



WORLD LEADER IN SPECIALIZED VOICE COMMUNICATION

With its world-class expertise and technology, INVISIO enables disruption-free and clear voice communication in all environments, even under extreme conditions, such as loud noise, heat, and underwater. Founded on expertise in the field of sound transmission and the patented technology INVISIO Bone Conduction, the company develops, manufactures, markets, and sells advanced headsets, control units and associated equipment for use with two-way radio. The company's communications solutions are available to professional users in the military and military special forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. Certain of the company's communications products also offer protection against hearing loss and tinnitus.

INVISIO is a Swedish public company and its registered office is in Stockholm, Sweden. The company is listed on NASDAQ OMX First North Premier Segment (rvso), an alternative marketplace operated by NASDAQ OMX Stockholm. For more information, please see www.invisio.com.

► VISION

To enable people to communicate comfortably in all sound environments.

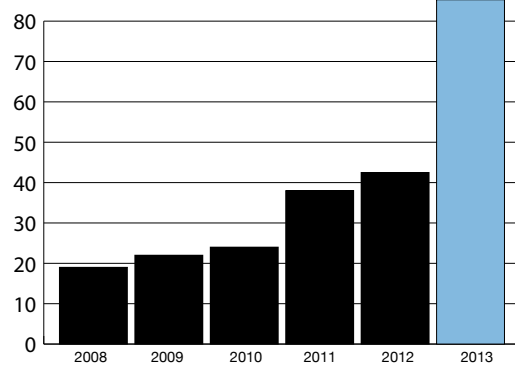
► MISSION

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

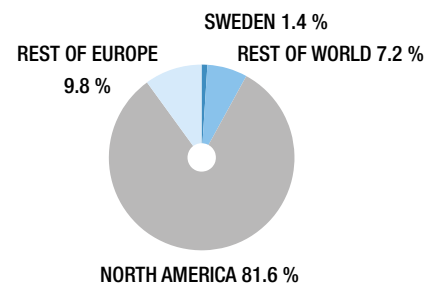
► BUSINESS CONCEPT

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

SALES PROFESSIONAL PRODUCTS, SEK MILLIONS



TOTAL INCOME PER GEOGRAPHICAL AREA



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PROFIT WITHIN REACH

2013 AT A GLANCE

- INVISIO made sales worth SEK 85.3 m, 98 % more than the previous year.
- The gross margin amounted to 43.5 %.
- As per December 30, INVISIO had 408 (209) shareholders, representing an increase of 95 %.
- The final closing price as per December 30 was SEK 5.05. In total, more than 5.7 million shares worth SEK 27.4 m were traded.

	2013	2012
Sales	85.3	43.0
Gross profit	37.0	18.1
Gross margin (%)	43.5	42.1
EBITDA	-5.3	-20.6
Operating profit/loss	-10.5	-25.8
Loss for the year	-10.5	-29.5
Earnings per share	-0.27	-0.83

“We have increased our sales every year since 2008, when we started working with the new strategy. We are now a world leader in a niche which is becoming more and more interesting.”

Lars Højgård Hansen, CEO

IMPORTANT EVENTS IN 2013

- Received its biggest order to date, totaling SEK 40 m. This order relates to the military program TCAPS, which is administered by PEO Soldier within the U.S. Army.
- Received an additional order worth SEK 4.8 m from the army of a NATO country.
- Received an order worth around SEK 4.8 m from Australia via its distribution partner Defcon Technologies.
- Received an order worth SEK 7.6 m from a NATO country.
- Strengthened its financial position by means of two directed new share issues of around SEK 10 m and around SEK 5.7 m respectively, and also extended its amortization plans.
- The outgoing backlog of orders at December 31 amounted to SEK 50.0 m

IMPORTANT EVENTS AFTER YEAR-END

- The company receives an order worth SEK 5.2 m from a NATO country for a number of INVISIO V60 communication system units.
- The company receives an order worth SEK 1.8 m from Australia via its distribution partner Defcon Technologies.
- The company receives an additional order worth SEK 20 m from the TCAPS military program.

“One milestone for our positive development was our most important order to date, which we received in October last year. This totaled SEK 40 m and came from the American military program TCAPS”



2011: SEK 41.5 million

CONSOLIDATED MARKET POSITION AND PROFIT WITHIN REACH

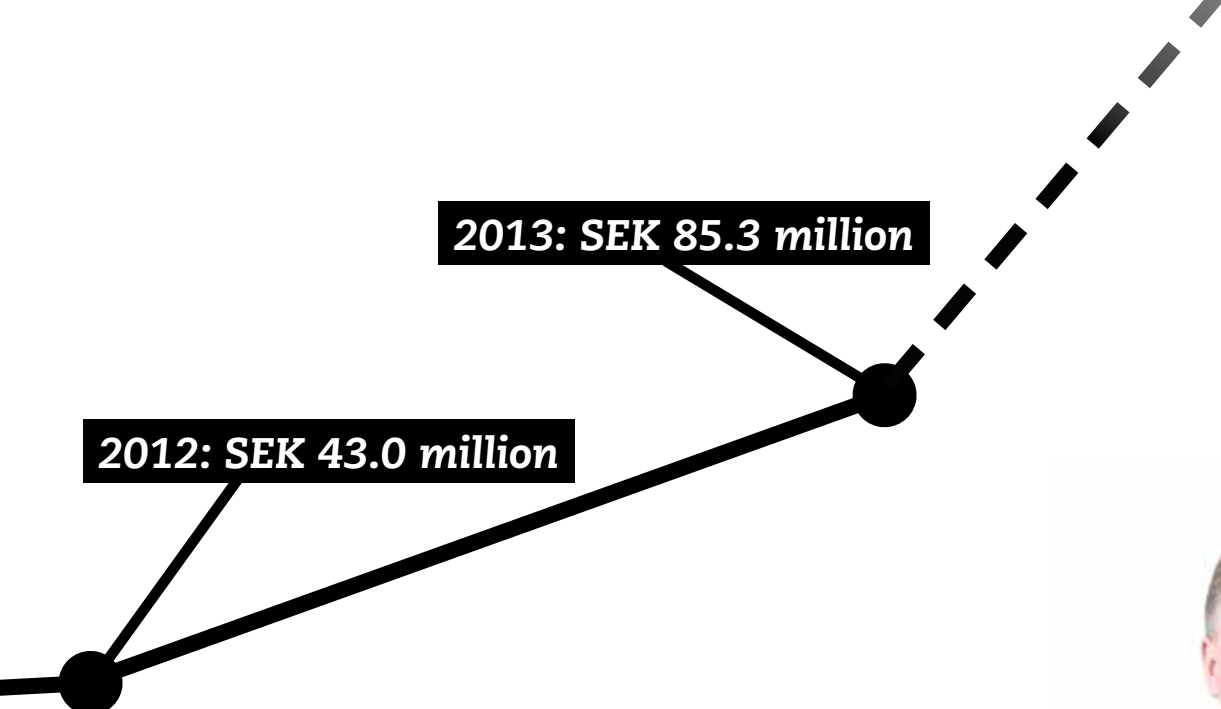
2013 was a breakthrough year for INVISIO. Sales nearly doubled from SEK 43.0 million to SEK 85.3 million, and earnings improved greatly at the same time. We have increased our sales every year since 2008, when we started working with the new strategy. We are now a world leader in a niche which is becoming more and more interesting.

I explained that profitable business was within reach in the annual report for 2012. After a strong second six months of the year, with a number of very important orders, I feel even more secure in the knowledge that we will soon be a profitable company undergoing continuing growth.

One milestone for our positive development was our most important order to date, which we received in October last year. This totaled SEK 40 m and came from the American military program TCAPS. The aim of TCAPS is to give American soldiers outstanding hearing protection while also maintaining normal hearing during use, even under demanding conditions. Various communication solutions which include hearing protection have been thoroughly tested and evaluated within the scope of TCAPS for a long time now, and INVISIO's solution has now been approved for use. This is a great feather in the cap of our world-

leading communication solutions, while also reinforcing our business opportunities both in the USA and elsewhere. We are expecting to have the opportunity to bring in more orders of a similar nature within this program in the next few years.

TCAPS is an excellent example of the potential offered by the major military modernization programs taking place in some 40 countries around the world, according to our estimates. We are therefore very optimistic about continued sales opportunities within programs of this type, although it is hard for us to determine and influence the final time for customers' orders or exactly when procurement procedures will be implemented. At the same time, the order from TCAPS consolidates our position on what we call the volume market, which includes major programs and projects involving thousands of users.



2012: SEK 43.0 million

2013: SEK 85.3 million

We are also seeing a development all over the world whereby demands for hearing protection in communication solutions are becoming more stringent. These are trends which suit us very well, given our world-leading technology and solutions in the field.

We also received a number of other significant orders during the year. Among other things, we have concluded important agreements with military customers in a number of other NATO countries. This has helped us to strengthen our position among them. It is pleasing to note that these orders are coming from repeat customers to a greater extent, and that the size of the orders has grown. We used to receive orders worth a million or so, but our order values are now around the five million mark or more. In other words, we have no doubts that there is a market for us out there.

We have continued to build the company INVISIO for the future over the year. Our ambition is to achieve profitable growth, and to achieve this we need not only world-leading products and customers who want to buy them, but also a foundation in the form of structure and processes. Our emphasis on quality is a vital element in this work. We gained accreditation to the ISO standard 9001:2008 in 2013. This is acknowledgment of the fact that we have an organization which works well in order to deliver the quality our customers demand and the results that our owners expect.

In 2013, we implemented new share issues totaling SEK 15.7 million and altered our amortization plans for loans so as to finance the ongoing expansion as effectively as possible. I view this as a proactive investment in the future. Our strategy involving focusing on products for demanding professionals has proven to be the right one. We said previously that sales worth around SEK 110-115 million are our

breakeven level. Given the fact that our sales totaled over SEK 85 million in 2013, becoming a profitable company is within reach in 2014. We are also seeing a continued high level of customer inquiries and tests which indicate this, as well as outstanding tenders.

Our long-term owners have been and continue to be one of our strengths. It is pleasing to have their confidence in what we are doing. We are also proud of the large number of new owners who became aware of INVISIO and came on board during the year: their numbers have almost doubled compared with 2012.

We approach 2014 with great confidence. INVISIO has a broad, world-leading product portfolio, a stable customer base, and more and more confidence from the market, and we have fine-tuned our processes and organization step by step. In other words, we are well placed to face the future.

I would like to thank all our talented staff who helped us achieve our fantastic results in 2013. 2014 is looking bright, with major opportunities for continuing growth and profits.

Stockholm, March 2014

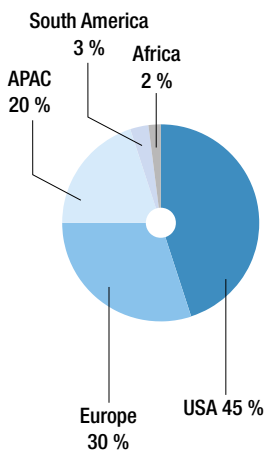
Lars Højgård Hansen,
CEO



MARKET WITH POSITIVE DRIVING FORCES

INVISIO operates on a market offering major potential for growth. A number of driving forces are benefiting our business and providing good opportunities for growth. Despite the fact that the world economy remains weak, the ongoing military modernization programs is the primer driver of the market for INVISIO products.

Distribution of the value of the total annual market for communications accessories for two-way radio



INVISIO is active in a world which is still suffering from the effects of the credit crunch, with weak economic growth in many quarters and restraint in public and military investments. We operate within a narrow niche, and because of this we are affected only marginally by macroeconomic conditions. Cutbacks affect major investments in the first instance, often weapon systems worth millions or tens of millions of dollars. INVISIO supplies systems worth small amounts of money in the great scheme of things. Our systems can also pay for themselves quickly, as less hearing loss means major savings for purchasers. Therefore, we are expecting to see continued good growth and an increase in demand irrespective of macroeconomic conditions.

Driving forces benefiting INVISIO

INVISIO operates on a competitive market offering excellent potential for growth. The market for communication and hearing protection is not a new one. The need to prevent hearing loss has existed for a long time, as has the need to be able to communicate even in very demanding and harsh environments. A number of trends have all come together, resulting in excellent opportunities for growth.

INVISIO estimates the value of the entire annual market for communications accessories for two-way radio to be worth more than four billion Swedish kronor. The US is the largest single market with about 45 percent of global sales,

followed by Europe with 30 percent, the Asia Pacific region with 20 percent, South America with 3 percent and Africa with 2 percent.

The global market for professional users of radio equipment offers considerable potential for growth due to the technology transition from analog to digital and with more and more professions realizing the advantages of advanced headsets. At the same time, the demand for hearing protection for all user categories is increasing.

The primary driving force on INVISIO's market are the ongoing military modernization programs all over the world, where existing equipment is being upgraded or replaced. "In-ear" headsets and hearing protection are often a requirement of programs which include radio and communication solutions. There are around 50 such current or imminent programs in almost 40 countries, the most extensive of these being based in North America and Europe. Major initiatives are also taking place in Asia, South America and Africa, however. We can see that the market is growing. A number of military procurement procedures for communication equipment are expected to take place over the coming year. Procurement of communications equipment involves huge sums of money, running into many millions. Other suppliers of communications equipment with extensive experience of the industry have announced orders from military programs amounting to several hundred million Swedish kronor.

3

IMPORTANT DRIVING FORCES

1

EFFECTIVE COMMUNICATION SOLUTIONS IN ALL ENVIRONMENTS:

More stringent demands, not least in the military, are making clear communication more and more important. Simply reducing noise is not enough. What is needed is a communication solution which can combine ease of use, good hearing protection and crystal clear sound.

2

FOCUS ON HEARING PROTECTION:

Awareness of the effects of hearing loss have increased over the last few years. This means there is more of a need for solutions which protect users' hearing.

3

FLEXIBLE PRODUCTS:

Technical development has created new opportunities as awareness of good communication and hearing protection goes on growing. Nowadays traditional headsets are still in demand for the majority of the market, but these are rapidly being replaced by modern in-ear headsets.

“There are currently around 50 military modernization programs in progress in almost 40 countries.”

Growing need in other market segments

Digitization is an important driving force for the market for advanced equipment for communication and hearing protection. The new technology creates completely new opportunities, but it also demands major investments.

The police, fire service and other emergency services are being integrated in modern communication solutions. One of the most important digitization projects is TETRA, digital radio technology which was developed in the 1990s. TETRA facilitates communication in different ways, which means that more organizations such as rescue services and police forces all over the world are replacing their old analog systems with digital. The transition from analog systems to TETRA means that all communications equipment, from hand-held radios to exchanges and base stations, must be replaced. This means very good business opportunities for suppliers of the various components in these communications solutions. Once the TETRA systems are in place, the next step for end users is to start to review peripheral TETRA equipment such as communication solutions in the new radio network. TETRA projects were ongoing in 125 countries at the end of 2012, and new countries are being added to that list all the time. TETRAPOL and APCO25 are similar ongoing projects.

Hearing loss

Hearing loss is a growing problem in many industries. Quite apart from the human suffering caused by hearing loss and tinnitus, noise and excessive noise may lead to problems such as sleep disturbances, impaired work performance, raised blood pressure and impaired concentration. They also involve

major financial expenses for employers, insurance companies and society. For instance, the American federal government pays more than SEK 7 billion a year in compensation and for treatment of its military veterans who have been affected by impaired hearing and tinnitus while on active service. Since July 2010, the EU Noise at Work Directive has made it a requirement for companies and organizations to protect their employees from noise exceeding 85dB.

This means that there are strong reasons – in rational, financial, and human terms – to invest in good hearing protection. It is good for individuals and an investment that rapidly pays for itself.



TETRA (Terrestrial trunked radio) is a standard for mobile radio systems. This system is used mainly by the emergency services, police, ambulance service, etc. in emergencies. TETRA makes it easier to coordinate emergency response operations as one and the same communications system is used by all of the organizations involved, and increasingly also by the emergency services in different countries.

“We expect the market to continue to grow over the next few years. Customers’ emphasis will shift more towards modern in-ear headsets.”

Fragmented competition

The market for communications equipment in noisy environments is currently subject to tough competition. However, a few decades ago several of the areas where INVISIO’s products are currently used lacked any form of viable technology. This means that technical development in itself contributes to market growth.

There are currently two main ways to facilitate communication and hearing protection in harsh environments. One of these is the traditional headset of the circumaural type, with noise-reducing cups worn over the ears. The other way is to use small headsets placed inside the ears.

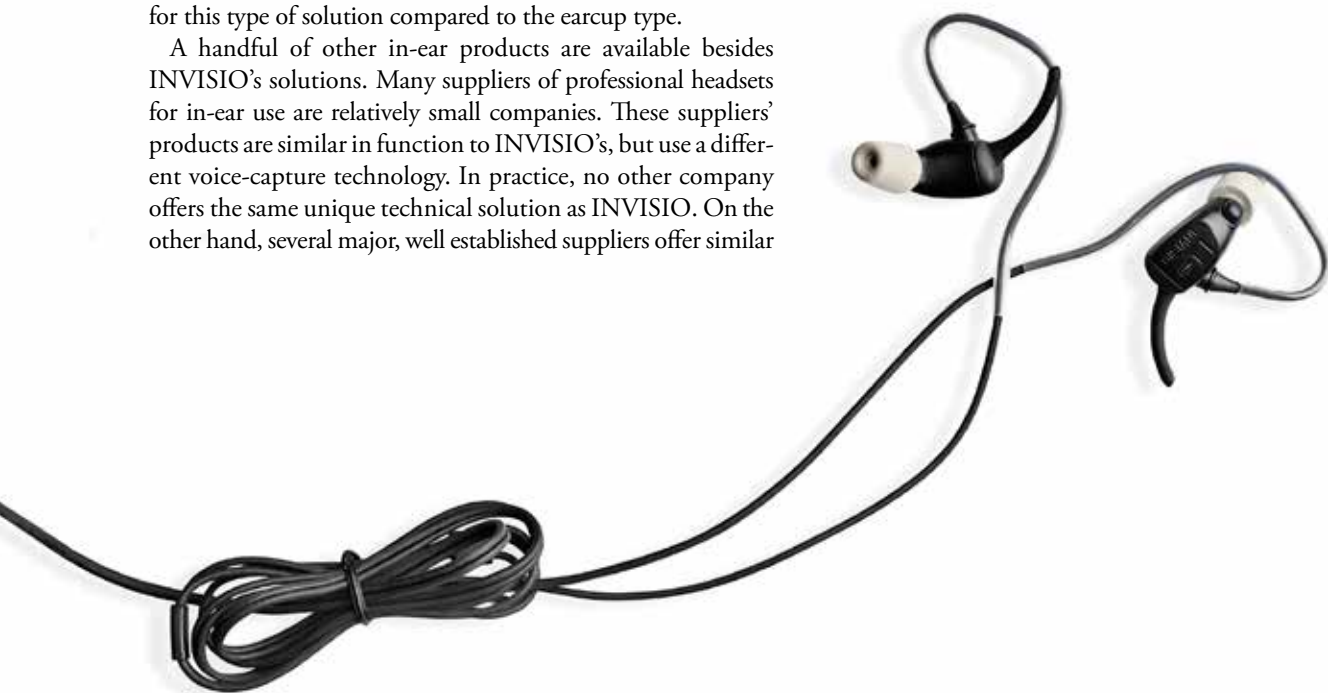
The former is a mature market dominated by a small number of major companies. In-ear headsets are a relatively new technology, and both smaller and larger companies are competing in this field.

