairment loss. Based on the above, it is not deemed necessary to recognize any impairment losses.

Expenditure recognized for research and development, excluding depreciation, amounted to SEK 75.8 million (49.2) for the year.

## Note 12 / Other intangible assets

Group, December 31	2021				2020			
	Trade mark	Customer relations	Technology	Total	Trade mark	Customer relations	Technology	Total
<b>Opening acquisition value</b>	-	-	-	-	-	-	-	-
Acquisition of subsidiary	12.6	57.2	36.6	106.4	-	-	-	-
Sales and disposals for the year	-	-	-12.1	-12.1	-	-	-	-
Foreign exchange differences for the year	0.8	3.7	2.0	6.5	-	-	-	-
<b>Closing accumulated acquisition value</b>	<b>13.4</b>	<b>60.9</b>	<b>26.5</b>	<b>100.8</b>	-	-	-	-
<b>Opening depreciation</b>	-	-	-	-	-	-	-	-
Depreciation for the year	-1.5	-7.7	-1.9	-11.1	-	-	-	-
Foreign exchange differences for the year	0.0	-0.2	-0.1	-0.4	-	-	-	-
<b>Closing accumulated depreciation</b>	<b>-1.5</b>	<b>-8.0</b>	<b>-2.0</b>	<b>-11.5</b>	-	-	-	-
<b>Closing carrying amount</b>	<b>11.9</b>	<b>52.9</b>	<b>24.5</b>	<b>89.3</b>	-	-	-	-

## Note 13 / Property, plant and equipment

Group, December 31	2021	2020
<b>Opening acquisition value</b>	<b>21.1</b>	<b>18.8</b>
Acquisition of subsidiary	15.0	-
Purchases	3.2	3.1
Sales and disposals for the year	0.0	-
Foreign exchange differences for the year	1.1	-0.8
<b>Closing accumulated acquisition value</b>	<b>40.5</b>	<b>21.1</b>
<b>Group, December 31</b>	<b>2021</b>	<b>2020</b>
<b>Opening depreciation</b>	<b>-17.0</b>	<b>-15.8</b>
Depreciation for the year	-5.7	-1.9
Sales and disposals for the year	0.0	-
Foreign exchange differences for the year	-0.6	0.6
<b>Closing accumulated depreciation</b>	<b>-23.3</b>	<b>-17.0</b>
<b>Closing carrying amount</b>	<b>17.1</b>	<b>4.1</b>

## Note 14 / Leases

Group, December 31	2021	2020
<b>Opening acquisition value</b>	<b>32.6</b>	<b>29.5</b>
Acquisition of subsidiary	18.1	-
Additional rights-of-use	0.6	3.1
Foreign exchange differences	0.6	-
<b>Closing accumulated acquisition value</b>	<b>51.9</b>	<b>32.6</b>
<b>Opening depreciation</b>	<b>-8.6</b>	<b>-4.2</b>
Depreciation for the year	-9.3	-4.4
Foreign exchange differences	-0.3	-
<b>Closing accumulated depreciation</b>	<b>-18.2</b>	<b>-8.6</b>
<b>Closing carrying amount</b>	<b>33.7</b>	<b>24.0</b>



## Note 14 (cont) Leases

The majority of the Group's leases consist of tenancy agreements for premises, whereby INVISIO does not consider it material to present depreciation and carrying amounts for underlying asset types.

The Group has decided to exclude short-term leases and low-value leases. These were expensed directly during the year and the impact on earnings was not significant.

<b>Maturity analysis of lease liabilities, Dec. 31</b>	<b>2021</b>	<b>2020</b>
Year 1	8.5	4.5
Year 2	8.1	4.2
Year 3	7.9	3.9
Year 4	6.8	3.8
Year 5	3.9	3.8
After 5 years	1.0	4.8
<b>Total lease liabilities</b>	<b>36.2</b>	<b>25.1</b>
Effect of discounting	-1.9	-1.3
<b>Total according to the balance sheet</b>	<b>34.3</b>	<b>23.8</b>
Of which short-term debt	7.8	4.2
Of which long-term debt	26.5	19.6

Total cash flow for leases during the year amounted to SEK 9.4 million (5.0).

