

Interim Report

January–September 2016

Record quarter for both sales and profit

Mkr	2016 Q3	2015 Q3	Δ %	2016 Jan-Sep	2015 Jan-Sep	Δ %
Revenue	85.6	56.3	52	248.7	181.7	37
Gross Profit	45.1	29.3	54	130.6	95.7	36
Gross margin [%]	52.7	52.0	1	52.5	52.7	0
EBITDA	29.0	14.7	97	77.2	48.1	61
Operating profit/loss	27.7	12.9	115	73.5	43.3	70
Operating margin [%]	32.4	22.9	41	29.5	23.8	24
Profit/loss for the period	29.9	26.1	14	75.5	53.5	41
Earnings per share, SEK	0.70	0.62	13	1.77	1.27	40

”The year's third quarter shows both higher sales and earnings than ever before in the company's history. Sales increased by 52 per cent to SEK 85.6 million and the operating profit more than doubled to SEK 27.7 million. Sales mainly consisted of large deliveries to ongoing modernization programs in the United Kingdom and Australia but also of several smaller deliveries to existing and new customers. This year to date income rose by 37 per cent and operating profit by 70 per cent compared with the corresponding period in 2015.”

Lars Højgård Hansen, CEO

IMPORTANT EVENTS DURING THE QUARTER

- INVISIO received the second order in the framework of the British THPS hearing protection program. The order value was about SEK 22 million and deliveries are planned for 2017.
- The U.S. army placed a follow-up order of SEK 10 million.
- INVISIO received a follow-up order of about SEK 7 million from an existing army customer in NATO.
- The order book at the close of the quarter was SEK 162.3 million (163.2).

IMPORTANT EVENTS AFTER THE CLOSE OF THE QUARTER

- The share capital in INVISIO increased due to exercise of stock options.

Record quarter for both sales and profit

The year's third quarter shows both higher sales and earnings than ever before in the company's history. Sales increased by 52 per cent to SEK 85.6 million and the operating profit more than doubled to SEK 27.7 million. Sales mainly consisted of large deliveries to ongoing modernization programs in the United Kingdom and Australia but also of several smaller deliveries to existing and new customers.

This year to date income rose by 37 per cent and operating profit by 70 per cent compared with the corresponding period in 2015. The operating margin reached 29.5 per cent compared with 23.8 per cent last year.

At the close of the period the order book was SEK 162 million, which is in line with last year's intake. However, it is important to remember that the order book may vary from quarter to quarter due to orders from large programs.

Important orders strengthen our position in Europe and the USA

Sales to our contract customers continue to develop well and are proof that our solutions work in the customer's environment.

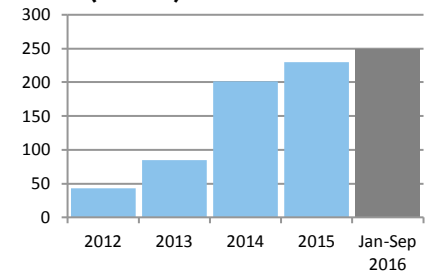
The quarter saw a strengthening of our sound collaboration with the THPS program in the United Kingdom. After deliveries to the army had started during the year, in September we received the second order within the contract we won in 2015. The order was worth SEK 22 million and this time the navy, the air force and the army reserve forces will have access to the equipment. Hence our solution will be used by many more British defence units. The contract, which is for at least four years, gives us good opportunities for continued expansion in the various units in coming years.

At the same time the American army's TCAPS program followed up its order in June for SEK 100 million with an order for a further SEK 10 million.

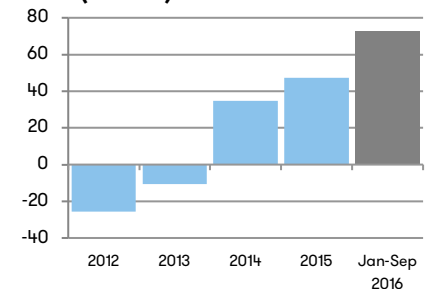
Satisfied customers are the most important basis for long-term success and profitability. Consequently, it is gratifying that our customers constantly return. One of our oldest army customers in NATO became our customer as early as in 2012 and orders systems from us regularly. Just this year this customer bought equipment for about SEK 14 million.