The market continues to be dominated by traditional circumaural technology. However, it is clear that customers are in the process of forsaking or supplementing this technology in favor of more modern headsets. Find out more about these two technologies on page 21. More and more procurement procedures in the military and among civilian customers specifically require the supplier to provide in-ear headsets. Ergonomics, functionality, and performance are equally or more important for this type of solution compared to the earcup type.

A handful of other in-ear products are available besides INVISIO’s solutions. Many suppliers of professional headsets for in-ear use are relatively small companies. These suppliers’ products are similar in function to INVISIO’s, but use a different voice-capture technology. In practice, no other company offers the same unique technical solution as INVISIO. On the other hand, several major, well established suppliers offer similar

functionality by using other technical solutions. A number of our competitors use digital noise reduction to attempt to eliminate disturbances captured by the external microphone. There are various ways of achieving this, but none of their products give the same sound quality as INVISIO Bone Conduction. With INVISIO Bone Conduction, there are no disturbances to filter out because only the voice is captured from the vibrations of the jawbone, while ambient noise is blocked out by the headset in the ear. Find out more about our technology on pages 20-21.

We expect the market to continue to grow over the next few years. Customers’ emphasis will shift more towards modern in-ear headsets. We are planning for organic growth and expecting to be able to grow and take market shares thanks to our unique combination of in-ear headsets and Bone Conduction microphones.



OUR CUSTOMER SEGMENTS: LIFE AND DEATH COMMUNICATION

In certain professions, extreme situations and environments are the norm rather than the exception. When people work in teams in difficult or dangerous conditions, communication is vital. The ability to be heard and receive instructions, despite not being able to hear your own voice in noisy surroundings, can mean the difference between life and death when firefighters are in a burning building, the police are attempting to manage a riot, or military forces are under attack.

The military

In the military's regular units and special forces, extreme noise from helicopters, heavy vehicles, explosions, and gunfire are a part of everyday life. For these people, communication can mean the difference between mission success and failure, between life and death. Most of the world's military organizations continually review their equipment through modernization programs. Soldiers in the field are equipped with advanced new technology and modern personal protective equipment. Programs that include communications equipment demand modern, high-performance technology that is also user-friendly and can be integrated with new and existing systems. For special forces, the ability to communicate in whispers is important as they can find themselves in situations that require this. Procurement processes often demand in-ear headsets and hearing protection, which is what INVISIO offers. Military commanders want to prevent acute hearing loss and deafness due to explosions and gunfire in the short term, and in the long term they also want to reduce problems with disorders such as tinnitus. It also reduces costs when it comes to compensation relating to occupational injuries.

Fire departments

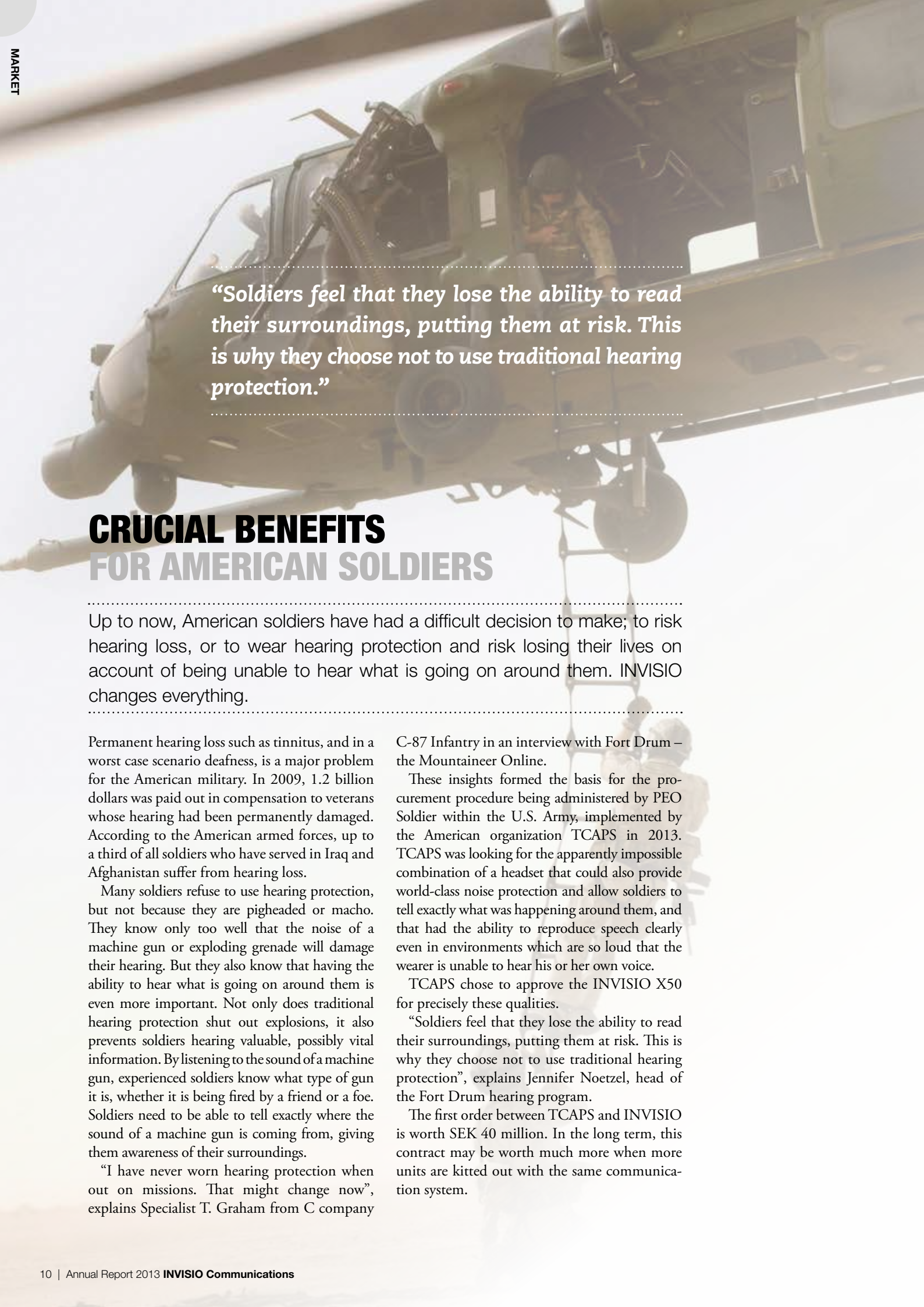
For firefighters who save lives and coordinate actions, clear communication is a must. Sound waves have trouble traveling when flames are roaring and consuming all the oxygen in the air, and when building structures collapse it is difficult to hear anything in regular headphones or to make yourself understood over a microphone. Holding onto a communications radio while also handling equipment is completely out of the question, but firefighters have to be able to communicate without interruption with both colleagues and the commander on the fireground. Communications equipment must also be able to withstand extreme heat.

Police

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

Heavy industry

Work environments are often noisy in heavy industry such as mining, paper mills, and the oil industry. Communication is very important as these environments are often hazardous and the equipment is both complex and costly. In potentially explosive environments, the equipment must also be made safe against this. There is a major need for effective solutions as many major corporations manage their operational communications via a radio network and use two-way radios. These environments are often hazardous, and the equipment is both complex and costly. Problems with communication can lead to costly and hazardous accidents or mistakes. In industry, too, it is important to protect the hearing of personnel while still allowing them to communicate.



“Soldiers feel that they lose the ability to read their surroundings, putting them at risk. This is why they choose not to use traditional hearing protection.”

CRUCIAL BENEFITS FOR AMERICAN SOLDIERS

Up to now, American soldiers have had a difficult decision to make; to risk hearing loss, or to wear hearing protection and risk losing their lives on account of being unable to hear what is going on around them. INVISIO changes everything.

Permanent hearing loss such as tinnitus, and in a worst case scenario deafness, is a major problem for the American military. In 2009, 1.2 billion dollars was paid out in compensation to veterans whose hearing had been permanently damaged. According to the American armed forces, up to a third of all soldiers who have served in Iraq and Afghanistan suffer from hearing loss.

Many soldiers refuse to use hearing protection, but not because they are pigheaded or macho. They know only too well that the noise of a machine gun or exploding grenade will damage their hearing. But they also know that having the ability to hear what is going on around them is even more important. Not only does traditional hearing protection shut out explosions, it also prevents soldiers hearing valuable, possibly vital information. By listening to the sound of a machine gun, experienced soldiers know what type of gun it is, whether it is being fired by a friend or a foe. Soldiers need to be able to tell exactly where the sound of a machine gun is coming from, giving them awareness of their surroundings.

“I have never worn hearing protection when out on missions. That might change now”, explains Specialist T. Graham from C company

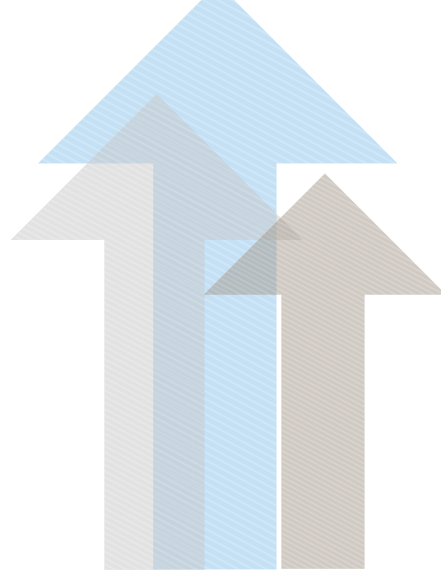
C-87 Infantry in an interview with Fort Drum – the Mountaineer Online.

These insights formed the basis for the procurement procedure being administered by PEO Soldier within the U.S. Army, implemented by the American organization TCAPS in 2013. TCAPS was looking for the apparently impossible combination of a headset that could also provide world-class noise protection and allow soldiers to tell exactly what was happening around them, and that had the ability to reproduce speech clearly even in environments which are so loud that the wearer is unable to hear his or her own voice.

TCAPS chose to approve the INVISIO X50 for precisely these qualities.

“Soldiers feel that they lose the ability to read their surroundings, putting them at risk. This is why they choose not to use traditional hearing protection”, explains Jennifer Noetzel, head of the Fort Drum hearing program.

The first order between TCAPS and INVISIO is worth SEK 40 million. In the long term, this contract may be worth much more when more units are kitted out with the same communication system.

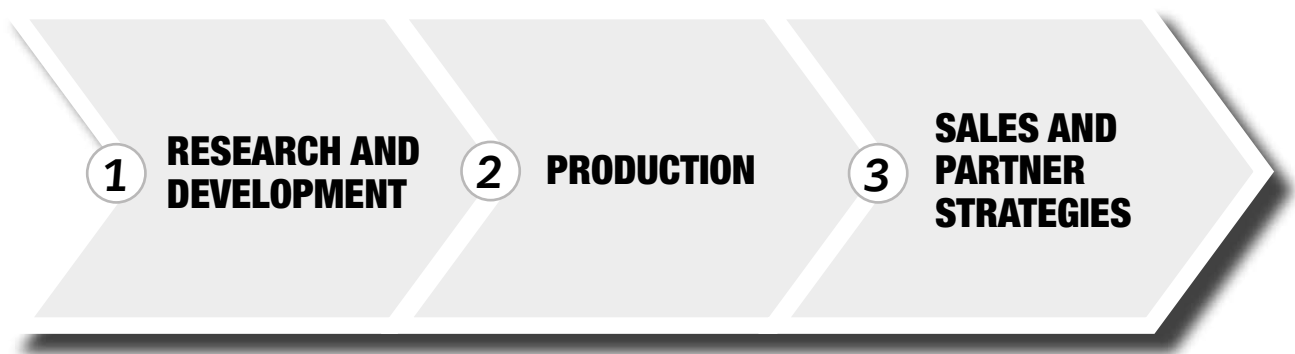


EVER STRONGER MARKET POSITION

We are working our way forward, step by step, on the basis of our core skills in the field of sound and our ambition to give people the opportunity to communicate without problems in all sound environments. 2013 heralded a new year of success in which we continued to strengthen INVISIO's market position, technical leadership in the industry, and not least our sales. These successes indicate that our business model and strategies are working well.

INVISIO's business objective is to be a market-leader in communications solutions in all customer segments, featuring the best possible speech and sound quality and so to achieve good profitability. To do this, we need to continue to be an interesting partner by continuing to develop products and solutions which meet our customers' needs.

OUR BUSINESS CAN BE SUMMARIZED AS FOLLOWS:



► VISION

To enable people to communicate comfortably in all sound environments.

► MISSION

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

► BUSINESS CONCEPT

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



1

Research and development

► Own development and partnerships

Research and development are core activities within INVISIO's business. We develop communication solutions such as advanced headsets, control units, and associated equipment for use with two-way radio. Most of our research and development takes place in-house, but we are also building up a knowledge of user requirements through close partnerships with customers, such as various military and police organizations. Our own resources and expertise in the field of research and development are used primarily for our own development projects under the INVISIO brand.

► Expert knowledge

About half of our 30 or so staff members are engineers with specialist knowledge of acoustics, mechanics, electronics, and software and they work on developing and adapting the company's various products and solutions. INVISIO has major advantages thanks to the company's origins in world-leading Danish expertise in the fields of acoustics and audio technology.

► Patent strategy

We have been developing knowledge within a number of key technologies over the past 14 years. Our strategy involves actively developing and applying for patents in the fields of communications and audiology. We are constantly evaluating new inventions and developments which may be suitable for

patenting, and we take the potential commercial value into account in each and every case. All this takes place as an integral part of the product development process. At the same time, we have to balance our costs, efforts and options. This is why we should not invest in the creation of a huge patent portfolio with lots of detailed qualities. Instead, we focus our resources on fewer but extensive high quality patents which can create significant competitive advantages for us.

We currently have the two patent families: INVISIO Bone Conduction, a small ear microphone that picks up vibrations in the user's jawbone and converts these into sound, and the Soft Spring™ earpiece, an ergonomically designed and motion tolerant fastening device consisting of a soft rubber spring that fastens the headset in the ear. INVISIO Custom Protect Hearing Protection, which is a technology for protecting against hearing loss.

2

Production

Product quality and delivery reliability are crucial in the professional market. This is why all manufacturing of our professional products takes place in Scandinavia and is conducted by carefully selected companies, including Swedish firm PartnerTech in Malmö. For us, it is strategically important to have our production partners within arm's reach, not least so that we can guarantee the quality of production.

3

Sales and partner strategy

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

Our sales strategy aims to achieve geographical diversification, as well as expanding sales to a number of customer segments. Sales were previously concentrated in a few markets and customer segments, but since 2010 we have continued to expand our scope and breadth. With the company's new, expanded product portfolio and a greater number of partners in all customer segments, we are now in a position to reach out to many more potential end customers. We are also attempting to increase our market presence by means of market communication and by taking part in international trade fairs.

As well as direct sales, we sell via strategic partners such as system integrators, radio manufacturers and dealers. We are constantly working to increase the number of cooperations with these.

► Strategic cooperations

Strategic partnerships are an important factor in our success. This is why our sales take place via a small number of strategically important partnerships with system integrators and radio manufacturers. It is primarily together with them that INVISIO participates in tendering for what are known as military modernization programs. Many existing and potential end customers prefer to buy complete communication systems, including radios, from a single supplier.

► Sales through dealers

Sales take place via a fairly large number of specialist dealers. A number of new retailers have been added since 2010 in Europe,

North America and parts of Asia. Our sales in some cases are to main dealers that sell in turn to other dealers on agreed markets. An important example is TEA, which is INVISIO's main dealer on the American market.

► Direct sales

Direct sales take place via our own sales staff. Numbers of direct sales can vary widely from year to year, depending on individual orders.

QUALITY WORK

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

- EN/ISO 9001:2008
- EN/ISO 80079-34:2011
- CE labeling (EU directives: LVD, EMC, RoHS, ATEX)
- Other directives such as WEEE, REACH and IECEx



STRATEGIC ADVANCES

In 2008, we made a decision to focus our offer on products and solutions to the professional market instead of the consumer market. We are now active within the global niche for advanced systems for hearing protection and disruption-free communication under demanding conditions. The change in the company's strategy has been successful, and we have made a number of strategic advances since then:

► Extended product portfolio

We have invested major resources in research and development so as to work on the basis of our core expertise – audiology, sound transmission, and hearing protection – to devise world-leading communication solutions for professional users in demanding environments. We have expanded our range of products, from just headsets to communication solutions with headsets, control units, and peripheral equipment for use with two-way radio. The V60 communication system is our latest communication system, launched in 2012 (find out more about this on pages 18-19).

► Increased number of customer inquiries and full-scale customer tests

The number of inquiries from potential customers has increased as our existing customers, mainly in the armed forces and military special forces, have been able to benefit from our solutions in real environments. We have also built up strong trust in INVISIO products through extensive test programs and usage in customers' own environments.

► Increased our customer base and have considerably more repeat customers

We have amassed some important reference customers over the course of a decade thanks to a number of breakthrough orders; the Danish military, the Swedish military and the armies of a number of NATO countries, to name but a few. The fact that our products and solutions do exactly what we say they will when they are tested and used in the field means that more and more new customers are discovering what we have to offer, and at the same time repeat orders continue to roll in from our existing customer base. This is why we are anticipating a significant long-term increase in sales.

► Greater number of dealers and important strategic partnerships

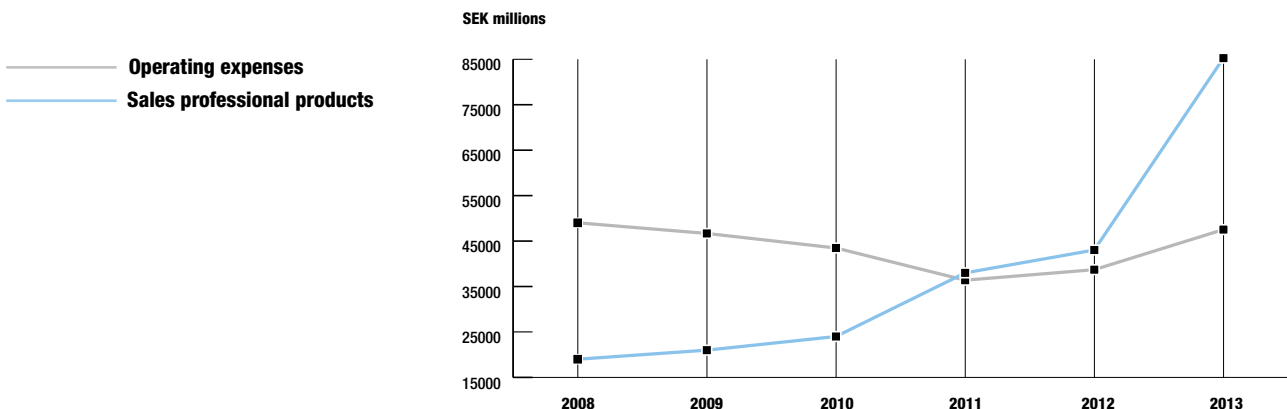
Our ongoing efforts to increase and enhance the number of partnerships have paid off. We currently have a number of strategic partnerships with dealers and manufacturers of radio equipment for two-way communication.