The parent company had no leases in 2021.

<b>Group, December 31</b>	<b>2021</b>	<b>2020</b>
<b>Opening lease liability</b>	<b>23.8</b>	<b>25.9</b>
Acquisition of subsidiary	18.1	-
Additional lease liability	0.6	3.1
Amortization	-9.1	-4.1
Foreign exchange differences	0.9	-1.1
<b>Closing lease liability</b>	<b>34.3</b>	<b>23.8</b>

## Note 15 / Inventories

<b>Group, December 31</b>	<b>2021</b>	<b>2020</b>
Finished products	93.2	106.8
Goods in progress	24.3	8.9
<b>Total</b>	<b>117.5</b>	<b>115.7</b>

During the year product costs of SEK 234.2 million (213.1) were recognized as cost of goods sold. The year's impairment loss on inventories amounts to SEK 2.2 million (0.2) and is recognized in cost of goods sold. No impairment loss on inventories to net realizable value took place during the year, nor during the previous year.

## Note 16 / Trade receivables

<b>Group, Age analysis of trade receivables, Dec 31</b>	<b>2021</b>	<b>2020</b>
Not past due	94.7	83.3
Past due 0-30 days	6.3	9.8
Past due 31-60 days	7.5	7.4
Past due >60 days	9.5	1.1
<b>Total past due</b>	<b>23.3</b>	<b>18.2</b>
<b>Total receivables</b>	<b>118.0</b>	<b>101.5</b>
Anticipated bad debt losses	-0.4	-1.1
<b>Trade receivables in the accounts</b>	<b>117.5</b>	<b>100.4</b>
<b>Doubtful trade receivables</b>	<b>2021</b>	<b>2020</b>
<b>Opening balance</b>	<b>-1.1</b>	<b>-1.2</b>
Anticipated bad debt losses	-	-0.5
Reversed amounts	0.7	0.5
Foreign exchange differences	-0.1	0.1
<b>Closing balance</b>	<b>-0.4</b>	<b>-1.1</b>

INVISIO's customers have a good debt-servicing ability, as they mainly consist of public agencies in charge of procurement for police, security forces and defense forces. A general credit loss reserve is based on historical credit losses and forward-looking assumptions.

As INVISIO has no historical bad debt losses, and INVISIO's future customer base also consists of similar customers, the assessment has been made that the credit risk is very low and that the general credit loss reserve is not material at December 31, 2021. An individual assessment of the customers has been carried out, in which the customers' current situation and other relevant circumstances are taken into consideration. The individual assessment did not give rise to any provision. In 2020 the provision was SEK 0.5 million.

## Note 17 / Other receivables

Group, December 31	2021	2020
VAT	3.2	4.9
Receivables from supplier	-	1.8
Other	3.0	0.7
<b>Total</b>	<b>6.2</b>	<b>7.4</b>

## Note 18 / Prepaid expenses and accrued income

Group, December 31	2021	2020
Advances to suppliers	17.1	5.1
Insurance	1.2	0.5
Exhibition expenses	0.9	0.5
IT expenses	0.5	0.2
Other prepaid expenses	1.4	0.3
<b>Total</b>	<b>21.1</b>	<b>6.6</b>

## Note 19 / Share capital

At December 31, 2021 share capital amounted to SEK 44.5 million (44.1), distributed among 44,540,494 shares (44,098,494) with a quotient value of SEK 1.00.

The number of outstanding stock options amounts to 1,200,000 (1,660,000), which entitle the holder to subscribe for 1,200,000 (1,660,000) shares, distributed over two (three) programs.

