

INTERIM REPORT

July-September 2013

INVISIO[®]
NO NOISE. ONLY YOUR VOICE.

Strong Sales Growth and High Backlog

SEK m	Q3 2013	Q3 2012	Jan-Sep 2013	Jan-Sep 2012
Total income	21.1	7.0	60.5	25.1
Gross Profit	10.3	3.4	27.8	10.7
Gross Margin (%)	48.8	49.3	45.9	42.8
EBITDA	0.4	-4.1	-1.5	-16.0
Operating Profit/Loss	-1.2	-5.6	-6.0	-19.5
Profit/Loss after tax	-1.6	-6.6	-7.4	-21.6
Profit/Loss per share (SEK)	-0.04	-0.18	-0.19	-0.62

- SEK 8.0 m order from the Canadian Department of National Defense.
- SEK 7.1 m order from the U.S. Army.
- ISO 9001:2008 certification received from German certifying body TÜV NORD CERT GmbH.
- New credit facilities of SEK 7.5 m.
- Outgoing backlog amounted per September 30 to SEK 11.1 m and at the time of reporting to a high SEK 57.6 m.

Important Events After the Period

- Largest order so far of SEK 40 m received in October. The order is for the military program TCAPS, administrated by PEO Soldier within the U.S. Army.
- Additional order of SEK 4.8 m from a NATO country's army.
- Strengthening of the financial position through a directed share issue of approximately SEK 10 m and a change in the amortization plans.

About INVISIO Communications

INVISIO Communications AB is a public company listed on the NASDAQ OMX First North Premier Segment (ticker code: IVSO) an alternative market on NASDAQ OMX Stockholm. INVISIO specializes in voice communications in difficult conditions. The company develops, manufactures, markets and sells communication solutions such as advanced headsets control units and accessories for use with two-way radio, primarily for professional users who often work in difficult environments. The customers are for example found in the military and military Special Forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. Additional information is available on the company's web site at www.invisio.com. Mangold Fondkommission AB (www.mangold.se) is Certified Adviser for INVISIO Communications AB.

CEO's Comments

During the year's first nine months, sales have more than doubled compared with 2012. This year will be the sixth consecutive year with increased sales within INVISIO's focus since 2008: the global niche for advanced systems for hearing protection and interference-free communication in difficult conditions. Not only our sales have increased; our technology leadership in the industry has been fortified.

Right after the end of the period, we also received the largest order ever and the backlog today amounts to over SEK 57 m. We expect continued growth in sales, a stable gross margin and unchanged costs, and thus operations are expected to become profitable in the beginning of 2014.

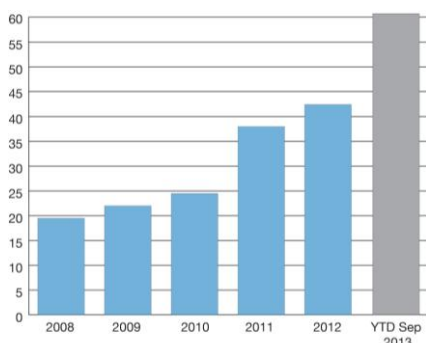
NEW RECORD ORDER IMPORTANT MILESTONE

The new order of SEK 40 m is our single largest ever and is for several reasons an important milestone. The order is for a large number of complete communications- and hearing protection systems from INVISIO and is for the military program TCAPS, Tactical Communication and Protective System, which is managed by the organization PEO Soldier within the U.S. Army. The purpose of TCAPS is to provide hearing protection and auditory situational awareness devices to soldiers, to increase hearing readiness and reduce hearing damage in high noise and extreme conditions. Within TCAPS, extensive testing and evaluation of communications solutions that includes hearing protection has been conducted and the INVISIO solution is now approved for use. This is a very good credential for our world leading communications solutions and also strengthens our business opportunities, both in the U.S. as well as in other parts of the world. We expect possibilities for additional similar orders within this program the coming years.

The American market is very important for INVISIO and we have now made a volume breakthrough, even though this order in relation to the long-term client need is small. Other customers across the world takes impression of that U.S. Army, as well as previous NATO-countries, have found INVISIO's solution very good.

TRIPLED SALES DURING THE QUARTER

During the third quarter, sales tripled compared with the same period previous year, SEK 21.1 m compared with SEK 7.0 m. Sales for the year's first three quarters compared with the same period last year is about 240 percent higher.



As the chart shows, we have already now by far exceeded the entire sales in 2012, at the same time as our costs are under control.