► Increased sales year on year

Our sales to the professional market have increased for six years in a row. From just over SEK 19 million in 2008, we achieved sales of SEK 85.3 million in 2013.

► Expenses are under control

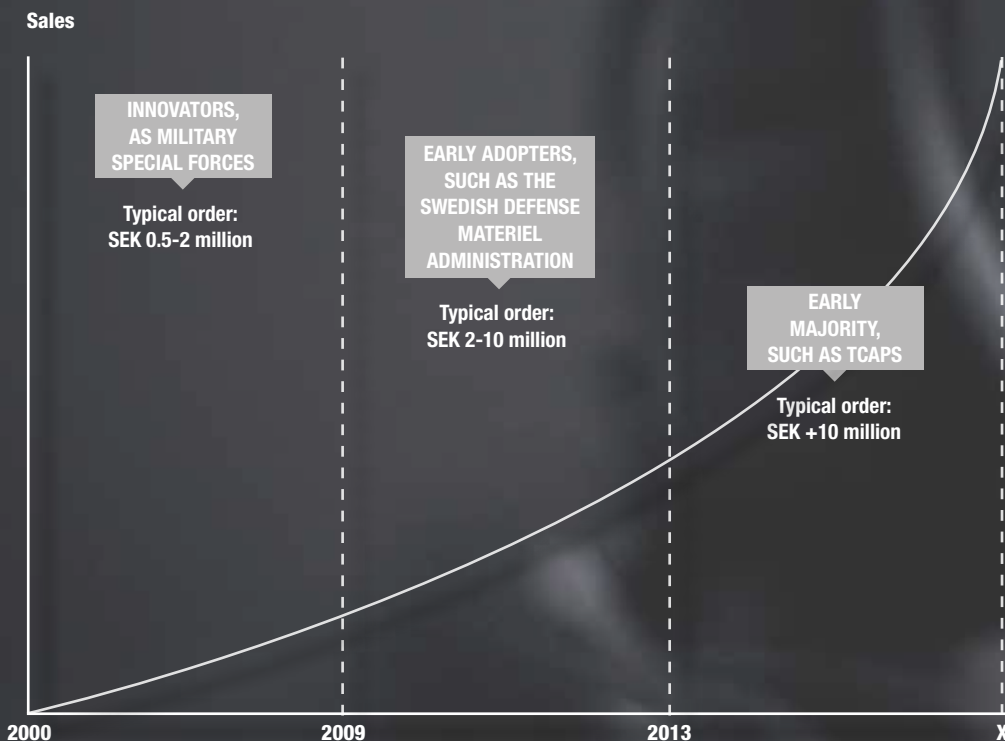
While more than quadrupling our sales between 2008 and 2013, we are maintaining a good gross margin and operating expenses have remained under control. This indicates that our present organization is ready to handle increased business volumes.



ON A GROWING MARKET

As we have invested major resources in research and development and hence driven forward technical development within our niche, so we have taken the first step towards encouraging innovators to join us. We have been selling our products to these often very demanding customers for more than a decade, helping to establish in-ear solutions on the market. We have added clear value for customers with our state-of-the-art products, and customers have gone from being interested to perceiving a need and gradually acting on it.

The first orders from the Danish army, the Swedish armed forces and a number of NATO countries in 2011 and 2012 have given us access to a volume market incorporating thousands of units, so reinforcing our strategic position. These have acted as important references for us among other customers, allowing us to approach the next phase, the early majority. The past year, 2013, can be said to mark our first year of this phase, as indicated not least by our strong increase in sales.



WORLD-CLASS COMMUNICATION SOLUTIONS

INVISIO's communication solutions are subject to extremely stringent demands. They have to work in environments where most other headsets would long since have given up. They have to reduce noise and explosions which would normally lead to permanent hearing loss, and it has to be possible to hear users despite noise so loud that they would be unable to hear their own voices without assistance. We can add fair value for our customers by being able to meet these requirements.

Since changing our strategy in 2008, we have devoted considerable effort to developing a broad, world-class product portfolio. When developing our products, we did not base our efforts on taking existing technology and making it a bit better. We based them on developing the technology which is best suited to handle the extremely challenging environments to which soldiers, firefighters, police officers and other professionals in demanding environments are exposed every day.

At the same time, we have built up trust in our products and solutions among customers all

over the world thanks to extensive testing and use in customers' own environments. This is why we now have a growing base of repeat customers. As our customers are granted new funding – and see how well our solutions work – more and more of them are choosing to supplement their stocks with additional units.

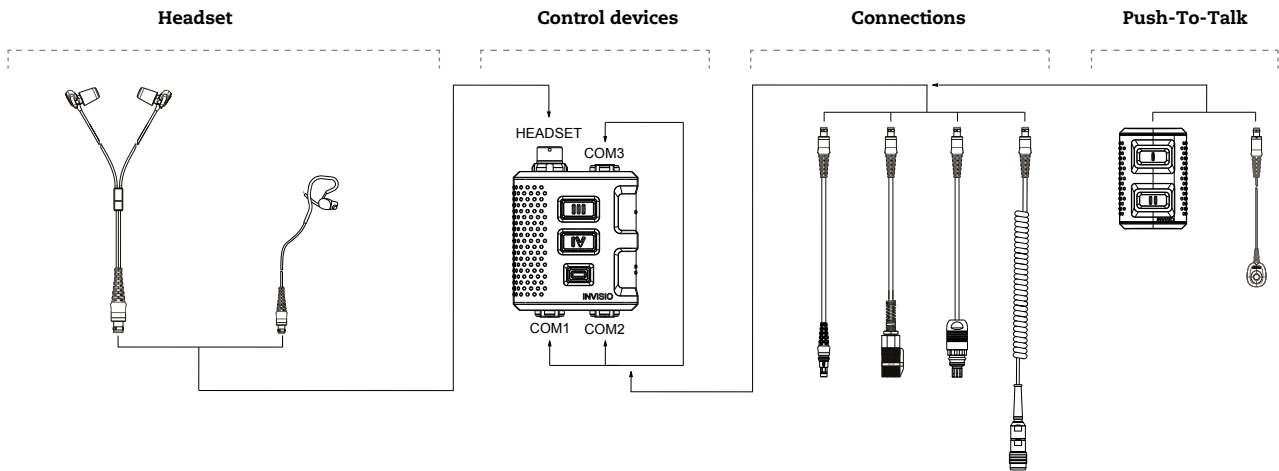
All of our products are built to withstand heat, cold, chemicals, sand, dirt and moisture. Some of them can even work under water, sometimes down to a depth of 20 meters.

Headset

We have more than a decade of experience of manufacturing world-class headsets for demanding users such as military special forces, police SWAT teams and fire departments. The traditional design for a headset that has to work in extremely noisy environments involves large earcups made of a noise-reducing material and an external microphone positioned as close as possible to the mouth. Apart from the fact that these are heavy and clumsy to wear, this design can never eliminate external noise entirely.

Our headsets are placed in the ears instead. Our systems use a unique combination of active limitation and passive attenuation to achieve an attenuation of up to 32 dB. Some models are customized to fit the ear of the wearer so as to provide outstanding and unique properties and comfort.

Instead of using an external microphone, INVISIO uses its patented INVISIO Bone Conduction technology. This means that the headset picks up speech directly from vibrations in the jaw, not via traditional sound waves. While all external microphones pick up a certain amount of external noise, our solutions can reproduce pure, clear sound even when the external noise is so loud that the wearer is unable to hear his or her own voice. Find out more about our technology on pages 20-21.



INVISIO's product portfolio is based on extensive expertise in audiology, sound transmission and hearing protection."



Push-to-talk

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

Systems

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

Together with our INVISIO X5 and X6 headsets, the X50 offers situational awareness, active protection against acoustic shocks, and an option to connect multiple external units such as a radio and a cellphone.

Simple technique

The INVISIO V60 is not dependent on a separate battery which may run out of charge, but gets its power from a connected radio or central power source. The unit is switched on and off automatically when connected and disconnected.

PTT 1-4

Controls communication on up to four different channels at the touch of a button.

Com 1-3

Connect to a communications radio, cellphone or even a computer, for example.

THE FLAGSHIP V60

Our most advanced unit, the V60 Advanced Tactical Communications and Hearing Protection System, is the world's smallest and lightest multicom control unit. This is flexible system with built-in hearing protection and electronic hear-thru for 360-degree situational awareness. The INVISIO V60 is around 50 percent smaller and lighter than most of the competing products on the market. It weighs just 145 grams and is 70x63x25 millimeters in size. But despite its small format, it is the most competent unit on the market, with high performance.

We have developed the INVISIO V60 to meet the requirements of modern military forces in respect of tactical communication systems. Together with the INVISIO X5 headset, which uses patented INVISIO Bone Conduction technology, the INVISIO V60 gives users access to an unbeatable combination of noise attenuation, extremely high sound quality, and situational awareness. No other communication system on the market has the same ability to effectively attenuate external noise, even under extreme conditions, without causing the user to lose situational awareness.

Users can connect up to four communications units and use them in parallel. You can connect a communications radio, intercom, cellphone, and computer, for example.

We have also invested a huge amount of development effort in intuitive use and simplifying the interface to include only the things soldiers need, and nothing more. No advanced training is needed to be able to use an INVISIO V60, and the advanced functions can be operated with just a few buttons. The system works as soon as it is connected, and new communications units can be connected without configuration.

The development and launch of the advanced new communication and hearing protection system INVISIO V60 has been very successful. We are very excited about future sales opportunities for this communication system.

Cable

Kevlar-reinforced cord.

Soft spring

So that it can be worn comfortably in the ear hour after hour.

Speaker

A balanced speaker with low distortion for the best possible sound reproduction.

Headset

Connect a single or double-sided headset.

Hear-Thru controller

A button for controlling the volume.

Hearing protection plug

Available in six different sizes to ensure maximum hearing protection for all users.

INVISIO Bone Conduction Microphone

Picks up speech via vibrations in the jaw. Hear your voice clearly, but not the noise around you.

Hear-Thru Microphone

Picks up ambient sound. Placed inside the outer ear for maximum situational awareness.

INVISIO'S TECHNOLOGY

INVISIO products are based on extensive research and development. We seek new ways of achieving things no-one else has done before. Examples of this include our unique technology for monitoring what is known as situational awareness, and the patented Bone Conduction technology which means that all you and the receiver hear is your own voice, and nothing else.

Bone Conduction

One of the biggest challenges when designing headsets for noisy environments involves shutting out ambient noise while also allowing speech to be heard clearly. Manufacturers normally try to resolve this problem by using a directional microphone which is positioned as close as possible to the mouth. Attempts are then made to electronically eliminate the noise emanating from the surroundings.

But there is a limit to how much external noise can be shut out. In a firefight in a war or in an extremely noisy industry, the ambient noise will drown out speech sooner or later.

INVISIO Bone Conduction has a unique way of resolving this problem. It uses a microphone placed in the ear which transmits the vibrations from the jaw. You can easily test the principle by sticking your fingers in your ears and then speaking aloud. The sound you then hear is transmitted directly from your jaw into the ear canal. What your jaw does not "hear" is the noise around you. All your brain registers is your voice.

15 years of research and development have gone into INVISIO Bone Conduction. Transmitting natural sound is every bit as complex in practice as it is simple in theory. The speech you hear when you stick your fingers in your ears sounds very different to what you are used to. Turning this into a clear, natural sound requires complex electronics in a small format.

INVISIO Bone Conduction is so effective that you can hear a person whispering when he is standing next to a screaming jet engine. No other technology is capable of anything like this.

Advanced Hearing Protection

As regards hearing protection, what you normally see is large earcups made of a noise-reducing material. This is a solution where the technology often shuts out the sounds that wearers want to hear, resulting in them missing out on important information about their surroundings. Moreover, this technology is rarely capable of suppressing more than 19-25 decibels.

INVISIO In Ear-headsets provide excellent passive hearing protection, such as protection from noise at high levels. They can attenuate noise of up to 35 decibels from aircraft or machinery, for example, and acoustic shocks of no less than 45 decibels from grenades, for example. 45 decibels is the difference between the noise of a petrol-driven chainsaw and an electric hand blender. Harmless noise reaches the ears unchanged, almost as if the wearer were not wearing a headset at all.

Amplified hearing

It is vital in many environments to be able to tell what is going on around you. For soldiers, firefighters or people working on oil rigs, shutting out all noise is unthinkable. Passive hearing protection such as earmuffs or earplugs will also shut out the sounds wearers want to hear to a greater or lesser extent, and make it difficult or even impossible to tell where sounds are coming from.

INVISIO's solutions pass on the information wearers want to hear. Amplified hearing allows wearers to actually hear things the ear would not normally hear, while also reducing noise thanks to built-in microphones and advanced audio processing/digital signal handling. Our technology means that wearers can tell where sounds are coming from, just as if they were not wearing headsets at all.

Custom Fit

All INVISIO headsets are designed to provide the best possible protection against noise. But we know that no two ears are the same. This is why we have developed INVISIO Custom Fit, where every headset is customized to fit the wearer. The miniaturized electronics are placed inside the headset.

The headset is a cast of the wearer's inner ear, so guaranteeing that it can be worn for many hours. This allows the headset to work without problems with all types of helmet, goggles and face masks, too.

Extreme conditions

INVISIO's research involves matters other than just advanced digital signal handling and world-leading acoustics. We also make sure our equipment works in extreme environments. All of our products are water-resistant. The big challenge has been to develop microphones and miniaturized speakers for our headsets which also work underwater.

Many of our products can be used in water up to a depth of 20 meters thanks to our unique technology. The unique microphone which uses Bone Conduction technology can even transmit speech when the wearer dives underwater.

INVISIO has also developed products which can work in extreme heat. Firefighters have to be able to rely on their headsets working at all times. One of our headsets, the M3F, has been tested for temperatures of up to 200 degrees.

TWO PRIMARY TECHNOLOGIES

The traditional headset design



The traditional headset design uses a headset with noise-reducing cups over the ears. The principle involves using different noise-reducing materials to prevent noise reaching the ears. Attempts are made to allow speech to be heard even in very noisy environments by using microphones placed as close as possible to the mouth. These solutions are not without their problems. They can be bulky and uncomfortable to wear, particularly for any length of time or in hot environments.

The speakers are also found in the earcups. The weight can stress the neck, particularly in environments where people have to be able to move quickly and unimpeded.

Sound quality also suffers in very noisy environments. No matter how good the noise-reducing material used in the earcups is, noise will enter and disrupt the sound from the speakers. The external microphone will always capture external noise which can drown the voice. It also captures noise around users, drowning out their voices. Attempts are made to get around these problems using smart signal processing

and amplification, but in extremely noisy environments the results are never entirely satisfactory.

In-ear design

The alternative to earcups is to place the speaker inside the ear – known as “in-ear” headsets – and nowadays these are common audio accessories for cellphones, MP3 players, etc. A very small speaker is placed directly in the outer ear or auditory canal and thereby avoids competing with sounds from the surrounding environment. In headsets for the consumer market, the speaker in the ear is combined with an external microphone that picks up the voice from the side of the mouth. But the microphone also picks up noise and unwanted sounds. It is impossible to hear what the user is saying in a noisy environment.

INVISIO's patented Bone Conduction technology uses a specially designed microphone instead which can capture sound directly from the vibrations in the jaw. This allows you to hear what the user is saying – and nothing else – no matter how loud the ambient noise is.



“INVISIO combines knowledge of human hearing, acoustics, electronics, and mechanics in order to create technology that protects the wearer’s hearing from harmful acoustic pressure and also enhances the ability to hear important things.”

FACTS HEARING

Hearing, together with sight, is our most advanced and complex sense. The ear is shaped to allow us to pick up extremely detailed information from ambient sound. This is how we can understand the significance of speech and appreciate the intricate variations in a symphony.

Human hearing is also designed to allow us to tell where sounds are coming from. Not only can we tell whether a sound is coming from the left or right, we can also determine whether it is behind or in front of us, and whether it is nearby or far away.

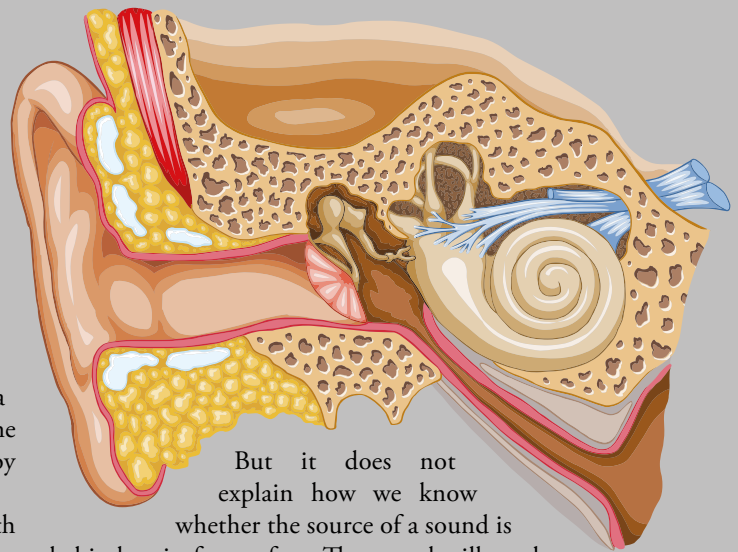
There is a complex science behind what everyone with normal hearing takes for granted. We remember from our schooldays those drawings of the complex inner ear, with the cochlea, malleus, incus, and stapes which amplify sound. What most people have spent less time studying is how sound reaches the eardrum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

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

This principle does not work with higher frequencies, where the wavelength may be just a couple of centimeters. In this case, the ear instead detects the fact that the sound reaches one ear before the other. To know where a sound is coming from, all we have to do is hear a “ping” from the right one thousandth of a second before the left.

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

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



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

It is harder to tell whether a sound is coming from behind or in front of us, than it is to know whether it is coming from the right or left. We can improve our direction perception by turning our heads slightly. We often do this without even thinking about it. This is why it is extremely important to keep our ears free and not cover them with huge earmuffs which prevent us telling which direction a sound is coming from.

The ability to perceive direction differs from person to person. We learn throughout our lives to interpret how our own ears affect sound. Audio recordings and playbacks inside the ear canal show that the shape of the outer ear is very important for interpreting directional information.