For more information on the stock options, see The INVISIO Share on page 36 and Note 7.

## Note 20 / Liabilities to credit institutions

Group, December 31	2021	2020
<b>Opening carrying amount</b>	<b>-</b>	<b>-</b>
Loans raised	100.0	-
Amortization of loans	-15.0	-
<b>Closing carrying amount</b>	<b>85.0</b>	<b>-</b>

The table above presents the year's changes in the Group's liabilities to credit institutions. The table includes current and non-current liabilities. The part that falls due for payment within one year is SEK 20 million (-) and within 1-5 years is SEK 65 million (-). No part falls due for payment after 5 years.

Parent company, December 31	2021	2020
<b>Opening carrying amount</b>	<b>-</b>	<b>-</b>
Loans raised	100.0	-
Amortization of loans	-15.0	-
<b>Closing carrying amount</b>	<b>85.0</b>	<b>-</b>

The table above presents the year's changes in the parent company's liabilities to credit institutions. The table includes current and non-current liabilities. The part that falls due for payment within one year is SEK 20 million (-) and within 1-5 years is SEK 65 million (-). No part falls due for payment after 5 years.

## Note 21 / Accrued expenses and prepaid income

Group, December 31	2021	2020
Holiday pay liability	19.4	16.6
Salary and other remuneration	8.4	7.7
Social security contributions	2.9	3.2
Prepaid income	0.9	-
Audit fees	0.8	0.6
Rental of premises	0.6	-
Accrued trade payables	10.2	-
Other accrued expenses	14.2	8.7
<b>Total</b>	<b>57.3</b>	<b>36.8</b>

Parent company, December 31	2021	2020
Social security contributions	0.1	0.1
Audit fees	0.4	0.2
Salary and other remuneration	0.3	0.1
Other accrued expenses	1.0	0.9
<b>Total</b>	<b>1.7</b>	<b>1.4</b>

## Note 22 / Earnings per share

### Earnings per share before dilution

Group	2021	2020
Profit after tax	14.5	61.2
Average number of shares outstanding, thousands	44,358	44,098
<b>Earnings per share before dilution</b>	<b>0.33</b>	<b>1.39</b>

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

### Earnings per share after dilution

Group	2021	2020
Profit after tax	14.5	61.2
Average number of outstanding shares after dilution, thousands	45,060	44,781
<b>Earnings per share after dilution</b>	<b>0.32</b>	<b>1.37</b>

Earnings per share after dilution are based on earnings after tax attributable to equity holders of the parent and a weighted average of the number of shares outstanding, plus a weighted number of shares which would be added if all potential shares giving rise to dilution are converted to shares. Only the option programs whose issue price (measured at fair value under IFRS 2) is less than the average share price for the period can lead to a dilutive effect. The average price for 2021 was SEK 189.51 (150.94).

## Note 23 / Non-cash items

Group	2021	2020
Depreciation/amortization	45.1	12.7
Change in warranty provision	-0.4	0.0
Employee Stock Option Program	3.9	3.5
Retirement of property, plant and equipment	0.0	-
Foreign exchange differences	-0.9	7.8
<b>Total</b>	<b>47.7</b>	<b>24.0</b>
Parent company	2021	2020
Anticipated dividend	-	-110.0
<b>Total</b>	<b>-</b>	<b>-110.0</b>

## Note 24 / Business combinations

On January 29, INVISIO acquired 100 per cent of the shares in Racial Acoustics Ltd and Racial Acoustics Inc.. The total purchase price for the acquisitions was SEK 202.1 million, of which SEK 51.2 million was allocated to goodwill in accordance with the preliminary acquisition analyses. Since the date of the acquisitions, they impacted the Group's net sales with SEK 149.0 million, operating profit with SEK 7.8 million and profit for the year with SEK 5.1 million. The acquisitions would have impacted the Group's net sales by an estimated SEK 160 million, the operating profit by about SEK 9 million, and the profit after tax for the financial year by about SEK 6 million if the acquisition had been completed on January 1, 2021.