We also notice increased demand from military Special Forces and forces within the police service in many parts of the world. Several smaller business transactions in the quarter are examples of this. The purchases of this customer group are decentralised and often for smaller volumes than the relatively larger programs, but nevertheless important for our continued market penetration. They are often used as references for larger programs.

Sales (SEK m)



EBIT (SEK m)



"The quarter saw a strengthening of our sound collaboration with the THPS program in the United Kingdom. After deliveries to the army had started during the year, in September we received the second order within the contract we won in 2015."



High pace in recruitment for the future

INVISIO's growth and sound financial position make continued investments for the future possible. In 2016 we started investing, for example through a number of new recruitments, mainly in research and development but also on the marketing side. We are following our strategy of winning more business in regions where we are already established but are also preparing for future geographical expansion.

We also continue to focus on extending our product portfolio both in existing and new product categories. To create innovative solutions that support customer activities, we work from a long-term perspective and closely with our customers. For competitive reasons, we cannot yet give details about the coming products. Last but not least, our focus is on continued development of our business model with good cost control at all stages.

These investments create conditions for continued positive development for INVISIO.

Lars Højgård Hansen, CEO

“We are following our strategy of winning more business in regions where we are already established but are also making preparations for future geographical expansion.”

INVISIO in brief

INVISIO develops and sells advanced communication systems with hearing protection that enable professionals in noisy and mission critical environments to communicate and work effectively. The systems consist of headsets and control units that connect for example to an external group radio or a vehicle's intercom.

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

Innovative product development

Product development is based on a good understanding of the users' work environment and specific needs. By combining different technologies and skills in acoustics, electronics, mechanics and hearing, the company creates innovative and customized solutions that replace traditional methods.

Military Modernization drives growth

The company's customers are mainly authorities in charge of procurement for security forces and defense forces. Growth for the company's products is driven by modernization programs with high requirements for new equipment. In recent years INVISIO has won significant contracts in the framework of programs requiring hearing protection that include radio and communication solutions. The company have long-term contracts with defense authorities in the USA, the UK, Canada, Australia and Denmark, among others.

Sales

Sales are primarily via a global network of partners and resellers but in some markets the company also sells directly to end customers. The products are mainly manufactured by contract manufacturers.

Uneven order flow and sales over the year

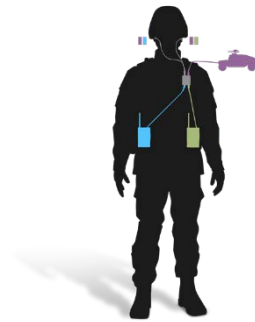
INVISIO's market is characterized by large procurements, often with long lead times due to extensive processes with customer tests both in laboratories and among end users. This means that the order intake and sales for individual quarters may vary and have an effect on the full year figures.

Financial targets and strategies

The company's sales are to increase on average by 20 per cent per year. The operating margin must be at least 15 per cent. The targets were presented at the time of the company's listing on Nasdaq Stockholm in May 2015.

To achieve the financial targets INVISIO uses the following strategies:

- Increase market share in existing markets in Europe, North America and Australia.
- Geographical expansion to emerging markets with long-term potential, including South East Asia and parts of the Middle East and South America.
- Product development referring to both new and further developed products for current target groups.
- Cost effectiveness in the company and in manufacturing.



INVISIO's solutions reduce harmful noise while amplifying weak sounds and retaining the user's perception of sound direction.

The users retain situational awareness and can act according to what is going on around them.



Hearing loss is a common problem for employees of the armed forces. Soldiers serving abroad suffer in particular.

Statistics show that the problems cost the American armed forces billions of dollars every year.¹

¹ Researchers evaluate true effects of hearing loss for Soldiers, United States Army website, Dec 2015. | The 2015 Annual Benefits Report, US Department of Veteran Affairs, Veteran Benefits Administration. | Bullerskador ökar bland officerare (Hearing impairment due to high noise levels increasing among officers), Officerstidningen, No 1 2014.