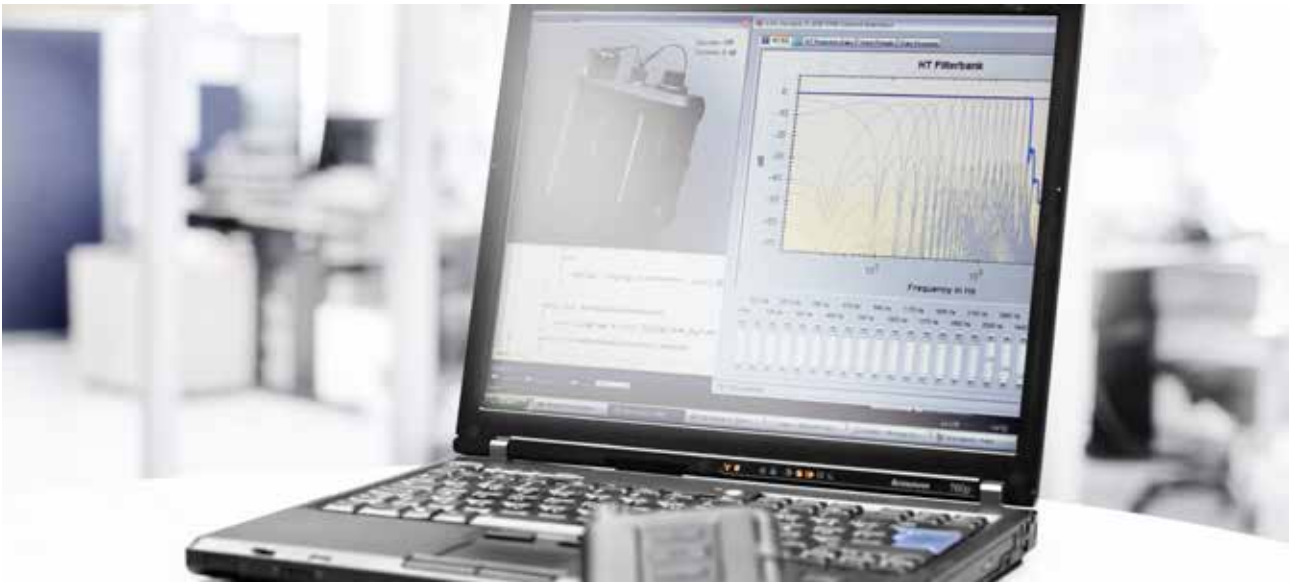
Designing modern hearing protection which also improves our hearing demands in-depth knowledge.

Headsets must provide support for our natural hearing without distorting the sound. This means that the technology has to carefully follow the natural variations of the ear in terms of sensitivity to different frequencies. Headsets must amplify sound up to 80 dB(A) in a natural way, but reduce harmful acoustic pressure so that the volume from the speakers never exceeds 85 dB(A).

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

HERITAGE FROM DANISH SOUND

Denmark has a long tradition of world-leading technology in the field of sound and acoustics, with products from hearing aids to headsets and speakers. Denmark and the Copenhagen region are considered nowadays to be one of the world's leading acoustic clusters.



Danish researchers have spent several decades building up world-class knowledge of acoustics and hearing thanks to a deliberate focus on offering advanced hearing instruments to the entire population. Three of the world's top five manufacturer of hearing aids are Danish. Universities such as the Technical University of Denmark are rumored to be some of the best in their field in the world.

INVISIO originated from this tradition. Just as Silicon Valley created companies like Google and Intel, so the Danish audio cluster has been a prerequisite for INVISIO. All of our engineers come to us with many years' experience from the Danish audio industry.

"Denmark would never have become so prominent in the field of acoustics and hearing if it had not invested in hearing instruments early on. And INVISIO would never have become reality without access to all this knowledge", says Steen Iversen, project manager at INVISIO.

He himself is a product of the Danish audio cluster. After training in audiology and electronics, he worked for the Danish air force initially before moving on to the hearing aid industry for several years. When he joined INVISIO in 2007, he came to us with a unique understanding of

hearing instruments, acoustics and the conditions under which the technology has to be used.

Developing a product like the INVISIO V60 or X50 requires unique knowledge and a holistic approach. Headsets which are to operate in extreme environments and underwater also require a knowledge of materials engineering. A control unit which is to be easily connectable to a comms radio, a cellphone, or a computer requires a top-level knowledge of mobility and communication. Access to these skills can also be found right on our doorstep, with some of the world's leading companies in the fields of mobility and materials engineering in Denmark and Southern Sweden.

"A number of our competitors have expertise comparable with ours. But I would venture to claim that none of them have the same scope as INVISIO. As some of them specialize in hearing protection, we can offer that and we also know how to design headsets which allow wearers to hear what they want to hear. Lots of people can design radio interfaces, but nobody has as flexible a solution as ours. It works with all types of radio, cellphones, etc. The big picture is what makes INVISIO stand out from the crowd."



Steen Iversen,
project manager at INVISIO.

DEFINING MILESTONES

A series of wireless headsets is launched

for the consumer market under the Bluespoon brand. These headsets use Bluetooth technology, which is state-of-the-art at this time.

Switching of marketplace

to Nya Marknaden (which becomes part of First North later that same year).

INVISIO is founded

under the name Nextlink A/S.

The first headset is manufactured

using patented INVISIO Bone Conduction technology. The target group is the professional market.

Initial Public Offering

of Nextlink shares on the NGM Stock Exchange's Nordic OTC list.

1999

2000

2001

2002

2003

2004

2005

2006

2007

INVISIO Headset AB changes list
to First North Premier Segment.

INVISIO gets its single biggest order
to date when the Danish armed forces order S10 units worth SEK 11.5 m.

INVISIO launches the X6,
a headset which is customized to the unique ear shape of each and every wearer. The wireless PTT solution M80 is launched at the same time.

A record in terms of both sales and profits
Revenues amount to SEK 85.3 m and INVISIO is on its way to becoming profitable.

INVISIO launches the X50,
a digital communication system with certified hearing protection.

INVISIO launches the V60
the smallest, most advanced communication system to date.

2008

2009

2010

2011

2012

2013

INVISIO Headset AB changes its name
to INVISIO Communications in order to underline the fact that the company is more than just a manufacturer of headsets.

New record order for INVISIO
when a NATO country purchases a large number of V60 system units at a cost of SEK 32 m via a leading global radio manufacturer.

Nextlink changes its name
to INVISIO Headsets AB

An important breakthrough
when the American armed forces' TCAPS places an order for communication systems worth SEK 40 m, with an option for further orders.

A new strategy focuses on demanding professional applications.

INVISIO launches the S series
which is a series of innovative communication solutions with hearing protection, designed for use with two-way radio.



INVISIO AS AN EMPLOYER

INVISIO is an employer for people who want to work in an innovative, international environment. We currently have 31 staff of eight different nationalities. INVISIO is based in Hvidovre in Copenhagen, but we operate all over the world. We work with customers on all five continents.

Outstanding expertise and top-level skills are characteristic of our colleagues at INVISIO. Around half of our staff work with research and development. Our staff include engineers specializing in fields such as acoustics, mechanics, and software.

INVISIO is a workplace for people who want to challenge themselves and go on learning new things. We are passionate about using advanced new technology and world-leading products to help professionals to protect their hearing, while also allowing them to communicate in very difficult environments. Our top-level

skills in the fields of audiology, hearing protection, and communication are what make us unique. People who come to work for INVISIO normally enjoy working here. Our low staff turnover bears witness to that fact. Two-thirds of our staff have been working for INVISIO for five years or more. As well as providing challenging jobs in an international environment, INVISIO is also able to offer an attractive work environment. Our premises are in an excellent location no matter where you live; in Copenhagen, or in the Malmö region in southern Sweden.

3 VOICES FROM STAFF



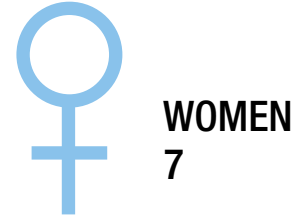
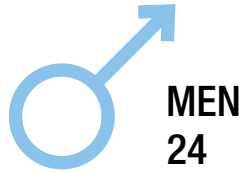
LJUPCO TRAJKOVSKI,
SR. HARDWARE MANAGER,
PRODUCT DEVELOPMENT

It is a pleasure to be part of a team which defines and develops professional products that make a difference.

EMPLOYEES AND ORGANIZATION

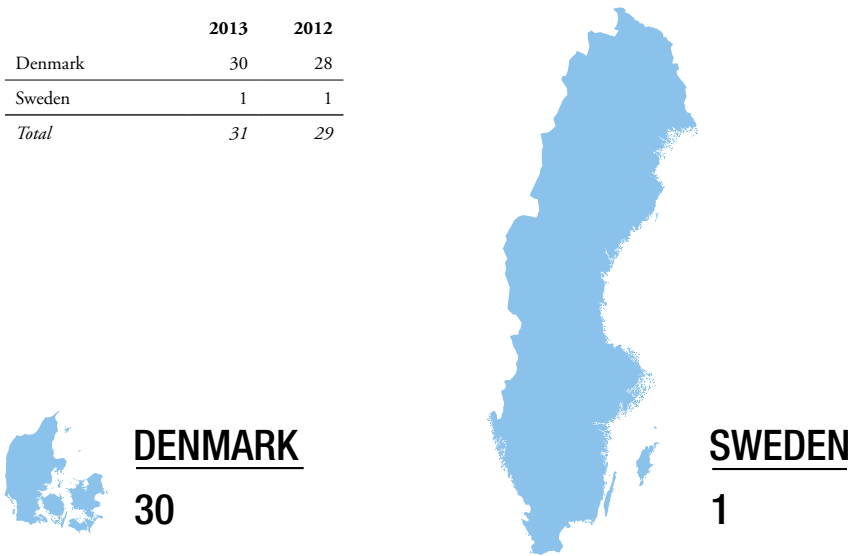
GENDER DISTRIBUTION AS PER 12/31/13

	2013	2012
Men	24	23
Women	7	6
<i>Total</i>	<i>31</i>	<i>29</i>

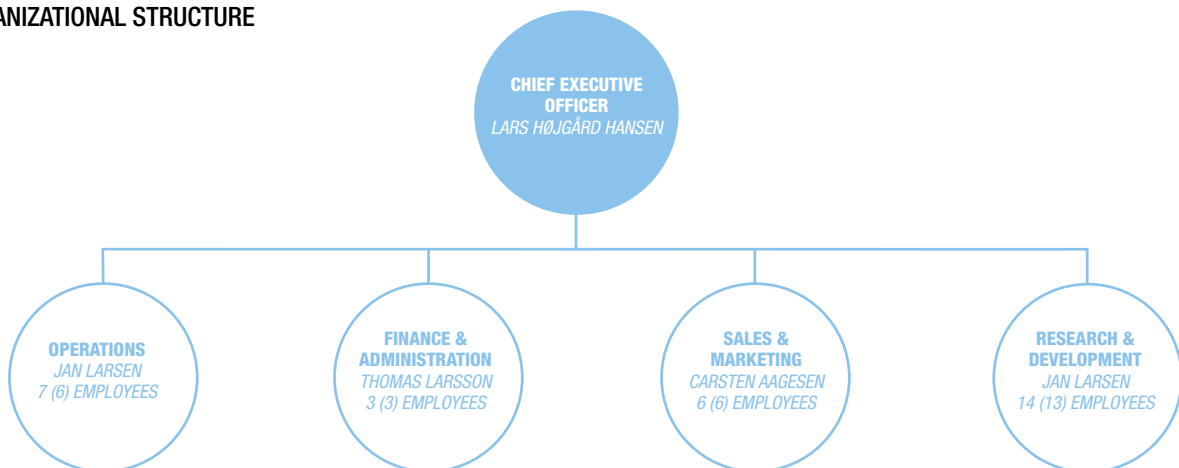


GEOGRAPHIC DISTRIBUTION AS PER DECEMBER 31, 2013

	2013	2012
Denmark	30	28
Sweden	1	1
<i>Total</i>	<i>31</i>	<i>29</i>



ORGANIZATIONAL STRUCTURE



HEMA NAIR,
MARKETING AND BUSINESS
DEVELOPMENT MANAGER

INVISIO is a dynamic, international company. Each day brings new tasks and challenges which mean that I am always learning new things.



GEORGE NICOLAKIS,
TECHNICAL PRODUCT
SALES MANAGER

I enjoy the constant challenges that often demand skills in a number of fields. They force me to constantly sharpen up my own working methods.



Our strategy to focus on products for demanding professionals has proven to be the right one. Given the fact that our sales totaled over SEK 85 million in 2013, becoming a profitable company is within reach for 2014. We are seeing a continued high level of customer inquiries and tests which indicate this, as well as outstanding tenders. In other words, we are well placed to face the future.

SHARE DATA AND OWNERSHIP STRUCTURE

Share capital

The share capital of INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company") totaled SEK 42,240,161 as per December 31, 2013, divided into 42,240,161 shares (registered number), each with a quotient value of SEK 1.00. Each share carries equal entitlement to the Company's assets and profits and entitles the same voting rights. At general meetings, each individual entitled to vote may vote for the full number of shares held by the individual without any limitation on voting rights. As per December 30, INVISIO Communications had 408 (209) shareholders.

GROWTH IN SHARE CAPITAL

Year	Transaction	Increase in number of shares	Total number of shares	Increase in share capital, SEK	Total share capital, SEK	Quotient value, SEK
11/11/2003	Company formation	1,000	1,000	100,000	100,000	100
03/24/04	Split (100:1)	99,000	100,000	0	100,000	1
03/24/04	Directed new share issue	400,000	500,000	400,000	500,000	1
06/30/04	Non-cash issue	8,663,915	9,163,915	8,663,915	9,163,915	1
07/30/04	Directed new share issue	1,500,000	10,663,915	1,500,000	10,663,915	1
12/22/05	Share issue with pre-emption rights	2,132,783	12,796,698	2,132,783	12,796,698	1
09/24/06	Option redemption	79,755	12,876,453	79,755	12,876,453	1
10/12/06	Directed new share issue	1,270,000	14,146,453	1,270,000	14,146,453	1
10/30/06	Option redemption	464,000	14,610,453	464,000	14,610,453	1
10/30/06	Option redemption	53,000	14,663,453	53,000	14,663,453	1
05/04/07	Share issue with pre-emption rights	1,947,078	16,610,531	1,947,078	16,610,531	1
05/21/07	Share issue with pre-emption rights	147,701	16,758,232	147,701	16,758,232	1
07/04/07	Option redemption	39,550	16,797,782	39,550	16,797,782	1
09/24/07	Option redemption	22,600	16,820,382	22,600	16,820,382	1
11/13/07	Share issue with pre-emption rights	2,803,397	19,623,779	2,803,397	19,623,779	1
01/15/08	Option redemption	75,900	19,699,679	75,900	19,699,679	1
02/06/08	Option redemption	126,005	19,825,684	126,005	19,825,684	1
06/30/08	Option redemption	240,400	20,066,084	240,400	20,066,084	1
08/15/08	Option redemption	90,000	20,156,084	90,000	20,156,084	1
09/30/08	Option redemption	50,000	20,206,084	50,000	20,206,084	1
09/30/08	Option redemption	230,000	20,436,084	230,000	20,436,084	1
11/17/08	Option redemption	25,000	20,461,084	25,000	20,461,084	1
12/02/08	Option redemption	185,000	20,646,084	185,000	20,646,084	1
01/07/09	Option redemption	138,000	20,784,084	138,000	20,784,084	1
02/11/09	Option redemption	150,000	20,934,084	150,000	20,934,084	1
03/31/09	Share issue with pre-emption rights	83,106	21,017,190	83,106	21,017,190	1
09/25/09	Directed new share issue	547,936	21,565,126	547,936	21,565,126	1
01/11/10	Directed new share issue	500,000	22,065,126	500,000	22,065,126	1
03/18/10	Directed new share issue	383,562	22,448,688	383,562	22,448,688	1
08/02/10	Directed new share issue	1,052,632	23,501,320	1,052,632	23,501,320	1
01/11/11	Share issue with pre-emption rights	2,350,132	25,851,452	2,350,132	25,851,452	1
12/20/11	Share issue with pre-emption rights	4,327,402	30,178,854	4,327,402	30,178,854	1
12/29/11	Share issue with pre-emption rights	2,525,497	32,704,351	2,525,497	32,704,351	1
01/09/12	Share issue with pre-emption rights	963,086	33,667,437	963,086	33,667,437	1
05/07/12	Directed new share issue	2,500,000	36,167,437	2,500,000	36,167,437	1
12/19/12	Directed new share issue	2,272,724	38,440,161	2,272,724	38,440,161	1
11/04/13	Directed new share issue	2,500,000	40,940,161	2,500,000	40,940,161	1
12/27/13	Directed new share issue	1,300,000	42,240,161	1,300,000	42,240,161	1

Price trend

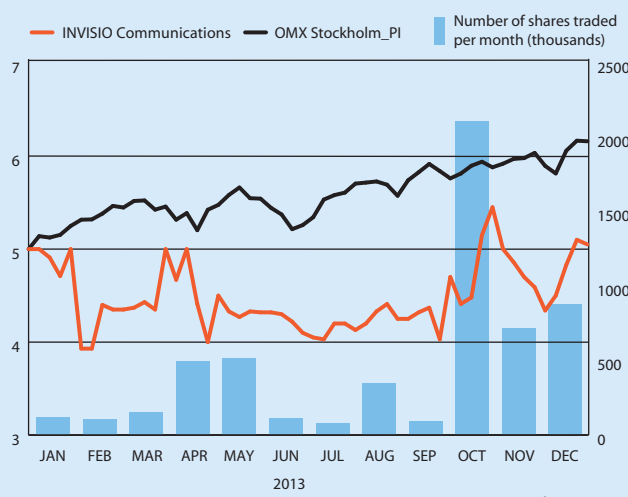
The chart on the right shows the price trend for INVISIO Communications shares (IVSO) in 2013. The closing price on December 30, 2013, was SEK 5.05, entailing a total value of approximately SEK 213 m. During the period January 2, 2013 - December 30, 2013, a total of 5,707,860 shares were traded at a value of SEK 27.4 m.