INVISIO's sales per year and in SEK m

During the quarter we received two larger orders, of SEK 8.0 m from the Canadian Department of National Defense for various headsets and communications solutions, and of SEK 7.1 m from the U.S. Army for a number of units of the communications system INVISIO V60.

After the end of the quarter we have, besides the new record order from TCAPS, received an additional order of SEK 4.8 m from the army of a NATO-country. The order complements the previous orders of a total of SEK 32 m that INVISIO received in the end of 2012.

Another pleasing event during the quarter was that our Quality Management system that has been independently audited has received ISO 9001:2008 certification. This is important in our sales work as world leading supplier of highly advanced communication solutions for professional users, since these often work under very demanding and sometimes life threatening conditions and the functionality and reliability of our products are of utmost importance.

CONTINUED LARGE POTENTIAL WITHIN MILITARY PROGRAMS

TCAPS is a good and specific example of the potential within the larger military modernization programs that are active in a number of countries across the world. This is what we call the volume market and includes thousands of users. In addition to TCAPS, there are a larger number of other military programs across the world with a requirement for hearing protection in their communications solutions. This is a trend that suits INVISIO very well as we have world leading technology and solutions within this field.

We therefore look very brightly upon continued sales possibilities within these types of programs, but it is, as we have often said, difficult for us to both determine and influence exactly when the actual purchasing takes place or the final timing of the customer orders.

PROFITABLE OPERATIONS WITHIN REACH

We will, as previously communicated, achieve a significant sales growth for the full year. The outcome for the full year of 2013 depends on how large part of the backlog that can be delivered. After the end of the quarter, we carried out a directed share issue of SEK 10 m. The background was that our working capital needed to be strengthened in connection with the increase of capital tied up due to a strong increase in turnover.

Nothing that is known to us today contradicts that INVISIO from 2014 will show profit: the backlog has never been larger, our customer relations are working well, the gross margin is maintained, costs are under control and the customers that has purchased and are using our products are very satisfied.

Lars Højgård Hansen
CEO

Total Income and Result July – September 2013

Total income during the third quarter increased substantially compared with the corresponding period 2012 and amounted to SEK 21.1 m (7.0).

Gross profit amounted to SEK 10.3 m (3.4) and the gross margin was 48.8 percent (49.3).

It is characteristic that the gross margin may vary from quarter to quarter depending on product mix and on the share of direct sales to end-customers – with higher margins – compared with the share of sales made through distributors.

The backlog was SEK 11.1 m (7.1) at the end of the quarter.

Operating expenses for the third quarter was SEK 11.5 m (9.0). During the period, development expenditures of SEK 1.4 m (2.2) have been capitalized. Included in the operating expenses are depreciations of balanced development expenditures of SEK 1.6 m (1.5).

Operating loss for the third quarter thus amounted to SEK -1.2 m (-5.6).

Net financial items for the third quarter amounted to SEK -0.4 m (-1.0).

Loss after tax for the third quarter amounted to SEK -1.6 m (-6.6).

Loss per share for the third quarter amounted to SEK -0.04 (-0.18).

Total Income and Result January – September 2013

Total income during the period January – September increased significantly compared with the corresponding period 2012 and amounted to SEK 60.5 m (25.1).

Gross profit amounted to SEK 27.8 m (10.7) and the gross margin was 45.9 percent (42.8).

Operating expenses for the period January – September was SEK 33.8 m (30.2). During the period, development expenditures of SEK 3.9 m (5.4) have been capitalized. Included in the operating expenses are depreciations of balanced development expenditures of SEK 4.5 m (3.1). Operating expenses excluding capitalization and depreciation of balanced development costs are SEK 33.3 m (32.6).

Operating loss for the period January – September thus amounted to SEK -6.0 m (-19.5).

Net financial items for the period January – September amounted to SEK -1.5 m (-2.2).

Loss after tax for the period January – September amounted to SEK -7.4 m (-21.6).

Loss per share for the period January – September amounted to SEK -0.19 (-0.62).

Capital Expenditure, Cash flow and Liquidity, Financing and Shareholders' Equity

CAPITAL EXPENDITURE

During the period January – September, capital expenditures amounted to SEK 3.9 m (5.5) of which SEK 3.9 m (5.4) was capitalized expenditure for development.

CASH FLOW AND LIQUIDITY

Cash flow from the operating activities during period January – September amounted to SEK -8.9 m (-12.3). Cash flow from the investment activities amounted to SEK -3.9 m (-5.5). Cash flow from the financing activities amounted to SEK 8.7 m (1.3), of which new share issue SEK 0 m (7.6) and taking up/payment of loans of SEK 8.7 m (-6.3). Cash flow during the period thus amounted to SEK -4.1 m (-16.5). At the end of the period, cash and cash equivalents of the Group amounted to SEK 0.1 m (0.7). Of the Company's total loans of SEK 40 m per last September, SEK 10.5 m concerned factoring. The remaining SEK 29.5 m concerns bank loans of SEK 22.5 m and loan from Almi of SEK 7.0 m.