Net sales and profit

January–September 2016

Sales for the period January – September 2016 were SEK 248.7 million (181.7), an increase of 37 per cent in comparison with the same period in 2015. In comparable currencies sales increased by 45 per cent.

Sales in international markets are mainly in USD, EUR and GBP, which means that the company's sales and performance are impacted by changes in these currencies. The company has no major orders to balance any exchange rate fluctuations in the short term.

At the close of the period the order book amounted to SEK 162.3 million (163.2).

Gross profit was SEK 130.6 million (95.7) and the gross margin was 52.5 per cent (52.7).

Operating expenses for the period were SEK 57.1 million (52.4). The increase is mainly attributable to higher staff costs as a result of a number of new recruitments.

Development costs of SEK 4.5 million (3.3) were capitalized during the period. Depreciation of capitalized development costs of SEK 3.5 million (4.7) were included in operating expenses.

The operating profit for the period was SEK 73.5 million (43.3) and the operating margin was 29.5 per cent (23.8).

Net financial income was SEK -0.1 million (-0.6).

Profit before tax amounted to SEK 73.4 million (42.7) and profit for the period was SEK 75.5 million (53.5).

Third quarter 2016

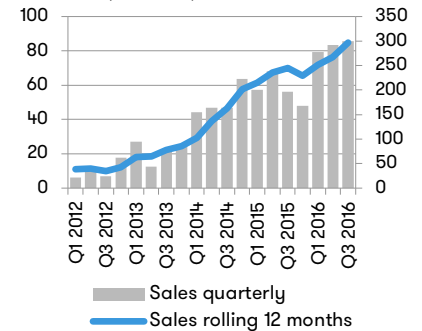
Sales in July–September 2016 amounted to SEK 85.6 million (56.3), an increase of 52 per cent compared with the corresponding period in the previous year. After currency adjustment growth was 62 per cent.

Gross profit was SEK 45.1 million (29.3), which corresponds to a gross margin of 52.7 per cent (52.0). Gross margin may vary between the quarters depending on the product mix and the share of direct sales to end-customers.

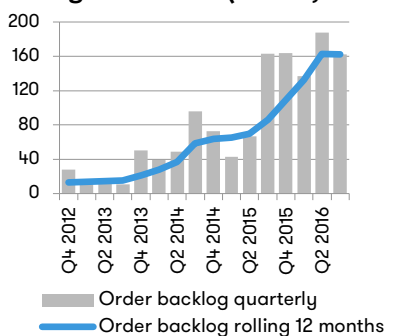
Operating expenses for the quarter were SEK 17.4 million (16.4). The increase is mainly attributable to higher staff costs as a result of a number of new recruitments.

During the quarter development costs of SEK 1.6 million (1.2) were capitalized. Operating expenses include depreciation of capitalized development costs of SEK 1.1 million (1.7).

Sales per quarter and rolling 12 months (SEK m)



Order backlog per quarter and rolling 12 months (SEK m)



The operating profit during the quarter was SEK 27.7 million (12.8), which corresponds to an operating margin of 32.4 per cent (22.9).

Net financial items for the quarter amounted to SEK 0.0 million (-0.1).

Profit before tax amounted to SEK 27.7 million (12.8) and profit for the period was SEK 29.9 million (26.1).

Cash flow, investments and financial position

Investments

During the period January-September 2016 investments amounted to SEK 5.5 million (3.5), of which SEK 4.5 million (3.3) constituted capitalized development costs.

Cash flow and liquidity

Cash flow from operating activities during the period January-September 2016 amounted to SEK 58.9 million (41.5). Cash flow from investing activities amounted to SEK -5.5 million (-3.5). Cash flow from financing activities was SEK 3.1 million (-19.1). Cash flow for the period thus amounted to SEK 56.5 million (18.9).

Cash flow for the quarter is negative and is due to build up of inventories and a large delayed customer payment that was not received until October.

At the end of the period, the Group's cash and cash equivalents amounted to SEK 88.3 million (47.0).