Trading in INVISIO Communications shares

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

Dividend policy

According to the dividend policy adopted by the Board of INVISIO Communications, future dividends shall be determined with consider-



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

Owners of INVISIO Communications, as per December 30, 2013

Owner	No. shares	% votes and capital
SIX SIS AG, on behalf of clients	8,283,697	19.6%
Yggdrasil AB	6,951,755	16.5%
Lage Jonason, with family and companies	6,409,298	15.2%
Alecta Pensionsförsäkringar	3,820,000	9.0%
Swedbank Robur Exportfond	1,963,498	4.6%
Banque Carnegie Luxembourg SA	1,495,475	3.5%
SEB Life International Assurance	1,215,000	2.9%
Origo Quest 1	1,195,000	2.8%
Svenska Handelsbanken SA	1,121,507	2.7%
Mangold Fondkommission AB	950,000	2.2%
Others	8,834,931	20.9%
<i>Total</i>	<i>42,240,161</i>	<i>100.0%</i>

SUMMARY OF OUTSTANDING STOCK OPTIONS

Option program	Number of subscription options	Subscription rate, SEK	Possible increase in share capital, SEK	Subscription period	Dilutive effect, %	Cumulative dilutive effect, %
Employee Stock Option Program 2013/2017	2,000,000	5.10-5.30	2,000,000	20160530-20170530	4.52%	4.52%
<i>Total</i>	<i>2,000,000</i>		<i>2,000,000</i>		<i>4.52%</i>	

Employee stock options

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

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

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

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

CORPORATE GOVERNANCE REPORT

General

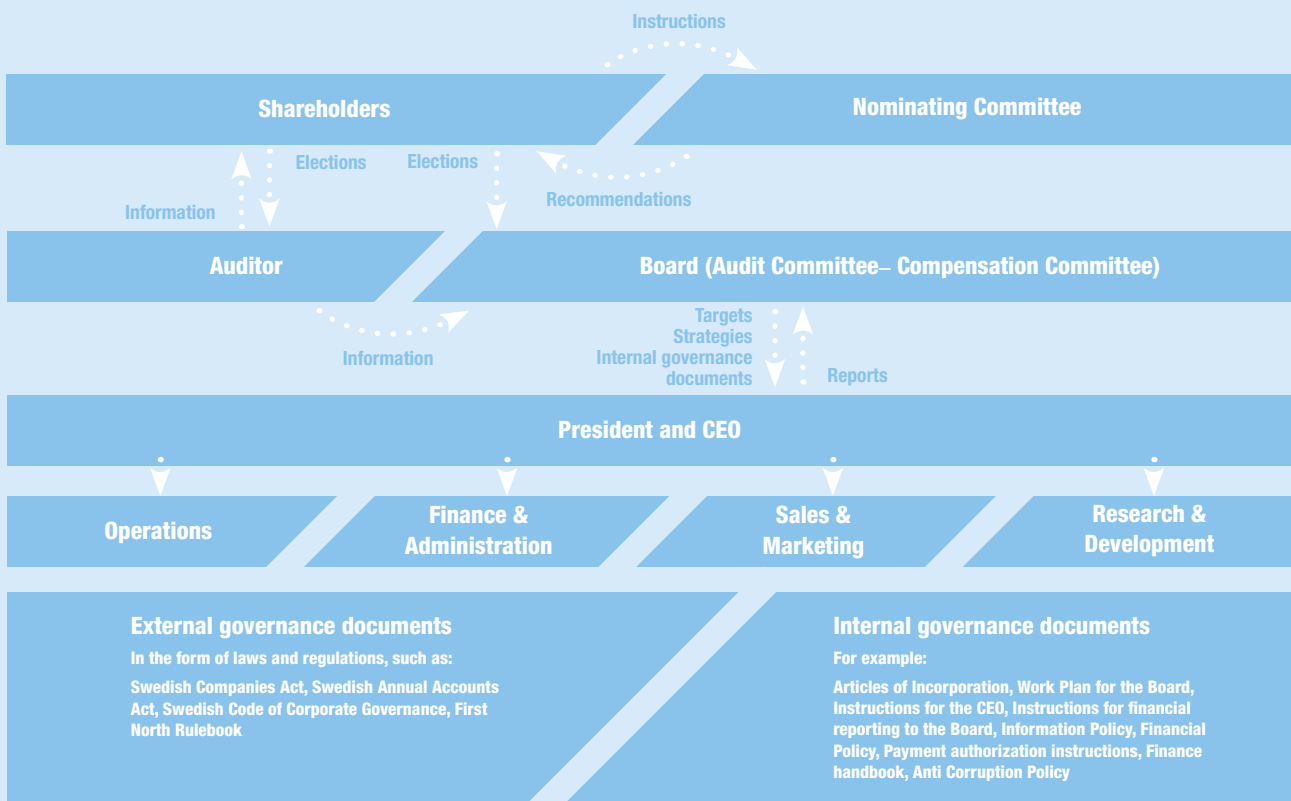
INVISIO Communications AB (publ.) (“INVISIO Communications” or “the Company”) is a Swedish limited liability company with its registered office in Stockholm, Sweden. The company is listed on First North Premier Segment Stockholm, an alternative marketplace (rather than a regulated market) for trading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

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

Overview of corporate governance at INVISIO Communications

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

Overview of corporate governance at INVISIO Communications



Shareholders

SHAREHOLDERS' VOTING RIGHTS

INVISIO Communications has been listed on First North, Stockholm since mid-2006, and more specifically under the First North Premier Segment, Stockholm since July 9, 2009. The Company's share capital at December 31, 2013 amounted to SEK 42.2 m (38.4), divided into 42 240,161 shares (38,440,162), each with a quotient value of SEK 1.00. All shares have equal voting rights and there is no limit to the number of votes our shareholders may use at a general meeting. The Company's market capitalization, based on the closing price at December 30, 2013, was approximately SEK 213 m (192).

NUMBER OF SHAREHOLDERS

As per December 30, 2013, INVISIO Communications had 408 (209) shareholders. Major shareholders are SIX SIS AG, on behalf of clients, with 19.6 percent of the stock and the votes, Yggdrasil AB with 16.5 percent of the stock and the votes, and Lage Jonason (with family and companies) with 15.2 percent of the stock and the votes.

GENERAL MEETINGS OF SHAREHOLDERS

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

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

2013 ANNUAL GENERAL MEETING

The 2013 Annual General Meeting and Extraordinary General Meeting were held in Stockholm on April 24. A total of 9 shareholders or their proxies were present, representing 49.6 percent of the number of shares and votes. The minutes from the Annual General Meeting and Extraordinary General Meeting can be found on the INVISIO Communications website at www.invisio.com. A number of the resolutions that were passed follow below.

Chair of the board Lars Röckert was elected to chair the AGM. The AGM resolved to adopt the Company's income statement and balance sheet for 2012, to adopt the consolidated income statement and consolidated balance sheet for 2012, to distribute the Company's deficit in accordance with the recommendation of the Board and the CEO in the 2012 Board of Directors' report (that is, to carry it forward), and to discharge the board members and the CEO from liability for the 2012 financial year.

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

The reason for deviating from the shareholders' pre-emption rights is to spread ownership in the Company through any listing of the Company's stock on NASDAQ OMX Stockholm, to allow the Company to be refinanced, or, should such a need arise, to strengthen the Company's financial position. Decisions supported by said authorization shall comprise a maximum of 3,800,000 shares in new share issues, in the exercising of stock options, and/or the conversion of convertibles, corresponding to approximately 9.9 percent of the number of shares and votes outstanding at that

time. Cash issues or set-off issues conducted with deviation from the shareholders' pre-emption rights may only be carried out at a price equal to the market value of the share, stock option, or convertible and on the basis of any altered terms the Board may deem necessary in order to complete the issue.

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

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

A decision was made at the extraordinary general meeting to establish an employee stock option program, Employee Stock Option Program 2013/2017, comprising a decision to issue stock options, plus approval of the transfer of stock options. These stock options entitle holders to subscribe for a total of no more than 2,000,000 shares in the company. In the event of full subscription and full exercising of stock options, this increase in the company's share capital will amount to SEK 2,000,000.

2014 ANNUAL GENERAL MEETING

The 2014 Annual General Meeting will be held at 1 p.m. on Wednesday, May 7, 2014, at the premises of Advokatfirman WestmarkAnjou AB, Sergels Torg 12, Stockholm. Notice of the AGM can be found on the INVISIO Communications website at www.invisio.com.

Nominating Committee

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

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

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

Information on the composition of the Nominating Committee shall be made public on INVISIO's website at least six months before the Annual General Meeting. The Nominating Committee shall have the right to charge the Company reasonable costs for engaging recruitment consultants, if such consultants are deemed necessary to obtain a suitable selection of candidates for the Board. The Nominating Committee shall report its work at the Annual General Meeting.

The Nominating Committee prior to the 2014 Annual General Meeting comprised Ramsay Brufer, who also acted as Committee

Chairman and representing Alecta Pensionsförsäkringar, mutually, Lage Jonason representing himself (with family and companies), Erik Åfors representing Yggdrasil, and Chairman of the Board Lars Röckert.

Board

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

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

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

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

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

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

AUDIT COMMITTEE

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

The Audit Committee's duties and responsibilities include:

- Monitoring the Company's financial reporting;
- Regarding the financial reporting, monitoring the effectiveness of the Company's internal control and risk management;

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

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

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

At Board meetings, the Audit Committee discussed the interim report for January – March 2013, the half-year report for January – June 2013, the interim report for January – September 2013, the year-end report for January – December 2013, and the 2013 Annual Report. At board meetings, the Audit Committee met with the Company's auditor to receive information on the audit plan and the result of the auditor's audit and to examine the auditor's written plans and reports.

COMPENSATION COMMITTEE

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

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

COMPOSITION OF THE BOARD AND ITS COMMITTEES AND DIRECTORS' INDEPENDENCE

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

COMPOSITION OF THE BOARD

2013	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Lars Röckert	1950	Chair	2010	yes	Chair	Chair
Anders Persson	1957	Member	2009	yes	Member	Member
Mats Warstedt	1962	Member	2008	yes	Member	Member
Jan Samuelsson	1963	Member	2011	yes	Member	Member
Lage Jonason	1951	Member ¹	2012	no ²	Member	Member

¹Director as of 2012 AGM

²Lage Jonason is not independent of major shareholders and independent of the Company and Company management.

COMPOSITION OF THE BOARD

2012	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Lars Röckert	1950	Chair	2010	yes	Chair	Chair
Anders Persson	1957	Member	2009	yes	Member	Member
Mats Warstedt	1962	Member	2008	yes	Member	Member
Jan Samuelsson	1963	Member	2011	yes	Member	Member
Lage Jonason	1951	Member ¹	2012	no ²	Member	Member

THE WORK OF THE BOARD

According to the Articles of Incorporation, INVISIO Communications' board shall meet at least six times each year, excluding the Board meeting following the election of the Board. In 2013, the Board held 20 meetings. The attendance of board members at board meetings is shown in the table "Directors' attendance 2013" below. The main issues covered at board meetings in 2013 were:

- Year-end report 2012
- Annual report 2012
- Internal governance documents
- Evaluating the CEO and other members of management and ensuring succession planning
- Compensation of CEO and other senior executives
- Evaluating the work of the Board
- Sales processes and sales activities

- Production matters
- Follow up on goals and strategies
- Financial accounting and reporting
- Internal prognoses regarding sales, profits and liquidity
- Liquidity and financing matters, including raising external loans and new share issues
- Interim report January – March 2013
- Goals and strategies
- The auditor's audit plan
- Half-year report January – June 2013
- Interim report January – September 2013
- The CEO's report and business follow-up
- The outcome of the auditor's assignment

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

BOARD MEMBERS' ATTENDANCE

2013	Position	Board meetings
Lars Röckert	Chair	20 of 20
Anders Persson	Member	18 of 20
Mats Warstedt	Member	19 of 20
Jan Samuelsson	Member	20 of 20
Lage Jonason	Member ¹	19 of 20

¹Member of 2012 AGM

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

¹Member as of 2012 AGM

EVALUATING THE WORK OF THE BOARD

According to the Board's Work Plan, the Chair of the Board is responsible for ensuring that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work forms and effectiveness. For 2013, evaluation took place, as in 2012, with the Nominating Committee carrying out separate interviews with each individual director. These interviews were carried out by Ramsey Brufer representing Alecta Pensionsförsäkringar, mutually, and Erik Åfors representing Yggdrasil.

Auditor

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

At the Board's request, the auditor also conducted a review of the interim report for January – September 2013.

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

CEO, management, departments, and employees

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

INVISIO Communications' operations are organized into four business areas; Operations, Finance & Administration, Sales & Marketing, and Research & Development. INVISIO Communications' headquarters are in Copenhagen, Denmark, which is where management and administration, business operations, some manufacturing, sales and marketing and research and development are conducted. Most manufacturing is outsourced to subcontractors. The CEO heads operations and makes decisions in consultation with the other members of management, who consist of the managers of the four business areas. The Company had 31 (29) employees as per December 31, 2013, and 14 (13) of those employed worked in Research & Development.

BOARD OF DIRECTORS

LARS RÖCKERT (BORN 1950)

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

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

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

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

Lars Röckert owns 30,336 shares in INVISIO Communications.

ANDERS PERSSON (BORN 1957)

Member of the Board since April 2009

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

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

<i>Assignment</i>	<i>Position</i>
Net Insight Innovation AB	Chair
Net Insight Intellectual Property AB	Chair
Net Insight Consulting AB (publ)	Board member and CEO
Persson Executive Consulting AB	Board member and CEO
Net Insight AB	Deputy CEO
TEN TECH AB	Deputy Board member and CEO
Q2 Labs AB	Board member

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

MATS WARSTEDT (BORN 1962)

Member of the Board since December 2008

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

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

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

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



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

● JAN SAMUELSON (BORN 1963)

Member of the Board since April 2011

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

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

<i>Assignment</i>	<i>Position</i>
Independia Invest AB	Board member
Independia AB	Board member
Solid Försäkringsaktiebolag	Board member
Resurs Holding AB	Chair
Tigerholm Grupp AB	Chair
Axholmen AB	Board member
Business Partner Sweden AB	Board member

Jan Samuelson owns 150,000 shares in INVISIO Communications via his wholly-owned company Business Partner AB.

● LAGE JONASON (BORN 1951)

Member of the Board since May 2012

Lage Jonason holds a BA and an M.Sc. Econ from Lund University. After working for the university system and the judiciary between 1974 and 1980, Lage Jonason began working for Handelsbanken before moving on later to Investment AB Skrinet, Förvaltnings AB Ratos and Veckans Affärer. Lage Jonason has held a number of CEO positions, including six years as CEO of Bankaktiebolaget JP Nordiska (now Ålandsbanken Sverige) and a range of directorships for a large number of listed and unlisted companies, including Holmens Bruk, Scandic Hotel, NetInsight, Posen Kassa & Bank and CityMail. Over the past decade, Lage Jonason has mainly been active as an advisor on corporate finance and independent investments in early-stage companies.

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

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

Lage Jonason (with family and companies) owns 6,409,298 shares in INVISIO Communications.

SENIOR EXECUTIVES

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

● LARS HØJGÅRD HANSEN (BORN 1963)

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

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

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

Lars Højgård Hansen owns 184,722 shares and 116,667 employee stock options in INVISIO Communications.

● THOMAS LARSSON (BORN 1964)

CFO since April 2012

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

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

Thomas Larsson owns 35,560 shares in INVISIO Communications and 50,000 employee stock options.

● JAN LARSEN (BORN 1962)

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

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

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

Jan Larsen owns 15,666 shares in INVISIO Communications and 50,000 employee stock options.

● CARSTEN AAGESEN (BORN 1968)

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

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

Carsten Aagesen owns 15,500 shares in INVISIO Communications and 50,000 employee stock options.

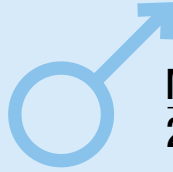


From left: Lars Højgård Hansen, Carsten Aagesen, Jan Larsen, Thomas Larsson


EMPLOYEES AND ORGANIZATION

GENDER DISTRIBUTION AS PER 12/31/13

	2013	2012
Men	24	23
Women	7	6
<i>Total</i>	<i>31</i>	<i>29</i>



MEN
24



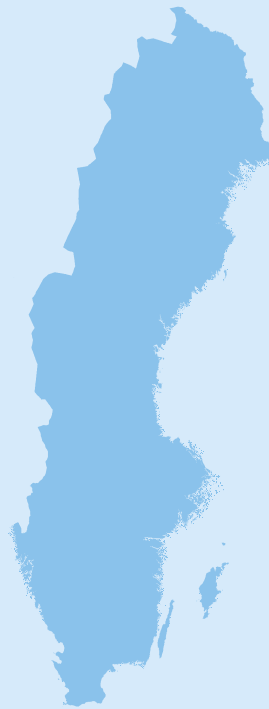
WOMEN
7

GEOGRAPHIC DISTRIBUTION AS PER DECEMBER 31, 2013

	2013	2012
Denmark	30	28
Sweden	1	1
<i>Total</i>	<i>31</i>	<i>29</i>



DENMARK
30



SWEDEN
1

ORGANIZATIONAL STRUCTURE



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

DIRECTORS' FEES

Directors' fees are determined by the shareholders at general meetings. The 2013 Annual General Meeting resolved that directors' fees totaling SEK 275,000 shall be paid to the Chairman of the Board and SEK 125,000 to each of the other Board members. No additional fees are payable to members of the Audit Committee or the Compensation Committee.

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

AUDITOR'S COMPENSATION

The auditor's fees are decided on by the shareholders at the annual general meeting. The 2013 Annual General Meeting resolved that fees shall be payable to the auditor in accordance with an approved invoice. Auditor's fees are shown in the table below. Other services pertain primarily to consulting on accounting matters and other services.

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

SEK 000s	2013	2012
PwC		
Auditing assignments	330	419
Auditing activities in addition to auditing assignments	84	158
Tax consultancy		42
Other services	103	0
<i>Total</i>	<i>517</i>	<i>619</i>

COMPENSATION OF THE CEO AND OTHER SENIOR EXECUTIVES

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

Neither the Parent Company nor the subsidiaries have any defined benefit pension plans for their employees. Compensation of the CEO and other senior executives is shown in the following table.

2013, SEK 000s	Salary	Pension	Other remuneration	Total
Management				
Lars H. Hansen, CEO	3,510	58	89	3,657
Other executives	4,892	148	140	5,180
<i>Total</i>	<i>8,402</i>	<i>206</i>	<i>229</i>	<i>8,837</i>
2012, SEK 000s	Salary	Pension	Other remuneration	Total
Management				
Lars H. Hansen, CEO	2,743	58	68	2,869
Other executives	4,063	138	140	4,341
<i>Total</i>	<i>6,806</i>	<i>196</i>	<i>208</i>	<i>7,210</i>

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

Long-term incentive program

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

Notice period

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

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

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

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

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

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

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

CONTROL ENVIRONMENT

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

is provided on page 32 in the Corporate Governance Report. INVISIO Communications is characterized by a comparatively lean and decentralized organization with clear responsibility for the respective business area managers who, together with the CEO, comprise company management.

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

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

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

As regards financial reporting, responsibility for maintaining an effective control environment and for the ongoing work on internal control and risk management is delegated to the CEO. The Company's CFO works under the direction of the CEO on continuously developing and improving the internal control and risk management with respect to financial reporting – on the one hand proactively with a focus on the internal control environment, on the other hand by quality assuring the external financial reporting. In 2013, INVISIO Communications continued the review of internal governance documents in order to ensure that they meet the Company's current needs and are in compliance with laws, applicable accounting standards, and other requirements on listed companies. As a result of this review, several internal governance documents have been updated. In addition to this, the focus in 2013, as in 2012, was on effective financial governance and control in the form of follow-ups of targets and plans and clear divisions of responsibility for income and expenses.

Risk assessment

As regards financial reporting, INVISIO Communications' risk assessment is designed to identify and evaluate the most significant risks affecting internal control with respect to financial reporting. Risk assessment provides a foundation for decisions on how risks are to be managed using various control structures, with the aim of ensuring that the basic requirements of financial reporting are fulfilled. The risk assessment that has been performed shows that the most significant risks for errors in the financial reporting pertain primarily to the fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade accounts receivable. As per December 31, 2013, the assessment is that the reported value of these items corresponds to their fair value.