The transaction costs for acquisition, taking over during the financial year, amount to SEK 1.8 million (7.2) and are recognized in the administrative expenses item.

The values allocated to intangible assets, such as customer relations, technology and trade marks, have been measured at the discounted value of future cash flows. The amortization period is governed by an assessment of an annual loss of parts of sales referring to the respective asset. Customer relations are amortized over a period of 7 years, trade marks are amortized over a period of 8 years and technology over a period of 15 years. Annual estimated amortization of intangible assets for the acquisition amount to about SEK 11.7 million.

The assets and liabilities included in acquisitions after the close of the financial year, according to preliminary acquisition analyses are as follows:

### SEK million

#### Acquisition price

Purchase price, cash	202.1
<b>Total</b>	<b>202.1</b>

Note 24 (cont) Business combinations

#### Fair value of acquired assets and liabilities

Intangible assets	106.4
Other non-current assets	32.1
Inventories	17.6
Other current assets	37.9
Cash and cash equivalents	16.5
Deferred tax liability	-20.1
Other liabilities	-39.5
<b>Total</b>	<b>150.9</b>
<b>Goodwill</b>	<b>51.2</b>

#### Change in the Group's cash and cash equivalents

Purchase price paid in cash	202.1
Less cash and cash equivalents in acquired operations	-16.5
<b>Impact on the Group's cash and cash equivalents</b>	<b>185.6</b>

## Note 25 / Participations in Group companies

Company	Corporate identity number	Registered office	Participations	Share of equity, %	Book value
INVISIO A/S	20 75 82 36	Hvidovre, Denmark	672 590	100	88.7
INVISIO Communications Inc.	38-4018124	Delaware, USA	100	100	1.0
INVISIO Communications SAS	820 683 654	Paris, France	100	100	0.3
INVISIO Srl	MI - 2128807	Milan, Italy	10 000	100	0.2
Nextlink IPR AB	556691-0385	in Stockholm	1 000	100	2.5
Nextlink Patent AB	556680-1774	in Stockholm	1 000	100	0.1
Racal Acoustics Inc	74-3154816	Delaware, USA	1 000	100	5.0
Racal Acoustics Ltd	GB863378003	Harrow, UK	2 000 000	100	206.1

Parent company, December 31	2021	2020
<b>Opening carrying amount</b>	<b>88.9</b>	<b>85.4</b>
Acquisition of subsidiary	211.1	-
Employee Stock Option Program	3.9	3.5
<b>Closing carrying amount</b>	<b>304.0</b>	<b>88.9</b>

## Note 26 / Related party disclosures

Inter-company transactions are with the parent company's wholly-owned subsidiaries, which is presented in Notes 5 and 25.

Remuneration to the Board of Directors and senior executives is presented in Note 8.

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

## Note 27 / Events after the close of the financial year

The war in Ukraine may affect INVISIO's business, in both the short and long term. However, it is not possible at present to assess the consequences of the conflict for the company. INVISIO does not, however, conduct any sales or operations either in Russia or Ukraine.

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on May 4, 2022 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 administration report for the Group and Parent Company provides a fair review of the development of the Group's and the Parent Company's business, financial position and performance and describes significant risks and uncertainties faced by the Parent Company and the companies that are part of the Group.

Stockholm, April 7, 2022

Annika Andersson  
Chair of the Board

Charlott Samuelsson  
Board member

Charlotta Falvin  
Board member

Lage Jonason  
Board member

Martin Krupicka  
Board member

Ulrika Hagdahl  
Board member

Lars Højgård Hansen  
President/CEO

Our audit report was submitted on April 8, 2022

PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized Public  
Accountant  
Auditor in charge

Tomas Hilmarsson  
Authorized Public  
Accountant

Unofficial translation

# Auditor's report

To the Annual General Meeting of the shareholders of INVISIO AB (publ), corporate identity number 556651-0987

## Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of INVISIO AB (publ) for the year 2021. The company's annual accounts and consolidated accounts are included on pages 51–83 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as at December 31, 2021 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 at December 31, 2021 and of its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the contents of the additional report submitted to the parent company's and the Group's Board in accordance with Article 11 of the Audit Regulation (537/2014).

## Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and we have fulfilled our other ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to Article 5 of the Audit Regulation (537/2014), have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

## Our audit approach Audit focus and scope

We designed our audit by determining materiality and assessing the risk of material misstatement in the financial statements. In particular, we considered areas where the President and Board of Directors made subjective assessments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of systematic bias that represented a risk of material misstatement due to fraud.

We tailored our audit to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, accounting processes and controls, and the industry in which the Group operates.

## Materiality

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

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

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts for the current period. These matters were addressed in the context of the audit of, and in forming our opinion on, the annual accounts and consolidated accounts as a whole, and we do not provide a separate opinion on these matters.

## Other information than the annual accounts and consolidated accounts

This document contains information additional to the annual accounts and consolidated accounts, which can be found on pages 1–50. The Board of Directors and the President are responsible for this other information.

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

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

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

## Responsibilities of the Board of Directors and the President

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

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

### Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts can be found on the website of the Swedish Inspectorate of Auditors: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the President of INVISIO AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 President be discharged from liability for the financial year.

### Basis for Opinions

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

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

### Responsibilities of the Board of Directors and the President/CEO

The Board of Directors is responsible for the proposed appropriations of the company's profit or loss. When proposing a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's

## KEY AUDIT MATTERS

## HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

### Revenue recognition With reference to note 1 and note 3 in the Annual report.

The Group's sales for the year amount to SEK 593 million and consist entirely of sales of goods.

Sales are primarily via a global network of partners and resellers but the company also sells via its own companies in Denmark, the USA, United Kingdom, France and Italy. The volume of transactions entail an increased risk relating to completeness and accuracy of revenue recognition. There is also a risk of incorrect recording of revenue and of non-recording of revenue relating to the financial year.

Our audit approach included substantive testing of sales using data analysis and sample testing of customer contracts to identify any possibilities for customers to return goods.

At the year-end closing we made a detailed examination of accruals of sales and cost of goods sold to ensure correct reporting of sales and cost of goods sold for the financial year.

The examination was conducted with satisfactory results.

### Valuation of Capitalized development expenditure With reference to note 1 and note 11 in the Annual report.

The Group recognizes SEK 93 million related to capitalized development costs, classified as non-current assets in the balance sheet.

Expenses in development projects are recognized as assets when it is probable that the project will be successful in terms of its commercial and technical potential and when the costs can be reliably measured.

Under IFRS annual impairment testing is to take place where depreciation has not yet started. This impairment test is based on estimates and assumptions that are complex and contain a high degree of significant assumptions by the company management. Notes 1 and 11 present how the company management has made its estimates.

Our audit approach includes an examination of the calculation model used and challenging the material assumptions used by the company management in impairment testing, mainly concerning estimated future cash flows based on financial forecasts and strategies approved by the company management. The assumptions reflect the financial targets set up by the Board, market reports concerning future growth and technological trends.

We have also assessed the reasonableness of the budget presented by the company management and approved by the Board by evaluating historical outcomes against budgets adopted. We have tested the effects of changes in material assumptions such as operating profit and discount rate on safety margins and on the basis of these tests assessed the risk of impairment loss.

We also evaluated the company management's assessment of how the Group's calculation models are affected by changes in assumptions and compared this with the information presented in the annual report related to impairment testing.

We share the assessment of the company management concerning recognition of capitalized development costs.

### Measurement of goodwill and intangible assets with an indefinite life including acquired intangible assets

With reference to note 10 and note 24 in the Annual report.