Equity

The Group's equity at the close of the period was SEK 191.4 million (105.7), which implied an equity/assets ratio of 79 per cent (73). In the period January-September SEK 3.1 million was added to equity through exercising stock options in connection with the employee stock option program 2013/2017 Tranche 1. The employee stock option program is presented in INVISIO Communications' annual report for 2015, on page 56, Note 8.

Taxes

Capitalized deferred tax assets in the balance sheet are SEK 34.9 million, attributable to the Danish subsidiary. Deferred tax assets are reported as loss carry-forwards to the extent it is probable that they can be utilised as tax deductions against future taxable profits. An individual assessment will be conducted for each subsidiary with regards to historic performance and possibilities to utilize loss carry-forwards. Danish legislation limits the yearly utilization of loss carry-forwards, which means that the Danish subsidiary may pay tax in 2016. Total loss carry-forwards as at September 2016 are estimated to be SEK 253 million, of which SEK 158 million is capitalized. Thus the loss carry-forwards in Denmark are fully capitalized. The remaining unutilized loss carry-forwards amount to SEK 95 million, refer to the Swedish companies and cannot be capitalized at present. All loss carry-forwards have an unlimited life.

Parent company

Net income for the parent company during the period January - September 2016 amounted to SEK 45 thousand (45). Operating profit was SEK -4.7 million (-7.3). Profit for the period amounted to SEK -4.7 million (-7.6).

At the end of the period, the parent company's cash and cash equivalents amounted to SEK 26.4 million (5.8). Equity amounted to SEK 81.3 million (59.2), which gave an equity/assets ratio of 73.8 percent (66.6). The number of employees in the parent company was 1 (1).

Employees

The number of employees in the Group, restated as full time positions, was 52 (34) at the close of the period. Of the employees, 40 were men (27) and 12 women (7).

Other information

Accounting policies

The interim report for the Group has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The parent company's accounts were prepared in accordance with RFR 2, Accounting for legal entities and the Annual Accounts Act. The accounting policies that are described in INVISIO's 2015 Annual Report have been applied.

Material risks and uncertainties

INVISIO's business and earnings are affected by a number of external and internal factors. A continuous process is conducted to identify all anticipated risks and to assess how each respective risk is to be managed.

The risks that the company is mainly exposed to are market-related risks (including legislation and political decisions, global economic situations, competition, technological risks, market acceptance of new products and supplier-related circumstances), operational risks (including the ability to manage growth, customers and cooperation agreements, product liability, intellectual property rights, dependence on key persons and employees, as well as risks related to financial reporting) and financial risks (including interest rate risk, currency risk, financing risk and liquidity risk).

The Company estimates that no additional material risks or uncertainties have arisen during the year, beyond those reported in this interim report and on pages 39 and 53-54 in the Annual Report for 2015.

Definition of financial key ratios

Gross margin Gross profit as a percentage of total income.

Operating margin Operating profit as a percentage of total income.

Profit margin Profit for the year as a percentage of total income.

Equity/assets ratio Equity divided by total assets (balance sheet total).

Number of outstanding shares Number of outstanding shares at the close of the period.

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

Average number of outstanding shares after dilution Weighted average of the number of outstanding shares during the period plus a weighted number of shares that would be added if all dilutive potential shares were converted. Only the option

programs whose issue price is less than the average market price of the shares during the period can lead to a dilutive effect.

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

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

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

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

Nomination Committee for the 2017 Annual General Meeting

The Nominating Committee prior to the 2017 Annual General Meeting comprises of Elisabet Jamal Bergström, chairing the Nominating Committee and representing Handelsbanken Fonder, Lennart Franck, representing Swedbank Robur fonder, Lage Jonason, representing himself and family and companies, and Chairman of the Board Lars Röckert.

Shareholders who wish to submit proposals to the Nominating Committee can email to elja04@handelsbanken.se, or send ordinary mail addressed to: The Nominating Committee, INVISIO Communications AB, P O Box 151, SE 201 21 Malmö, Sweden.