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

CONTROL STRUCTURES

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

INFORMATION AND COMMUNICATION

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

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

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

FOLLOW-UP

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

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

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2013 on pages 32-41 and that it has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm, March 24, 2014

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

BOARD OF DIRECTORS' REPORT

The Board of Directors and President of INVISIO Communications AB (publ.) ("INVISIO Communications" or "the Company"), registered company number 556651-0987, herewith submit their annual report and consolidated accounts for the 2013 financial year, the Company's fifteenth year of trading¹. The Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. Unless indicated otherwise, all amounts in the Board of Directors' Report are specified in millions of Swedish kronor (SEK). Figures in parentheses pertain to the preceding year.

Operations

INVISIO Communications specializes in voice communications in difficult conditions.

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

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

Sales and earnings

Sales for 2013 were almost twice the level seen in 2012 and amounted to SEK 85.3 m (43). Gross profit amounted to SEK 37.0 m (18.1). Gross margin was 43.5 percent (42.1). Operating expenses increased to SEK -47.5 m (-43.9). Expenses include depreciation of SEK 5.2 m (5.2). Operating profit improved to SEK -10.5 m (-25.8). Net financial items amounted to SEK -2.9 m (-3.7). Profit after tax is SEK -10.5 m, compared with SEK -29.5 m last year. Loss per share improved to SEK -0.27 (-0.83).

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

SEK 000s	2013	2012	2011	2010	2009
Sales	85,254	43,031	41,463	32,787	61,106
Loss for the year	-10,460	-29,491	-28,625	-39,814	-17,295
Shareholders' equity	3,895	-1,814	11,287	5,630	7,030
Total assets	58,366	43,971	50,817	47,282	50,229

At year-end, the order book totaled a record SEK 50 m (27.9).

PARENT COMPANY

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

Net sales in 2013 amounted to SEK 0.06 m (0.06). Operating profit was SEK -5.8 m (-5.9). The loss for the year was SEK -14.5 m (-34.2), of which shareholders' contributions to subsidiaries amounted to SEK -7.0 m (-26.0).

Cash and cash equivalents held by the parent company at year-end amounted to SEK 5.4 m (0.2) and equity was SEK 63.8 m (62.7), giving an equity ratio of 68.6 percent (75.7). The parent company had 1 employee (1).

Research and development

Research and development is INVISIO Communications' core activity and is conducted mainly internally within the company. The focus is on developing communication solutions such as advanced headsets, control units and associated equipment for use with two-way radio. INVISIO's own resources and expertise in the field of research and development are used primarily for its own development projects which are run in-house under the company's own brand, INVISIO. Work is conducted continuously on documentation and quality management systems, high-quality manufacturing, and certifications. Accreditation to ISO 9001:2008 has been obtained during the year following an independent review of the Company's quality management system by German certification body TÜV NORD CERT GmbH.

PATENTS

INVISIO's leading technology and innovation form the basis for new products and hence growth and success. The Company is working actively with development which may result in new patents in core fields such as hearing protection and communication. INVISIO focuses its efforts on high quality patents which can create significant competitive advantages and support the business on a commercial level.

INVISIO Communications owns two patent families. These are INVISIO Bone Conduction, a small ear microphone that picks up vibrations in the user's jawbone and converts these into sound, and the Soft Spring™ earpiece, an ergonomically designed and motion tolerant fastening device consisting of a soft rubber spring that fastens the headset in the ear. The Company recently submitted a new patent application in the US for INVISIO Custom Protect Hearing Protection, which is a technology for protecting against hearing loss.

See intellectual property rights on page 44 for more information

Organization and employees

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

Senior management consists of 4 (4) persons. See page 38 for further information. The number of employees as per December 31, 2013 was 31 (29), 1 (1) in Sweden and 30 (28) in Denmark.

Ownership structure

As per December 30, 2013, INVISIO Communications had 408 (209) shareholders. Major shareholders are SIX SIS AG, on behalf of clients, with 19.6 percent of the stock and the votes, Yggdrasil AB with 16.5 percent of the stock and the votes, and Lage Jonason (with family and companies) with 15.2 percent of the stock and the votes.

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

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

Environment

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

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

CAPITAL EXPENDITURE

The Group's capital expenditure for 2013 totaled SEK 5.2 m (6.9), of which SEK 5.2 m (6.7) comprised capitalized development costs and SEK 0 m (0.1) comprised net investments in property, plant, and equipment. Capitalized development costs pertained to development of future professional products.

CASH FLOW AND LIQUIDITY

Cash flow from operating activities in 2013 was SEK -7.3 m (-26.8). Cash flow from investing activities totaled SEK -5.2 m (-6.9) and cash flow from financing activities totaled SEK 17.3 m (20.8), of which new share issues comprised SEK 15.2 m (17.0) and net amortization of liabilities to credit institutions comprised SEK 2.0 m (3.8). Cash flow for the period was thus SEK 4.7 m (-12.9). Cash and cash equivalents held by the Group amounted to SEK 9.1 m (4.2) at year-end.

Management and the Board work actively and continuously with the Company's governance and control, including financial performance, liquidity, and financial position. After having reinforced loan financing and completed two directed new share issues in 2013, the management and Board are of the opinion that INVISIO currently has balanced financing.

FINANCING

Loans

In 2013, the Board has worked to reinforce long-term loan financing within the Company, and also to increase its equity by making use of the authorization which the Board was granted at the 2013 Annual General Meeting.

During the first quarter, INVISIO received a loan of SEK 15 m to the Company's bank account. This loan was used to settle a previous loan of SEK 10 m from Alecta and a loan from Erik Penser Bankaktiebolag of SEK 5 m. The terms for this loan involved a grace period in 2013 and amortization of SEK 6 m in 2014 and SEK 9 m in 2015. Yggdrasil provided security of SEK 15 m for the loan from this bank, and INVISIO mortgaged to Yggdrasil the securities previously held by Alecta and Erik Penser Bankaktiebolag. An annual security commission of 3.5 percent was agreed with Yggdrasil. The loan from the bank above was extended by SEK 7.5 m in July. Yggdrasil provided security for this loan against an annual security commission of 5.0 percent. INVISIO's Board is of the opinion that the security agreements with Yggdrasil were concluded on market terms.

During the first quarter, INVISIO also received a three-year loan of SEK 4.2 m from Almi Företagspartner AB. This loan is amortization-free in 2013. INVISIO has provided security in the form of a mortgage in the shares in its subsidiary Nextlink IPR AB. The terms for the loan involved a grace period in 2013 and maintenance of the Group's equity ratio at a minimum of 10 percent from June 30, 2013. Almi have since permitted departure from the equity ratio requirement.

INVISIO's bank financing has been reinforced. The terms for the bank loans stated above, totaling SEK 22.5 m, have been amended so that SEK 2.5 m was amortized in 2013 and the remaining loan of SEK 20 m has been replaced with a loan of SEK 10 m and an overdraft of SEK 10 m. Amortization on the loan of SEK 10 m is taking place as follows:

grace period in 2014, SEK 8.5 m in 2015 and SEK 1.5 m in 2016. No amendment has been made to securities.

New share issues

The authorization obtained by the Board at the 2013 Annual General Meeting related to the issue of a maximum of 3,800,000 shares. A new issue of shares totaling more than SEK 10 m took place in October. This new issue of shares was targeted at a small group of investors and involved a total of 2,500,000 shares, equivalent to approximately 6.5 percent of the total number of outstanding shares in the Company. This share issue increased the company's share capital by SEK 2,500,000. The subscription price was SEK 4.15 per share. The new issue of shares injected a total of approximately SEK 10.4 m into the company prior to issue costs.

To further reinforce INVISIO's financial position, the Board decided in December to make use of the remaining part of the authorization, i.e. a total of 1,300,000 shares, equivalent to approximately 3.2 percent of the total number of outstanding shares in the Company. The new issue of shares was targeted at a small group of investors, and the subscription price was SEK 4.40 per share. The new issue of shares injected a total of approximately SEK 5.7 m into the company prior to issue costs and was the final element in the finance plan with which the Board worked in 2013.

These new issues of shares came about because the Company's operating capital needed to be reinforced when capital tie up increased as a consequence of a strong increase in sales.

SHAREHOLDERS' EQUITY

Group equity at year end amounted to SEK 3.9 m (-1.8), which gave an equity ratio of 6.7 percent (negative). The registered share capital increased by SEK 3,800,000 in 2013. Consequently, total registered share capital amounts to SEK 42,240,161.

DIVIDEND

The Board of Directors proposes that no dividend be paid for the 2013 financial year.

Accounting principles

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

Risks and risk management

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

- Market-related risks are managed mostly at board and management level.
- In the first instance, operational risks are managed at management and department level, but can also be managed at Board level if they are of strategic importance.
- Department-specific risks in Operations and Finance are managed within those departments.

- Legal risks are mainly managed at management level in consultation with external legal counsel and advisors, but also at board level if required.
- Risks affecting financial reporting are mostly managed at management level by the Company's CEO and CFO, but also by the Board's Audit Committee.
- Financial risks are managed primarily at board and management level.

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

MARKET-RELATED RISKS

Legislation and political decisions

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

Global economic conditions

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

Competition

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

Technical risks

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

COMPANY-SPECIFIC RISKS

Ability to manage growth

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

adapting its organization, processes and capacity to increased demand, this may have negative effects on sales, profits and financial position.

Market acceptance of newly developed products

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

Product liability

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

Dependence on key persons and employees

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

Customers and partnerships

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

Intellectual property

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

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

Dependency on suppliers

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

Risks affecting financial reporting

The most significant risks for errors in the financial reporting pertain primarily to the fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade accounts receivable. If the reported value of these assets is found to differ from fair value, for example in connection with a so-called impairment test of balanced development costs, these may lead to a need for write-down that could have negative effects on the Company's profits and financial position. As per December 31, 2013, the assessment is that the reported value of these items corresponds to their fair value.

FINANCIAL RISKS

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

Interest rate risk

As per December 31, 2013, INVISIO had interest bearing financial liabilities of SEK 33.5 m, made up of liabilities to financial institutions in the form of bank loans and liabilities relating to invoice factoring at variable rates. This means there is a risk of the Company's profits and financial position being negatively affected by rising interest rates. Based on the level of financial interest-bearing liabilities as per December 31, 2013, a one percentage point rise in market rates of interest would affect profit by SEK 335 thousand.

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

Currency risk

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

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

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

Currency risk is described in more detail in Note 2.

Financing risk and liquidity risk

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

As per December 31, 2013, INVISIO had liabilities to credit institutions of SEK 33.5 m, SEK 21.2 m of which falls due for repayment within 1 year and SEK 12.3 m between 2 and 3 years.

Management and the Board work actively and continuously with the Company's governance and control, including financial performance, liquidity, and financial position. After having reinforced loan financing and completed two directed new share issues in 2013, the management and Board are of the opinion that INVISIO currently has balanced financing.

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

Events after the end of the financial year

- The company receives an order worth SEK 5.2 m from a NATO country for a number of INVISIO V60 communication system units.
- The company receives an order worth SEK 1.8 m from Australia via its distribution partner Defcon Technologies.
- The company receives a follow-up order for complete communication and hearing protection systems from TCAPS, worth SEK 20 m, via its American partner TEA Headsets.

Prospects for 2014 – Continued growth and profitability

Increases in sales have been achieved every year since INVISIO changed its strategy in 2008. With the present gross margin and expenses, the Company needs annual sales in the order of SEK 110-115 m in order to show a profit. INVISIO is starting 2014 with an order book worth SEK 50 m, and we are expecting to see continued sales growth for the year. There are numerous customer trials and outstanding tenders worth significant amounts, but it is very difficult to determine the quarter in which these contracts may be generated. Nothing of what we know at present would indicate that INVISIO will fail to show a profit from 2014: the backlog of orders has never been greater, our partnerships with customers are working well, there is increasing interest in our solutions, and with higher volumes we have every chance of maintaining our gross margin, expenses are under control, and the customers which have bought and are using our products are very pleased and coming back to us with new orders.

Proposed disposition of earnings

Parent Company (SEK)

At the disposal of the Annual General Meeting:

Share premium reserve	11,438,608
Profit/Loss brought forward	445,000
Loss for the year	-14,537,544
	-2,653,936

To be disposed of as follows:

The Board of Directors and CEO proposes that the accumulated losses of SEK -14,092,544, of which SEK -14,537,544 comprises losses for the year, be settled with SEK 11,438,608 against the share premium reserve, which will thereafter total SEK 0, and that any remaining loss be covered by utilization of the reserve fund in the amount of SEK 2,653,936. The reserve fund will then amount to SEK 21,598,672.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January – December (SEK 000s)	Note	2013	2012
	1,2		
Sales	3	85,254	43,031
Cost of goods sold	24	-48,205	-24,914
<i>Gross profit</i>		<i>37,049</i>	<i>18,117</i>
OPERATING EXPENSES			
Sales and marketing expenses	8,9,24	-20,649	-18,363
Administration expenses	6,7,8,9,24	-10,179	-10,956
Research and development costs	8,9,24	-16,701	-14,611
<i>Operating profit/loss</i>	24	<i>-10,480</i>	<i>-25,813</i>
FINANCIAL ITEMS			
Financial income		577	90
Financial expenses		-3,457	-3,768
<i>Net financial items</i>		<i>-2,880</i>	<i>-3,678</i>
<i>Profit/Loss before tax</i>		<i>-13,360</i>	<i>-29,491</i>
Tax	10	2900	-
<i>Loss for the year</i>		<i>-10,460</i>	<i>-29,491</i>
<i>Loss attributable to equity holders of the parent</i>		<i>-10,460</i>	<i>-29,491</i>
OTHER COMPREHENSIVE INCOME			
Translation differences during the period from translation of foreign businesses		485	-641
<i>Comprehensive income</i>		<i>-9,975</i>	<i>-30,132</i>
<i>Loss attributable to equity holders of the parent</i>		<i>-9,975</i>	<i>-30,132</i>
Earnings per share (SEK)	22	-0.27	-0.83
Earnings per share after dilution (SEK)	22	-0.27	-0.83
Number of shares outstanding (thousands)	22	42,240	38,440
Average number of shares outstanding (thousands)	22	38,850	35,345
Number of shares outstanding after dilution (thousands)	22	38,850	38,440

CONSOLIDATED BALANCE SHEET

December 31 (SEK 000s)	Note	2013	2012
ASSETS	1,2		
Non-current assets			
Intangible assets	11	17,489	16,832
Property, plant, and equipment	12	83	139
Financial assets	13	692	670
<i>Total non-current assets</i>		<i>18,264</i>	<i>17,641</i>
Current assets			
Inventories	14	10,098	3,240
Accounts receivable – trade	23	16,137	17,362
Other receivables		3,243	566
Prepaid expenses and accrued income	15	1,498	922
Cash and bank balances		9,126	4,240
<i>Total current assets</i>		<i>40,102</i>	<i>26,330</i>
TOTAL ASSETS		58,366	43,971
SHAREHOLDERS' EQUITY AND LIABILITIES	1,2		
Shareholders' equity	20		
Share capital		42,240	38,440
Other capital contributions		264,495	253,056
Other reserves		-844	-1,329
Loss brought forward inc. loss for the year		-301,996	-291,981
Shareholders' equity attributable to equity holders of the parent		3,895	-1,814
<i>Total shareholders' equity</i>		<i>3,895</i>	<i>-1,814</i>
Current liabilities			
Liabilities to credit institutions	16,17,21,25	21,215	31,245
Accounts payable – trade ¹		12,439	8,840
Other liabilities		37	126
Accrued expenses and prepaid income	19	8,447	5,574
<i>Total current liabilities</i>		<i>42,138</i>	<i>45,785</i>
Long-term liabilities			
Liabilities to credit institutions	16,21,25	12,333	
Other liabilities			
<i>Total long-term liabilities</i>		<i>12,333</i>	<i>0</i>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		58,366	43,971
Pledged assets	21	8,565	17,362
Contingent liabilities	21	None	None

¹All accounts payable fall due within 3 months

CONSOLIDATED CASH FLOW STATEMENT

January – December (SEK 000s)	Note	2013	2012
Operating activities	1.2		
Profit/Loss before tax		-13,360	-29,491
Adjustments for non-cash items	4	5,202	5,312
Taxes		2900	-
<i>Cash flow from operating activities before changes in working capital</i>		-5,258	-24,179
Changes in inventories		-6,518	1,788
Changes in operating receivables		-1,305	-7,554
Changes in operating liabilities		5,744	3,122
<i>Cash flow from changes in working capital</i>		-2,079	-2,644
<i>Cash flow from operating activities</i>		-7,337	-26,823
Investing activities			
Capitalization of internal development costs		-5,166	-6,797
Purchases of property, plant, and equipment		-14	-145
<i>Cash flow from investing activities</i>		-5,180	-6,942
Financing activities			
New share issues		15,239	17,031
Loans raised		28,896	15,000
Amortization of loans		-20,000	-20,700
Change in invoice factoring		-6,869	9,495
<i>Cash flow from financing activities</i>		17,266	20,826
CASH FLOW FOR THE YEAR		4,749	-12,939
Cash and bank balances at start of year		4,240	17,305
Translation differences in cash and bank balances		137	-126
<i>Cash and bank balances at end of year</i>		9,126	4,240
Supplementary disclosures to the cash flow statement			
Interest received during the year		577	90
Interest paid during the year		-3,457	-3,768

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000s) notes 1,2,20	Attributable to equity holders of the parent				
	Share capital ¹	Other capital equity	Reserves ²	Loss brought forward inc. loss for the year	Total shareholders' equity
Opening balance as per January 1, 2012	32,704	241,761	-688	-262,490	11,287
<i>LOSS FOR THE YEAR</i>				-29,491	-29,491
OTHER COMPREHENSIVE INCOME					
Exchange rate differences			-641		-641
<i>Total other comprehensive income</i>	0	0	-641	-29,491	-30,132
Transactions with shareholders					
Ongoing new issue 12/31/2011	963	-963	-	-	0
New issue	4,773	12,977	-	-	17,750
Costs of new directed share issue	-	-719	-	-	-719
<i>Total transactions with shareholders</i>	5,736	11,295	0	0	17,031
Closing balance as per December 31, 2012	38,440	253,056	-1,329	-291,981	-1,814
Opening balance as per January 01, 2013	38,440	253,056	-1,329	-291,981	-1,814
<i>LOSS FOR THE YEAR</i>				-10,460	-10,460
OTHER COMPREHENSIVE INCOME					
Exchange rate differences			485		485
<i>Total other comprehensive income</i>	0	0	485	-10,460	-9,975
Transactions with shareholders					
New issue	3,800	12,295	-	-	16,095
Costs of new directed share issue	-	-856	-	-	-856
Employee Stock Option Program				445	445
<i>Total transactions with shareholders</i>	3,800	11,439	0	445	15,684
<i>Closing balance as per December 31, 2013</i>	42,240	264,495	-844	-301,996	3,895

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

²Reserves refers entirely to translation differences

PARENT COMPANY INCOME STATEMENT

January – December (SEK 000s)	Note	2013	2012
	1,2		
Operating income	5	60	60
<i>Gross profit</i>		60	60
Administration expenses	5,6,7,8,9	-5,822	-5,907
<i>Operating profit/loss</i>	24	-5,762	-5,847
Profit/Loss from financial items			
Loss from participations in Group companies	18	-7,000	-26,000
Interest income and similar profit/loss items		155	361
Interest expense and similar profit/loss items		-1,930	-2,707
<i>Net financial items</i>		-8,775	-28,346
<i>Loss before tax</i>		-14,537	-34,193
Income tax	10	-	-
<i>Loss for the year¹</i>		-14,537	-34,193