Part of INVISIO's intangible assets have been acquired externally through the acquisition of Racal and represent significant amounts. Assets with indefinite useful life such as goodwill are not subject to yearly depreciation. Instead, an annual test will show whether the carrying amount for the cash generating unit can still be supported.

There are a number of instances where management's judgment is decisive for the accounting treatment in connection with acquiring businesses. Management's estimates of the intangible assets' potential to generate future cash flows and other assumptions are also decisive when preparing the annual impairment tests.

Note 10 contains additional information on the Group's intangible assets and the significant assumptions applied in the annual impairment tests. In note 24 there is additional information about business combinations, accounting principles and acquired intangible assets.

Our audit included but was not limited to the following activities:

Assessed the model used by the Group for impairment testing and evaluated the significant assumptions for establishing forecasted cash flows and discount interest rates used for calculating the value-in-use of the cash generating units. In our evaluation, we have compared with the historic business performance and the Group's forecasts and strategic planning as well as with external data sources when possible and relevant.

Evaluated whether the purchase price allocations of the significant acquisitions made during the year meet the requirements of IAS 36 and IFRS 3 and have been prepared according to generally accepted practices. Assessed that significant assumptions used to measure values of acquired assets are reasonable. We have involved valuation specialists when conducting our work.

Traced disclosure information to accounting records and other supporting documentation.

type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and management of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs in other respects are controlled in a satisfactory manner. The President shall conduct the day-today management in accordance with the Board of Directors' guidelines and instructions and take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a satisfactory manner.

#### Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration can be found on the website of the Swedish Inspectorate of Auditors: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

#### The auditor's examination of the ESEF report Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of

the Swedish Securities Market Act (2007:528) for INVISIO AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #[49aab85503ca012423abded076026d6db18bcf6ab0aa1d236ad36a88c8e83b8a] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

#### Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of INVISIO AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

PricewaterhouseCoopers AB, Box 4009, 203 11 Malmö, was appointed as auditor of INVISIO AB (publ) by the general meeting held on April 28, 2021 and has been the company's auditor since April 11, 2008.

Malmö April 8, 2022

PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized Public Accountant  
Auditor in charge

Tomas Hilmansson  
Authorized Public Accountant



# Financial key figures, alternative performance measures and other definitions

INVISIO's financial statements include both financial key figures that are specified in current financial reporting rules, alternative key figures (APM) in accordance with ESMA's definition and other key figures related to the business. The alternative performance measures are regarded as relevant for an investor who wants to understand the company's results and financial position better. Definitions and reconciliation of the alternative performance measures that are not directly reconcilable with the financial statements can be found in this page spread. Reconciliation is against the closest comparable IFRS financial measure.

## Gross margin

Gross profit as a percentage of total income.

## Operating margin

Operating profit as a percentage of total revenue.

## Profit margin

Profit for the year as a percentage of total revenue.

## EBITDA

Operating profit before depreciation and impairment losses.

## EBIT (Operating profit)

Operating profit after depreciation and impairment losses. INVISIO defines EBIT in the same way as the key figure operating profit.

## Operating expenses

Selling and marketing costs, Administrative expenses and Development costs.

## Net financial items

Financial income less Financial expenses.

## Equity/assets ratio

Equity divided by total assets (balance sheet total).

## Number of employees at close of period

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

## Investments in R&D

Expenditure for research and development less amortization of intangible assets and capitalized development costs.

## Number of shares

Number of outstanding shares at the close of the period.

## Number of shares after dilution

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

## Average number of outstanding shares

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

## Average number of outstanding shares after dilution

Weighted average of the number of outstanding shares during the period plus a weighted number of shares that would be added if all

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

## Earnings per share

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

## Earnings per share after dilution

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

## Equity per share

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

## Shareholders' equity per share after dilution

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

## Operating profit excluding acquisition costs

Operating profit excluding non-recurring acquisition costs. Non-recurring acquisition costs are one-off costs that arise in connection with acquisitions.