Annual General Meeting 2017

INVISIO's Annual General Meeting in 2017 will be held in Stockholm on April 26, 2017 at 13:00.

Shareholders wishing to have matters considered at the Annual General Meeting can send a written request by email to ir@invisio.com or ordinary mail addressed to: The Board of Directors, INVISIO Communications AB, P O Box 151, SE 201 21 Malmö, Sweden. The request must have been received at the latest seven weeks before the Annual General Meeting in order to be included in the notice to attend and thus the agenda of the Annual General Meeting.

Financial calendar

Year-end report 2016	February 24, 2017
Interim report January-March 2017	April 26, 2017
Annual General Meeting 2017	April 26, 2017

Interim reports and annual reports are available at www.invisio.com.

Stockholm, November 3, 2016

Lars Röckert
Chairman of the Board

Annika Andersson
Board member

Charlotta Falvin
Board member

Lage Jonason
Board member

Anders Persson
Board member

Mats Warstedt
Board member

Lars Højgård Hansen
President/CEO

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Publication

This information is information that INVISIO Communications AB (publ) is obliged to disclose under the EU Market Abuse Regulation and the Securities Market Act. The information was released for public disclosure, through the agency of the President/CEO, on November 3, 2016, at 08.30 CET.

Address

INVISIO Communications AB | P O Box 151 | SE 201 21 Malmö, Sweden

INVISIO is a Swedish company listed on Nasdaq Stockholm. The company's share is traded under the ticker name IVSO and has the ISIN code SE0001200015.

Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed interim financial information (interim report) of INVISIO Communications AB (publ) as of 30 September 2016 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, November 2, 2016

PricewaterhouseCoopers

Michael Bengtsson

Authorized Public Accountant

Consolidated Income Statement in summary

SEK 000s	2016 Q3	2015 Q3	2016 Jan-Sep	2015 Jan-Sep	2015 Full year
Revenue	85,590	56,308	248,733	181,673	229,802
Cost of goods sold	-40,463	-27,051	-118,168	-85,999	-111,474
Gross Profit	45,127	29,257	130,565	95,674	118,328
Operating expenses*	-17,415	-16,370	-57,105	-52,399	-71,005
Operating profit/loss	27,712	12,887	73,460	43,275	47,323
Net financial items	19	-128	-98	-577	-459
Profit/loss before tax	27,731	12,759	73,362	42,698	46,864
Income tax	2,129	13,340	2,129	10,810	10,224
Profit/loss for the period	29,860	26,099	75,491	53,508	57,088
Other comprehensive income					
Items that may be reclassified subsequently to the income statement					
Translation differences	2,876	2,388	7,074	-593	-4,367
Comprehensive income for the period	32,736	28,487	82,565	52,915	52,721
(Entirely attributable to equity holders of the parent)					
*Depreciation incl. in operating expenses	-1,261	-1,783	-3,788	-4,825	-5,595
Per-share data					
	2016 Q3	2015 Q3	2016 Jan-Sep	2015 Jan-Sep	2015 Full year
Earnings per share, SEK	0.70	0.62	1.77	1.27	1.35
Earnings per share after dilution, SEK	0.68	0.59	1.71	1.22	1.30
Shareholders' equity per share, SEK	4.47	2.50	4.47	2.50	2.50
Shareholders' equity per share after dilution, SEK	4.47	2.50	4.47	2.50	2.41
Equity ratio (%)	79	73	79	73	75
Number of shares, thousand	42,844	42,240	42,844	42,240	42,240
Average number of shares, thousand	42,721	42,240	42,602	42,240	42,240
Average number of shares after dilution, thousand	44,138	44,138	44,138	43,847	43,920
Share price, SEK	67.50	45.30	67.50	45.30	75.75

Consolidated Balance Sheet in summary

SEK 000s

Assets	9/30/2016	9/30/2015	12/31/2015
Intangible assets	18,880	17,244	16,853
Property, plant and equipment	1,309	351	600
Financial assets	1,089	772	755
Deferred tax assets	34,853	30,288	29,388
Inventories	33,186	18,041	19,937
Accounts receivable - trade	59,749	23,535	35,855
Other receivables	4,931	7,877	8,286
Cash and cash equivalents	88,273	47,000	29,367
Total assets	242,270	145,108	141,041