¹Comprehensive income corresponds to loss for the year

PARENT COMPANY BALANCE SHEET

December 31 (SEK 000s)	Note	2013	2012
ASSETS	1,2		
Non-current assets			
Financial assets/shares in subsidiaries	18	81,957	81,512
<i>Total non-current assets</i>		81,957	81,512
Current assets			
Receivables from Group companies		5,475	825
Other receivables		90	155
Prepaid expenses and accrued income	15	162	99
<i>Total current receivables</i>		5,727	1,079
Cash and bank balances		5,364	205
<i>Total current assets</i>		11,091	1,284
TOTAL ASSETS		93,048	82,796
SHAREHOLDERS' EQUITY AND LIABILITIES	1,2		
Shareholders' equity	20		
<i>Restricted shareholders' equity</i>			
Share capital		42,240	38,440
Statutory reserve		24,253	35,452
<i>Total restricted shareholders' equity</i>		66,493	73,892
<i>Unrestricted shareholders' equity</i>			
Share premium reserve		11,438	22,991
Profit/Loss brought forward		445	-
Loss for the year		-14,537	-34,193
<i>Total unrestricted shareholders' equity</i>		-2,654	-11,202
<i>Total shareholders' equity</i>		63,839	62,690
Current liabilities			
Liabilities to credit institutions	16,17,21,25	14,363	17,800
Accounts payable – trade ¹		177	523
Liabilities to Group companies		391	111
Other liabilities		22	21
Accrued expenses and prepaid income	19	1,923	1,651
<i>Total current liabilities</i>		16,876	20,106
Long-term liabilities			
Liabilities to credit institutions	16,21,25	12,333	-
<i>Total long-term liabilities</i>		12,333	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		93,048	82,796
Pledged assets	21	2,517	2,517
Contingent liabilities	21	None	None

¹All accounts payable fall due within 3 months

PARENT COMPANY CASH FLOW STATEMENT

January – December (SEK 000s)	Note	2013	2012
Operating activities	1,2		
Operating loss before financial items		-5,762	-5,847
Adjustments for non-cash items	4	-	-
Interest received		155	361
Interest paid		-1,930	-2,707
<i>Cash flow from operating activities before changes in working capital</i>		-7,537	-8,193
Changes in operating receivables		-4,646	9,683
Changes in operating liabilities		207	-1,213
Cash flow from changes in working capital		-4,439	8,470
<i>Cash flow from operating activities</i>		-11,976	277
Investing activities			
Acquisition of subsidiary/shareholder contribution	18	-7,000	-26,000
<i>Cash flow from investing activities</i>		-7,000	-26,000
Financing activities			
New share issues		15,239	17,031
Loans raised		28,896	15,000
Amortization of loans		-20,000	-20,700
<i>Cash flow from financing activities</i>		24,135	11,331
CASH FLOW FOR THE YEAR		5,159	-14,392
Cash and bank balances at start of year		205	14,597
Cash and bank balances at end of year		5,364	205
Supplementary disclosures to the cash flow statement			
Interest received during the year		155	361
Interest paid during the year		-1,930	-2,707

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

December 31 (SEK 000s) notes 1,2,20	Restricted shareholders' equity		Unrestricted shareholders' equity		
	Share capital	Statutory reserve	Share premium reserve	Loss brought forward and loss for the year	Total shareholders' equity
Opening balance as per January 1, 2011	23,501	35,452	71,470	-41,502	88,921
Previous year's disposition of earnings	-	-	-41,502	41,502	-
Ongoing new issue 12/31/2010	2,350	-	-2,350	-	-
New issue	6,853	-	27,412	-	34,265
Cost of new issue	-	-	-4,792	-	-4,792
Ongoing new issue 2011-12-31 ¹	-	-	4,815	-	4,815
Group contribution to subsidiaries	-	-	-	-400	-400
Tax – group contribution	-	-	-	105	105
Loss for the year ²	-	-	-	-43,062	-43,062
<i>Closing balance as per December 31, 2011</i>	<i>32,704</i>	<i>35,452</i>	<i>55,053</i>	<i>-43,357</i>	<i>79,852</i>
Opening balance as per January 01, 2012	32,704	35,452	55,053	-43,357	79,852
Previous year's disposition of earnings	-	-	-43,357	43,357	-
Ongoing new issue 2011-12-31 ¹	963	-	-963	-	-
New issue	4,773	-	12,977	-	17,750
Cost of new issue	-	-	-719	-	-719
Loss for the year ²	-	-	-	-34,193	-34,193
<i>Closing balance as per December 31, 2012</i>	<i>38,440</i>	<i>35,452</i>	<i>22,991</i>	<i>-34,193</i>	<i>62,690</i>
Opening balance as per January 01, 2013	38,440	35,452	22,991	-34,193	62,690
Previous year's disposition of earnings	-	-11,199	-22,994	34,193	-
New issue	3,800	-	12,295	-	16,095
Cost of new issue	-	-	-854	-	-854
Employee Stock Option Program	-	-	-	445	445
Loss for the year ²	-	-	-	-14,537	-14,537
<i>Closing balance as per December 31, 2013</i>	<i>42,240</i>	<i>24,253</i>	<i>11,438</i>	<i>-14,092</i>	<i>63,839</i>

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

²Comprehensive income corresponds to loss for the year

NOTES

NOTE 1

General Information, accounting and valuation principles

General information

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

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

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

INVISIO Communications AB (publ.) is listed on First North Premier Segment Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. These consolidated accounts were approved by the Board of Directors on Thursday, March 20, 2014.

INVISIO Communications AB
Box 151
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Conformity with standards and regulations

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

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

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

New and amended standards applied by the Group

None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year commencing January 1, 2013 has had any significant impact on the Group.

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

A number of new standards and interpretations will come into force for the financial year commencing January 1, 2013 and have not been applied on compilation of the consolidated financial reports. None of these is expected to have any significant impact on the consolidated financial reports, with the exception of those listed below.

IFRS 10, "Consolidated Financial Statements"

is based on existing principles as it identifies control as the crucial factor for establishing whether a company should be included in the consolidated accounts. The standard also provides guidance to assist in the establishment of control when this is difficult to assess. The Group intends to apply IFRS 10 for the financial year commencing January 1, 2014 and has not yet evaluated its full effect on the financial reports.

IFRS 12, "Disclosures of interests in other entities"

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

IFRS 9, "Financial instruments"

deals with classification, valuation, and reporting of financial assets and liabilities. IFRS 9 was issued in November 2010 for financial assets and October 2011 for financial liabilities, and replaces the parts of IAS 39 which relate to the classification and valuation of financial instruments. IFRS 9 indicates that financial assets shall be classified in two different categories; accrued acquisition value or fair value. Classification is established on the first reporting date on the basis of the company's business model and characteristic properties in the contractual cash flows. There are no major changes compared with IAS 39 as regards financial liabilities. The biggest change relates to liabilities identified at fair value. For these, the element of the fair value change that is attributable to the Company's own credit risk must be recognized in other comprehensive income instead of profit/loss, unless this causes inconsistency in the accounts (accounting mismatch). The Group has not yet evaluated the effects. The Group will evaluate the effects of the remaining phases in respect of IFRS 9 when they have been finalized by IASB.

Amendments to IAS 36, "Impairment of assets"

regarding information about recoverable amount state that information must be provided about the grounds for calculation of the recoverable amount of impaired assets if the recoverable amount has been based on fair value less sales costs. The Group intends to apply the amendment to IAS 36 for the financial year commencing January 1, 2014 and has not yet evaluated its full effect on the financial reports.

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

Basis for consolidation

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

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

The purchase method is used for reporting the group's business acquisitions. Transferred compensation for the acquisition of a subsidiary is at fair value of the assets transferred, liabilities and the shares issued by the group. The purchase settlement also includes the fair value of all assets or liabilities that result from an agreement on conditional purchase sum. Acquisition related costs are expensed as they arise. Identifiable acquired assets and transferred liabilities in a business acquisition are initially valued at fair value on the date of acquisition. For each acquisition, the

group decides whether all shareholdings without a controlling influence in the business acquired are reported at fair value or as the shareholding's proportion of the acquired business's net assets.

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

Foreign subsidiaries

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

Exchange rate differences between Group companies have not affected earnings, but have been reported as equity. The following exchange rates have been used in translating the accounts of the Danish subsidiary: for the income statement, an exchange rate of DKK/SEK 1.15985 (1.16962), and for the balance sheet, an exchange rate of DKK/SEK 1.1986 (1.155162).

Classifications

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

Income

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

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

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

Taxes

For items reported in the income statement, the associated tax is also reported in the income statement. For items reported directly against equity, the tax is also reported directly against equity. Deferred tax is calculated in accordance with the balance sheet method for all significant temporary differences. A temporary difference exists when the reported value of an asset or a liability differs from the tax value. Such a difference may arise, for instance, in connection with a revaluation or write-down of an asset, or when the accounting policies applied differ between an individual Group company's accounts and the consolidated financial statements, see Note 10.

Write-downs

The reported values for the Group's assets - with the exception of financial assets reported at fair value with changes in value in the income statement in accordance with IAS 39 - are tested whenever there is the need to assess whether there is indication of a write-down requirement. If there

is no such indication, the recoverable amount of the asset is calculated. A write-down is reported when the reported amount of an asset exceeds the recoverable amount. A write-down is shown in the income statement.

Calculation of recoverable amount

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

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

Estimations and assumptions

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

As soon as an indication exists, the capitalized development expenditure is offset for write-down in accordance with the described accounting principle. Intangible assets under development are annually offset for write-down, even when there is no indication of a write-down requirement. The recoverable amount has been determined through calculation of the value in use. For these calculations, certain estimations must be made, as shown in Note 11.

Reversal of write-downs

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

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

Financial Instruments

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

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

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

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

Significant financial problems for the debtor, the probability that the debtor will go bankrupt or undergo financial reconstruction, and failure or delays in payment are regarded as indicators that a need for write-down exists. The size of the provision consists of the difference between the asset's reported value and the present value of estimated future cash flows. A write-down of accounts receivable is reported in the income statement under operating profit/loss, and a write-down of a loan receivable is reported under the heading financial expenses. Financial liabilities are valued at the accrued acquisition value. Loans and other financial liabilities, such as accounts payable, are included in this category.

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

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

Research and development costs

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

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

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

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

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

Property, plant, and equipment

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

Any earnings or losses arising upon the divestment of the asset are reported in the income statement. The residual value and useful life

of the asset is determined at every year-end closing and is adjusted as necessary.

Depreciation/amortization

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

Inventories

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

Receivables

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

Cash and cash equivalents

Cash and cash equivalents only include bank balances.

Segment reporting

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

Receivables and liabilities in foreign currency

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

Borrowing costs

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

Remuneration to employees

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

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

Leasing

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

NOTE 2

Financial risk management and capital risk

Cash flow statement

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

Financial risk factors

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

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

Interest rate risk

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

Based on the level of financial interest-bearing assets as per Tuesday, December 31, 2013, a one percentage point change in market rates of interest would affect the Group's earnings by SEK 91 thousand (42). The corresponding figure for the Parent Company is SEK 54 thousand (2). The Group's interest-bearing financial liabilities pertain primarily to liabilities to credit institutions and invoice factoring. The Group uses invoice factoring for the Group's customer invoices. The limit and borrowing rate for INVISIO Communications for each customer invoice is set by individual assessment, where the borrowing rate normally amounts to a maximum of 80-100 percent of the customer invoice amount. The Parent Company's financial liabilities pertain primarily to liabilities to credit institutions. All interest-bearing financial liabilities have a variable interest rate. Based on the level of financial interest-bearing liabilities as per December 31, 2013, a one percentage point change in market rates of interest would affect the Group's earnings by SEK 335 thousand (312). The corresponding figure for the Parent Company is SEK 270 thousand (178).

Currency risk

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

Translation risks arise when translating the foreign subsidiaries' income statements and balance sheets into Swedish krona. INVISIO Communications operates in a global market with large parts of sales

and purchases made in currencies other than Swedish kronor (SEK). The majority of sales are in USD and EUR. The group's purchases are partly in SEK and partly in DKK. Costs mainly arise in DKK, but also in SEK. At present, net exposure in each currency is limited and the Group does not hedge its currency exposure. The Group's balance sheet shows exposure to currency risks in respect of accounts receivable and accounts payable. If all currencies had been 5 percent higher/lower, the Group's earnings would have been affected by approximately +/- 340 (537) as a result of its exposures as per December 31, 2013. The corresponding figure for the Parent Company is SEK +/- 0 thousand (0).

Price risk

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

Credit risk

Credit risk is the risk of a party to a transaction with a financial instrument failing to fulfill its obligations. The credit risks pertaining to financial assets was SEK 0 thousand (0) at Tuesday, December 31, 2013 after allowing for pledged reserves. There is no material concentration of credit risks, either geographically or in a particular customer segment. The share of receivables overdue by more than 120 days amounted to 1.0 percent (1.2) of the total accounts receivable as at Tuesday, December 31, 2013. See note 23. There are no other financial assets overdue for payment.

Financing risk and Liquidity risk

Financing risk is the risk that the refinancing of loans falling due is hindered or made more costly, resulting in the Group having difficulty in making payments. Liquidity risk is the risk of not being able to make payments when they fall due. As at December 31, 2013, liquid funds amounted to SEK 9,126 thousand (4,240), liabilities to credit institutions to SEK 33,548 thousand (31,245) and equity to SEK 3,895 thousand (-1,814), with an equity ratio of 7 percent (neg.). During 2013 equity has been increased by new share issues of SEK 15.2 m (17.0), while liabilities to credit institutions increased by SEK 2.0 m (3.5).

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

Fair values

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

Financial assets and liabilities valued at the accrued acquisition value

December 31 (SEK 000s)	Group		Parent Company	
	2013	2012	2013	2012
Financial assets				
Loans receivable and accounts receivable				
Financial fixed assets – Other long-term liabilities	692	670	-	-
Receivables from Group companies	-	-	5,475	825
Accounts receivable – trade	16,137	17,362	-	-
Other receivables	3,243	566	90	155
Cash and bank balances	9,126	4,240	5,364	205
<i>Total financial assets valued at the accrued acquisition value</i>	<i>29,198</i>	<i>22,838</i>	<i>10,929</i>	<i>1,185</i>
Financial liabilities				
Financial liabilities valued at the accrued acquisition value				
Liabilities to credit institutions	33,548	31,245	26,696	17,800
Accounts payable – trade	12,439	8,840	177	523
Liabilities to Group companies	-	-	391	111
Other liabilities	37	126	22	21
<i>Total financial liabilities valued at the accrued acquisition value</i>	<i>46,024</i>	<i>40,211</i>	<i>27,286</i>	<i>18,455</i>

Earnings and losses for financial assets and liabilities

The total exchange rate difference for the Group amounts to SEK 243 thousand (471) and for the Parent Company, to SEK 0 thousand (0), and is reported in the income statement.

Management of capital risk

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

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

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

NOTE 3 Reporting per geographical area

Total income divided per geographical area

Group	2013	2012
Sweden	1,229	1,535
Europe	8,364	6,563
North America	69,544	26,581
Rest of the world	6,117	8,351
<i>Total</i>	<i>85,254</i>	<i>43,031</i>

NOTE 4 Items not included in the cash flow

Group	2013	2012
Depreciation/amortization	5,218	5,226
Tax	-1,450	
Employee Stock Option Program	445	
Translation differences	989	86
<i>Total</i>	<i>5,202</i>	<i>5,312</i>

Parent Company	2013	2012
Depreciation/amortization	-	-
<i>Total</i>	<i>-</i>	<i>-</i>

NOTE 5 Inter-company transactions

Of the Parent Company's invoicing, SEK 60 thousand (60) refers to subsidiaries. Invoicing from subsidiaries to Parent Company, SEK 276 thousand (283).

NOTE 6 Auditor's compensation

	Group		Parent Company	
	2013	2012	2013	2012
PwC				
Auditing assignments ¹	330	577	180	460
Auditing activities in addition to auditing assignments	84	-	21	-
Tax consultancy	-	42	-	15
Other services ²	103	-	103	-
<i>Total</i>	<i>517</i>	<i>619</i>	<i>304</i>	<i>475</i>

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

²Other services pertain primarily to consulting on accounting matters.

NOTE 7 Rental and leasing agreements

The Group's total rental and leasing fees for the year amounted to SEK 2,044 thousand (1,873). Agreed future rental and leasing fees amount to SEK 1,354 thousand (1,331) and will occur during the next three years, divided as follows, 2014: SEK 1,173 thousand (130), 2015: SEK 142 thousand (130), 2016: SEK 39 thousand (-). The Parent Company's leasing agreement for the year amounted to SEK 67 thousand (61). The agreement is valid up to and including April 30, 2016, at an annual cost of SEK 116 thousand. All the Group's and Parent Company's rental and leasing agreements are in operation.

NOTE 8

Personnel

Average number of employees	2013		2012	
	Number of employees	Of which men	Number of employees	Of which men
Parent Company	1	1	1	1
Denmark	30	23	28	22
<i>Total</i>	<i>31</i>	<i>24</i>	<i>29</i>	<i>23</i>

Share of women in executive positions, percent	2013		2012	
	Board	Senior executives	Board	Senior executives
Parent Company	-	-	-	-
Group	-	-	-	-
<i>Total</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

Salaries and other remuneration	2013	2012
Parent Company	1,653	1,444
Subsidiaries	25,650	24,014
Capitalized salaries for research and development	-3,251	-4,443
<i>Group total</i>	<i>24,052</i>	<i>21,015</i>

Social costs excl. pension costs	2013	2012
Parent Company	587	476
Subsidiaries	774	725
<i>Group total</i>	<i>1,361</i>	<i>1,201</i>

Pension costs	2013	2012
Parent Company	-	-
Subsidiaries	385	366
<i>Group total</i>	<i>385</i>	<i>366</i>
<i>Total personnel costs</i>	<i>25,798</i>	<i>22,582</i>

Pensions

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

Option program

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

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

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

Tranch	Allocation time	Earning time	Allocation	Exercise price in SEK per share
1	April 30, 2013	April 30, 2016	666,666	5,10
2	April 30, 2014	October 30, 2016	666,666	5,20
3	April 30, 2015	April 30, 2017	666,668	5,30

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

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

The market value of the options has been calculated on the basis of the Black & Scholes valuation model. Given the analysis of the historical volatility of the company’s share price, volatility has been assessed to amount to 35 percent, a risk-free interest rate of 0.95, 1.14 or 1.27 percent respectively for the three different maturities, and a share price of SEK 5.00. Any future dividends have not been taken into account. The value per employee stock option has been calculated to be SEK 1.08 for Tranch 1, SEK 1.16 for Tranch 2, and SEK 1.24 for Tranch 3. The cost for the 2013 financial year amounted to SEK 445 thousand.