# Reconciliation of alternative performance measures

<b>January–December (SEK million)</b>		<b>2021</b>	<b>2020</b>
Gross profit	A	340.4	309.0
Operating expenses	B	-315.5	213.6
<b>EBIT (Operating profit)</b>	<b>A-B</b>	<b>24.9</b>	<b>95.4</b>
EBIT (Operating profit)	A	24.9	95.4
Depreciation/amortization and impairment, intangible assets and property, plant and equipment	B	45.2	12.7
<b>EBITDA</b>	<b>A+B</b>	<b>69.9</b>	<b>108.1</b>
Research and development costs	A	90.9	56.1
Amortization of intangible assets	B	18.9	6.4
Capitalized development costs	C	14.9	19.1
<b>Investments in R&amp;D</b>	<b>A-B+C</b>	<b>86.8</b>	<b>68.8</b>
EBIT (operating profit)	A	24.9	95.4
Acquisition-related non-recurring costs	B	1.8	7.2
<b>EBIT excluding acquisition costs</b>	<b>A+B</b>	<b>26.7</b>	<b>102.6</b>
<b>31 December</b>		<b>2021</b>	<b>2020</b>
Equity, SEK million	A	417.5	378.9
Number of shares, thousands	B	44 540	44 098
<b>Equity per share, SEK</b>	<b>A/B</b>	<b>9.37</b>	<b>8.59</b>
Equity, SEK million	A	417.5	378.9
Number of shares after dilution, thousands	B	45 098	45 758
<b>Shareholders' equity per share after dilution, SEK</b>	<b>A/B</b>	<b>9.26</b>	<b>8.28</b>

# Five-year review

<b>Income statements, January–December (SEK million)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total revenue	593.0	532.0	513.8	354.5	365.7
Cost of goods sold	-252.6	-222.9	-200.5	-154.7	-163.4
<b>Gross profit</b>	<b>340.4</b>	<b>309.0</b>	<b>313.3</b>	<b>199.7</b>	<b>202.3</b>
Operating expenses	-270.5	-200.9	-170.7	-132.0	-119.4
Depreciation/amortization and impairment losses	-45.1	-12.7	-10.0	-4.3	-4.4
<b>Operating profit</b>	<b>24.9</b>	<b>95.4</b>	<b>132.6</b>	<b>63.5</b>	<b>78.5</b>
Net financial items	-1.3	-10.5	1.5	0.7	-5.1
<b>Profit/loss before tax</b>	<b>23.5</b>	<b>84.9</b>	<b>134.1</b>	<b>64.2</b>	<b>73.5</b>
Income tax	-9.0	-23.7	-32.5	-16.0	-11.2
<b>Profit/loss for the year</b>	<b>14.5</b>	<b>61.2</b>	<b>101.6</b>	<b>48.2</b>	<b>62.3</b>