Shareholders' equity and liabilities	9/30/2016	9/30/2015	12/31/2015
Shareholders' equity	191,439	105,695	105,635
Liabilities to credit institutions	-	4,000	-
Accounts payable - trade	23,474	14,030	15,846
Other liabilities	27,357	21,383	19,560
Total shareholders' equity and liabilities	242,270	145,108	141,041

Changes in shareholders' equity in summary	2016 Jan-Sep	2015 Jan-Sep	2015 Full year
Opening balance	105,635	52,375	52,375
New issues	3,076	-	-
Employee stock option program	163	405	539
Comprehensive income for the period	82,565	52,915	52,721
Closing balance	191,439	105,695	105,635

Statement of cash flows – Group

SEK 000s

	2016 Q3	2015 Q3	2016 Jan-Sep	2015 Jan-Sep	2015 Full year
Cash flow					
Operating activities					
Profit/loss before tax	27,731	12,758	73,362	42,698	46,865
Adjustments for non-cash items	-133	2,368	3,455	5,176	4,587
Cash flow from operating activities before changes in working capital	27,598	15,126	76,817	47,874	51,452
Cash flow from changes in working capital	-29,500	3,057	-17,916	-6,387	-21,530
Cash flow from operating activities	-1,902	18,183	58,901	41,487	29,922
Investing activities					
Capitalization of non-current assets	-1,582	-1,231	-4,534	-3,262	-4,109
Acquisition of property, plant and equipment	-8	-276	-971	-276	-592
Cash flow from investing activities	-1,590	-1,507	-5,505	-3,538	-4,701
Financing activities					
New issues	-	-	3,076	-	-
Change in financial assets	-	-3,799	-	-19,098	-23,077
Cash flow from financing activities	-	-3,799	3,076	-19,098	-23,077
Cash flow for the period	-3,492	12,877	56,472	18,851	2,144
Cash and cash equivalents at start of period	90,786	33,439	29,367	28,444	28,444
Translation differences in cash and cash equivalents	979	684	2,434	-295	-1,221
Cash and cash equivalents at end of period	88,273	47,000	88,273	47,000	29,367

Parent Company Income Statement, in summary

SEK 000s	2016 Q3	2015 Q3	2016 Jan-Sep	2015 Jan-Sep	2015 Full year
Operating income	15	15	45	45	60
Operating expenses	-1,535	-1,199	-4,761	-7,387	-8,946
Operating loss	-1,520	-1,184	-4,716	-7,342	-8,886
Net financial items**	33	-23	30	-282	24,614
Profit/loss before tax	-1,487	-1,207	-4,686	-7,624	15,728
Income tax	-	-	-	-	-
Profit/loss for the period	-1,487	-1,207	-4,686	-7,624	15,728
**Of which, dividend from subsidiaries	-	-	-	-	25,000

Parent Company Balance Sheet, in summary

SEK 000s	9/30/2016	9/30/2015	12/31/2015
Assets			
Financial assets/shares in subsidiaries	83,160	82,815	82,950
Receivables from Group companies	-	-	771
Other receivables	581	333	245
Cash and cash equivalents	26,360	5,823	453
Total assets	110,101	88,971	84,419
Shareholders' equity and liabilities			
Shareholders' equity	81,282	59,243	82,729
Liabilities to credit institutions	-	4,000	-
Accounts payable - trade	442	124	89
Liabilities to Group companies	27,116	24,076	111
Other liabilities	1,261	1,528	1,490
Total shareholders' equity and liabilities	110,101	88,971	84,419
Changes in shareholders' equity			
Opening balance	82,729	66,462	66,462
New issues	3,076	-	-
Employee stock option program	163	405	539
Profit/loss for the period**	-4,686	-7,624	15,728
Closing balance	81,282	59,243	82,729
**Of which, dividend from subsidiaries	-	-	25,000