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

NOTE 9

Remuneration to senior executives

Group	2013				2012			
	Salary	Pension	Other remuneration	Total	Salary	Pension	Other remuneration	Total
Board¹								
Lars Röckert, Chairman ²	275	-	-	275	275	-	-	275
Anders Persson ³	125	-	-	125	125	-	-	125
Mats Warstedt	125	-	-	125	125	-	-	125
Jan Samuelson ⁴	125	-	-	125	125	-	-	125
Lage Jonason	125	-	-	125	125	-	-	125
<i>Total</i>	<i>775</i>	<i>-</i>	<i>-</i>	<i>775</i>	<i>775</i>	<i>-</i>	<i>-</i>	<i>775</i>
Management								
Lars H. Hansen, CEO ⁵	3,510	58	89	3,657	2,743	58	68	2,869
Other executive management ⁶	4,892	148	140	5,180	4,063	138	140	4,341
<i>Total</i>	<i>8,402</i>	<i>206</i>	<i>229</i>	<i>8,837</i>	<i>6,806</i>	<i>196</i>	<i>208</i>	<i>7,210</i>

¹The Annual General Meeting 2013 resolved that directors' fees totaling SEK 275,000 shall be paid to the Chairman of the Board and SEK 125,000 to each of the other Board members. In addition to this, the Board has received compensation for outlays.

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

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

⁴Board member Jan Samuelson invoices his directors' fees via Business Partner Sweden AB.

⁵Variable salary can amount to a maximum of 50 percent of the basic salary. Variable salary 2013 and 2012 amounted to SEK 1,135 thousand (471).

⁶Variable salary can amount to a maximum of 0-35 percent of the basic salary. Variable salary 2013 and 2012 amounted to SEK 1,058 thousand (606).

Notice period

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

Option program

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

NOTE 10

Taxes

Group	2013	2012
Income tax		
Current tax	2,900	-
Deferred tax	-	-
<i>Total</i>	<i>2,900</i>	<i>-</i>
Reconciliation of effective tax, Group		
Profit/Loss before tax	-10,460	-29,491
Tax according to applicable tax rate 22%	2,301	7,756
Non-reported increase in deferred income taxes recoverable	-2,301	-7,756
<i>Reported effective tax</i>	<i>-</i>	<i>-</i>

Group

All companies in the Group have accumulated loss carryforwards. These do not have a time restriction and can therefore be used to reduce taxes on future profits. As it is uncertain whether there will be opportunity – and within what time frame – to utilize these deficits, they have not been capitalized as deferred income taxes recoverable. New assessments of whether deferred income taxes recoverable for loss carryforwards shall be reported are carried out regularly. Accumulated loss carryforwards in the Group amounted to SEK 293 m (290) as at December 31, 2013.

Current tax, 2013

In 2013, SEK 2.9 m (0) was reported in tax. This relates to tax refunds for 2012 and 2013 for the Danish subsidiary. According to a new Danish law, companies which invest in research and development are allowed to apply for direct payment of loss carryforwards if they have not yet become profitable. In 2013, a payment was received relating to the 2012 tax refund of SEK 1.5 m. It is estimated that the payment relating to 2013 will be paid in December 2014 upon application.

NOTE 11 Intangible assets

Group, December 31	2013	2012
<i>Opening acquisition value</i>	34,041	49,860
Internally-developed assets	5,340	6,714
Disposals for the year	-	-21,394
Exchange rate differences for the year	1,280	-1,139
<i>Closing accumulated acquisition value</i>	40,661	34,041
<i>Opening depreciation</i>	-17,209	-34,525
Depreciation for the year	-5,316	-4,661
Disposals for the year	-	21,394
Exchange rate differences for the year	-646	583
<i>Closing accumulated depreciation</i>	-23,171	-17,209
<i>Closing reported value</i>	17,489	16,832

Research and development expenses amounted to SEK 16,724 thousand (16,663), corresponding to 20 percent (39) of total income. Of these expenses, SEK 5,340 thousand (6,714) has been capitalized, the remainder is shown in the earnings for the period.

Research and development expenses consist of the R&D expenses less the reported fees for the year, with the addition of the year's depreciation on intangible assets. No salary expenses were capitalized due to the short timeframe of the project.

Disclosure on testing the write-down requirement:

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

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

During testing for write-down requirements, the Company has applied a discounting rate of 12.5 percent.

NOTE 12 Property, plant, and equipment

Group, December 31	2013	2012
<i>Opening acquisition value</i>	8,434	8,635
Purchases	14	144
Sales and disposals for the year	-17	-
Exchange rate differences for the year	317	-345
<i>Closing accumulated acquisition value</i>	8,748	8,434
<i>Opening depreciation</i>	-8,259	-8,059
Depreciation for the year	-76	-565
Sales and disposals for the year	17	-
Exchange rate differences for the year	-347	329
<i>Closing accumulated depreciation</i>	-8,665	-8,295
<i>Closing reported value</i>	83	139

NOTE 13 Financial assets

Group, December 31	2013	2012
<i>Opening acquisition value</i>	670	678
Change for the year	-3	-
Exchange rate differences for the year	25	-8
<i>Closing reported value</i>	692	670

NOTE 14 Inventories

Group, December 31	2013	2012
Finished products	10,098	3,240
Products in progress	-	-
Goods in transit	-	-
<i>Total</i>	10,098	3,240

The inventories are valued at acquisition value.

NOTE 15

Prepaid expenses and accrued income

Group, December 31	2013	2012
Personnel-related expenses	-	-
Other	1,498	922
<i>Total</i>	<i>1,498</i>	<i>922</i>
Parent Company, December 31		
Personnel-related expenses	-	-
Other	162	99
<i>Total</i>	<i>162</i>	<i>99</i>

NOTE 16

Liabilities to credit institutions

Group, December 31	2013	2012
Overdraft facility	9,696	-
Liabilities in respect of invoice factoring	6,852	13,445
Bank loan, due within one year	4,667	17,800
Bank loan, due after 2-3 years	12,333	-
<i>Total</i>	<i>33,548</i>	<i>31,245</i>

Loans to credit institutions which will fall due within one year amount to SEK 4,667 thousand. Interest at 7.89 percent is being paid quarterly. Loans which fall due between 2 and 3 years amount to SEK 12,333 thousand, and three months' interest applies, with STIBOR 90 as the interest base. Securities are described in Note 21, Assets pledged for liabilities to credit institutions.

Parent Company, December 31	2013	2012
Overdraft facility	9,696	-
Bank loan, due within one year	4,667	17,800
Bank loan, due after 2-3 years	12,333	-
<i>Total</i>	<i>26,696</i>	<i>17,800</i>

Loans to credit institutions which will fall due within one year amount to SEK 4,667 thousand. Interest at 7.89 percent is being paid quarterly. Loans which fall due between 2 and 3 years amount to SEK 12,333 thousand, and three months' interest applies, with STIBOR 90 as the interest base. Securities are described in Note 21, Assets pledged for liabilities to credit institutions.

NOTE 17

Overdraft facility

Group, December 31	2013	2012
Approved credit limit	10,000	-
Unutilized portion	-304	-
<i>Overdraft utilized</i>	<i>9,696</i>	<i>-</i>
Parent Company, December 31		
Approved credit limit	10,000	-
Unutilized portion	-304	-
<i>Overdraft utilized</i>	<i>9,696</i>	<i>-</i>

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

NOTE 18 Shares and participations in subsidiaries

Parent Company, December 31	2013	2012
Opening reported value	81,512	81,512
Shareholders' contributions	7,000	26,000
Write-down of shares	-7,000	-26,000
Employee Stock Option Program	445	-
Closing reported value	81,957	81,512

Shares held by the Parent company, 2013

Company	Corporate Identity	Registered office	Number of participations	Capital share (%)	Book value
INVISIO Communications A/S	20 75 82 36	Hvidovre, Denmark	672,590	100	79,340
Nextlink IPR AB	556691-0385	Stockholm	1,000	100	2,517
Nextlink Patent AB	556680-1774	Stockholm	1,000	100	100

Shares held by the Parent company, 2012

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

NOTE 19 Accrued expenses and prepaid income

Group, December 31	2013	2012
Personnel-related expenses	5,738	3,961
Other	2,709	1,613
<i>Total</i>	<i>8,447</i>	<i>5,574</i>
Parent Company, December 31	2013	2012
Personnel-related expenses	383	401
Other	1,540	1,250
<i>Total</i>	<i>1,923</i>	<i>1,651</i>

NOTE 20 Shareholders' equity

See the report Changes in Shareholders' Equity, pages 49 and 53.

Parent Company

As at December 31, 2013 share capital amounted to SEK 42,240 thousand (38,440), allocated over 42,240,161 (38,440,161) shares with a quotient value of SEK 1.

The number of outstanding stock options amounts to 2,000,000 (2,000,000), which entitle the holder to subscribe for 2,000,000 (2,000,000) shares, distributed over one (one) program.

STOCK OPTIONS

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

NOTE 21

Pledged assets
and contingent liabilities

Pledged assets

	Group		Parent Company	
	2013	2012	2013	2012
For liabilities to credit institutions, December 31				
Shares in subsidiaries	-	-	2,517	2,517
Pledged accounts receivable	8,565	17,362	-	-
<i>Total</i>	<i>8,565</i>	<i>17,362</i>	<i>2,517</i>	<i>2,517</i>
Contingent liabilities	None	None	None	None

NOTE 22

Earnings per share in the Group

	2013	2012
Earnings per share before dilution		
Profit/Loss after tax	-10,460	-29,491
Average number of shares outstanding (thousands)	38,850	35,345
<i>Earnings per share before dilution</i>	<i>-0.27</i>	<i>-0.83</i>

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

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

Only the option programs whose issue price is less than the average share price for the period can lead to a dilutive effect. The average price for 2013 was SEK 4.80. The outstanding option program does not meet the conditions. Earnings per share before dilution therefore agree with the result per share after dilution.

As shown in Note 8, INVISIO Communications has an outstanding employee stock option program, providing the right to subscribe for a maximum of 2,000,000 shares between May 2016 and May 2017.

Calculation of dilution

Number of shares after dilution for 2013	38,850
Average exchange rate 2013	4.80

NOTE 23

Accounts receivable – trade

As at December 31, 2013, accounts receivable of SEK 5,105 thousand (3,033) were due within the Group. The write-down requirement has been assessed to be SEK 226 thousand (218). Other accounts receivable are for customers who have not previously exhibited problems with making payments. An age analysis of the Company's accounts receivable is shown below. The Parent Company has no accounts receivable.

December 31	Group	
	2013	2012
Past due but not written-down accounts receivable		
Not past due	11,258	14,548
Past due 1-30 days	3,926	2,780
Past due 31-60 days	515	21
Past due 61-90 days	503	23
Past due 91-120 days	0	0
Past due 121 days or more	161	209
<i>Total</i>	<i>16,363</i>	<i>17,581</i>
Provision for bad accounts receivable		
Provision at start of year	218	227
Confirmed losses	-6	-26
Recovery of bad accounts receivable	-212	-192
Exchange rate differences	8	-9
Recovery of expected losses	218	218
<i>Provision at year-end</i>	<i>226</i>	<i>218</i>
Reserve for bad accounts receivable according to		
Not past due	-	-
Past due 1-30 days	-	-
Past due 31-60 days	-	-
Past due 61-90 days	-	-
Past due 91-120 days	-	-
Past due 121 days or more	226	218
<i>Total</i>	<i>226</i>	<i>218</i>

NOTE 24 Costs divided by type

Group		
Costs divided by type	2013	2012
Changes in stocks of finished products and products in progress	-48,205	-24,914
Costs for employee remuneration (Notes 8 & 9)	-17,476	-16,030
Research and development costs	-16,701	-14,611
Depreciation and write-downs (Notes 4 & 12)	-5,392	-5,226
Other costs	-7,960	-8,063
<i>Total cost of goods sold, sales and marketing, administration, research and development</i>	<i>-95,734</i>	<i>-68,844</i>
Parent Company		
Costs divided by type	2013	2012
Costs for employee remuneration (Notes 8 & 9)	-2,240	-1,920
Depreciation and write-downs (Notes 11 & 12)	-	-
Other costs	-3,582	-3,987
<i>Total administrative expenses</i>	<i>-5,822</i>	<i>-5,907</i>

NOTE 25 Related party disclosures

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

Yggdrasil AB, with 16.5 percent of the votes and capital in the Company, provides security for loans and overdrafts amounting to SEK 20 m against an annual security commission of 3.9 percent on average.

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

NOTE 26 Events after the end of the financial year

- The company receives an order worth SEK 5.2 m from a NATO country for a number of INVISIO V60 communication system units.
- The company receives an order worth SEK 1.8 m from Australia via its distribution partner Defcon Technologies.
- The company receives a follow-up order for complete communication and hearing protection systems from TCAPS, worth SEK 20 m, via its American partner TEA Headsets.

The consolidated income statement and balance sheet will be presented at the Annual General Meeting on May 7, 2014 for adoption.

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

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

Stockholm, March 21, 2014

Lars Röckert
Chair

Anders Persson
Board member

Lage Jonason
Board member

Mats Warstedt
Board member

Jan Samuelson
Board member

Lars Højgård Hansen
CEO

Our audit report was submitted
March 24, 2014

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of INVISIO Communications AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 42-67

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and

present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of INVISIO Communications AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, March 24, 2014

Michael Bengtsson
Authorized Public Accountant

FIVE-YEAR OVERVIEW

INCOME STATEMENTS January – December (SEK 000s)	2013	2012	2011	2010	2009
Total income	85,254	43,031	41,463	32,787	61,106
Cost of goods sold	-48,205	-24,914	-21,162	-14,955	-18,388
Gross profit	37,049	18,117	20,301	17,832	42,718
Operating expenses	-42,311	-38,704	-36,390	-43,474	-46,676
Depreciation and write-downs	-5,218	-5,226	-8,085	-12,224	-9,480
Operating profit/loss	-10,480	-25,813	-24,174	-37,866	-13,438
Net financial items	-2,880	-3,678	-4,451	-1,948	-3,857
<i>Profit/Loss before tax</i>	<i>-13,360</i>	<i>-29,491</i>	<i>-28,625</i>	<i>-39,814</i>	<i>-17,295</i>
Tax	2,900				
<i>Profit/Loss after tax</i>	<i>-10,460</i>	<i>-29,491</i>	<i>-28,625</i>	<i>-39,814</i>	<i>-17,295</i>
INCOME STATEMENTS December 31 (SEK, thousands)	2013	2012	2011	2010	2009
ASSETS					
Non-current assets					
Intangible assets	17,489	16,832	15,336	16,948	24,521
Property, plant, and equipment	83	139	576	834	1,611
Financial assets	692	670	678	643	769
<i>Total non-current assets</i>	<i>18,264</i>	<i>17,641</i>	<i>16,590</i>	<i>18,425</i>	<i>26,901</i>
Current assets					
Inventories	10,098	3,240	5,215	2,780	2,716
Accounts receivable – trade	16,137	17,362	5,668	10,169	13,404
Other receivables/prepaid expenses and accrued income	4,741	1,488	6,039	3,156	2,149
Cash and bank balances	9,126	4,240	17,305	12,752	5,059
<i>Total current assets</i>	<i>40,102</i>	<i>26,330</i>	<i>34,227</i>	<i>28,857</i>	<i>23,328</i>
TOTAL ASSETS	58,366	43,971	50,817	47,282	50,229
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	<i>3,895</i>	<i>-1,814</i>	<i>11,287</i>	<i>5,630</i>	<i>7,030</i>
Current liabilities					
Liabilities to credit institutions	21,215	31,245	27,736	21,570	16,815
Accounts payable – trade	12,439	8,840	6,284	9,301	11,761
Other liabilities/accrued expenses and prepaid income	8,484	5,700	5,510	10,781	14,623
<i>Total current liabilities</i>	<i>42,138</i>	<i>45,785</i>	<i>39,530</i>	<i>41,652</i>	<i>43,199</i>
Long-term liabilities					
Liabilities to credit institutions	12,333	-	-	-	-
Other liabilities	-	-	-	-	-
<i>Total long-term liabilities</i>	<i>12,333</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	58,366	43,971	50,817	47,282	50,229

CASH FLOW STATEMENT January –December (SEK 000s)	2013	2012	2011	2010	2009
Profit/Loss before tax	-13,360	-29,491	-28,625	-39,814	-17,295
Adjustments for non-cash items	5,202	5,312	8,123	9,519	9,034
Taxes	2,900	-	-	-	-
<i>Cash flow from operating activities before changes in working capital</i>	<i>-5,258</i>	<i>-24,179</i>	<i>-20,502</i>	<i>-30,295</i>	<i>-8,261</i>
Cash flow from changes in working capital	-2,079	-2,644	-9,138	-6,927	-2,433
<i>Cash flow from operating activities</i>	<i>-7,337</i>	<i>-26,823</i>	<i>-29,640</i>	<i>-37,222</i>	<i>-10,694</i>
<i>Cash flow from investing activities</i>	<i>-5,180</i>	<i>-6,942</i>	<i>-6,263</i>	<i>-7,037</i>	<i>-8,475</i>
<i>Cash flow from financing activities</i>	<i>17,266</i>	<i>20,826</i>	<i>40,473</i>	<i>52,132</i>	<i>23,291</i>
CASH FLOW FOR THE YEAR	4,749	-12,939	4,570	7,873	4,122
KEY FIGURES	2013	2012	2011	2010	2009
MARGINS					
Gross margin	43.5%	42.1%	49.0%	54.4%	69.9%
Operating margin	-12.3%	-60.0%	-58.3%	-115.5%	-22.0%
Profit margin	-15.7%	-68.5%	-69.0%	-121.4%	-28.3%
CAPITAL STRUCTURE					
Equity ratio	6.7%	-4.1%	22.2%	11.9%	14.0%
OTHER					
Number of employees	31	29	30	27	29
DATA PER SHARE					
Number of shares at end of period, thousands	42,240	38,440	32,704	23,501	21,565
Earnings per share, SEK	-0.27	-0.83	1.10	-1.75	-0.82
Shareholders' equity per share, SEK	0.09	neg.	345.12	239.56	325.99
Share price at year end, SEK	5.05	5.00	3.70	10.00	18.00

DEFINITIONS

Gross margin

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

Operating margin

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

Profit margin

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

Equity ratio

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

Number of shares outstanding

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

Average number of shares outstanding

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

Average number of shares outstanding after dilution

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

Earnings per share

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

Earnings per share after dilution

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

Shareholders' equity per share

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

Average number of employees

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

Number of employees at year-end

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

FINANCIAL CALENDAR

Publication dates for financial information in 2014:

- ▶ 2014 Annual General Meeting: Weds, May 7, 2014, 13.00
- ▶ Interim report, January-March: Weds, May 7, 2014
- ▶ Interim report, April-June: Thur, August 14, 2014
- ▶ Interim report, July-September: Thur, November 6, 2014
- ▶ Year-end report: Thur, February 19, 2015

The 2014 Annual General Meeting will take place at the premises of Advokatfirman Westmark Anjou AB, Sergels torg 12, Stockholm.

Design and production:

HILL+KNOWLTON
STRATEGIES

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