<b>Balance sheets, December 31 (SEK million)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	236.4	94.8	85.6	49.7	27.7
Property, plant and equipment	17.1	4.1	3.1	4.4	4.5
Rights of use, leases	33.7	24.0	25.3	-	-
Financial assets	5.6	5.1	4.1	17.3	27.4
<b>Total non-current assets</b>	<b>292.9</b>	<b>128.0</b>	<b>118.0</b>	<b>71.4</b>	<b>59.6</b>
<b>Current assets</b>					
Inventories	117.5	115.7	95.6	101.3	36.3
Trade receivables	117.6	100.4	111.0	104.6	121.1
Other current receivables	27.3	14.0	10.0	16.2	12.1
Cash and cash equivalents	134.8	157.7	145.1	62.2	113.2
<b>Total current assets</b>	<b>397.1</b>	<b>387.8</b>	<b>361.7</b>	<b>284.3</b>	<b>282.6</b>
<b>TOTAL ASSETS</b>	<b>690.0</b>	<b>515.8</b>	<b>479.7</b>	<b>355.7</b>	<b>342.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>	<b>417.5</b>	<b>378.9</b>	<b>366.0</b>	<b>292.0</b>	<b>259.9</b>
<b>Long-term liabilities</b>					
Liabilities to credit institutions	65.0	-	-	-	-
Lease liabilities	26.5	19.6	22.0	-	-
Deferred tax liabilities	35.5	20.5	6.5	-	-
<b>Total long-term liabilities</b>	<b>127.0</b>	<b>40.1</b>	<b>28.5</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Liabilities to credit institutions	20.0	-	-	-	-
Trade payables	34.1	35.3	29.8	39.6	49.7
Lease liabilities	7.8	4.2	3.9	-	-
Other current liabilities	83.7	57.3	51.5	24.1	32.7
<b>Total current liabilities</b>	<b>145.6</b>	<b>96.8</b>	<b>85.2</b>	<b>63.7</b>	<b>82.3</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>690.0</b>	<b>515.8</b>	<b>479.7</b>	<b>355.7</b>	<b>342.2</b>

## Five-year review (cont)

<b>Cash flow statement, January-December (SEK million)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Profit/loss before tax	23.5	84.9	134.1	64.2	73.5
Adjustments for non-cash items	47.7	24.0	8.7	2.0	7.3
Income tax paid	-9.0	-12.3	-2.8	-4.8	-2.7
<b>Cash flow from operating activities before changes in working capital</b>	<b>62.2</b>	<b>96.7</b>	<b>140.0</b>	<b>61.4</b>	<b>78.1</b>
Cash flow from changes in working capital	28.8	-11.1	18.4	-64.3	-67.2
<b>Cash flow from operating activities</b>	<b>91.0</b>	<b>85.6</b>	<b>158.4</b>	<b>-3.0</b>	<b>10.9</b>
<b>Cash flow from investing activities</b>	<b>-191.9</b>	<b>-25.4</b>	<b>-40.8</b>	<b>-25.1</b>	<b>-15.0</b>
<b>Cash flow from financing activities</b>	<b>73.0</b>	<b>-39.5</b>	<b>-34.2</b>	<b>-26.5</b>	<b>-18.3</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>-27.9</b>	<b>20.7</b>	<b>83.4</b>	<b>-54.6</b>	<b>-22.4</b>

<b>Key figures</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Margins</b>					
Gross margin, %	57.4	58.1	61.0	56.4	55.3
Operating margin, %	4.2	17.9	25.8	17.9	21.5
Profit margin, %	2.4	11.5	19.8	13.6	17.0
<b>Capital structure</b>					
Equity ratio, %	60.5	73.5	76.3	82.1	75.9
<b>Other</b>					
Number of employees at close of year	187	125	101	82	73
<b>The INVISIO share</b>					
Number of shares at close of period, thousands	44 540	44 098	44 098	44 098	44 098
Earnings per share, SEK	0.33	1.39	2.30	1.09	1.42
Earnings per share after dilution, SEK	0.32	1.37	2.30	1.09	1.41
Equity per share, SEK	9.37	8.59	8.30	6.62	5.89
Shareholders' equity per share after dilution, SEK	9.26	8.28	8.11	6.62	5.89
Share price at close of period, SEK	163.80	250.00	101.80	56.90	79.25

## Financial calendar

<b>Interim report January–March 2022</b>	<b>May 4, 2022</b>
<b>Annual General Meeting 2022</b>	<b>May 4, 2022, at 13.00</b>
<b>Interim report January–June 2022</b>	<b>July 22, 2022</b>
<b>Interim report January–September 2022</b>	<b>October 27, 2022</b>

The Annual General Meeting 2022 will be held in Stockholm and the notice to attend can be found at [www.invisio.com/IR](http://www.invisio.com/IR)

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