The Company management and Board continue to work actively and continuously with the Company's governance and control, including earnings, liquidity and financial position. The view held by the Company management and Board is the same as previously, namely that necessary liquidity and financing will be generated and added to operations through continuing income, borrowing, and the authorisation granted by the Annual General Meeting to carry out new issues or such.

FINANCING

INVISIO received during the first quarter a loan of SEK 15 m from the Company's bank. The loan currency was used to pay a previous loan from Alecta of SEK 10 m and a loan of SEK 5 m from Erik Penser Bankaktiebolag. The terms of the loan meant that it is free of amortization during 2013 and will be amortized with SEK 6 m in 2014 and with SEK 9 m in 2015. Yggdrasil has guaranteed the loan from the bank with SEK 15 m and INVISIO pledged the securities against Yggdrasil instead of as previously against Alecta and Erik Penser Bankaktiebolag. The loan at the bank above was increased in July with SEK 7.5 m. Yggdrasil guaranteed this loan against an annual guarantee commission of 5.0 percent. The Board of INVISIO has the view that the agreement with Yggdrasil is according to market conditions.

INVISIO received during the first quarter a three-year loan of SEK 4.2 m from Almi Företagspartner AB. This loan is free of amortization during 2013. INVISIO has provided securities in form of a pledge of shares in the subsidiary Nextlink IPR AB. The terms of the loan meant that it is free of amortization during 2013 and that the equity ratio of the Group amounts to no less than 10 percent per end of June 2013. Almi has thereafter declined the demand of the equity ratio as per end of June, 2013.

After the end of the period, a directed share issue of SEK 10 m was carried out as well as a change of the Company's bank loans. The share issue was directed to a smaller group of investors and amounted to a total of 2 500 000 shares, corresponding to about 6.5 percent of the total currently outstanding shares in the Company. With the share issue, the Company's share capital increased with SEK 2 500 000. The subscription price was SEK 4.15 per share. The share issue provided the Company with a total of approximately SEK 10.4 m before issuance costs. The background for the share issue is that the Company's working capital needed to be strengthened in connection with the increase of capital tied up due to a strong increase in turnover. The subscription price was decided from the latest share price, with a price reduction of SEK 0.25 (approximately 6 percent).

The terms for the bank loans above of a total of SEK 22.5 m has changed so that SEK 2.5 m are amortized during 2013 and the remaining loans of SEK 20 m is replaced with a three-year loan free of amortization of SEK 10 m and a check credit of SEK 10 m. There was no change in securities made. Almi has declined the demand of the equity ratio during 2013.

SHAREHOLDERS' EQUITY

The Group's reported shareholders' equity at the end of the period amounted to SEK -8.9 m (-3.8), which resulted into a negative equity ratio (negative). After the new share issue carried out after the period, the Group's reported shareholders' equity is again positive.

Parent Company

Net income for the Parent Company during the period January – September amounted to SEK 45.000 (45.000). Operating loss amounted to SEK -4.0 m (-4.4). Loss after tax was SEK -12.1 m (-20.7), of which SEK 7 m (15) is attributable to shareholder contribution to the subsidiary.

At the end of the period January – September, cash and cash equivalents held by the Parent Company amounted to SEK 0 m (0.5) and shareholders' equity to SEK 50.9 m (66.8), which resulted into an equity ratio of 61.5 percent (75.4). The Parent Company had 1 employee (1).

Accounting Principles

This Interim Report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company's accounts have

been prepared in accordance with RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting principles that are described in the 2012 Annual Report have been applied.

Significant 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 risks and to assess how each respective risk shall be managed.

The risks that the Company is mainly exposed to are market related risks (including legislation and political decisions, global economic situation, competition, technological risks and market acceptance of new products and dependency of suppliers), operational risks (including the ability to manage growth, customers and cooperation agreements, product liability, immaterial rights, dependence on key persons and employees, as well as risks related to financial reporting) and financial risks (including primarily currency risk, financing risks and liquidity risks).

In the Company's opinion, no additional significant risks or uncertainties have arisen during the year, apart from those reported in this Interim Report and on the pages 42-44 and 57-58 in the Annual Report for 2012.

As noted in the section "Cash Flow and Liquidity", the Company management and Board are working actively and continuously with the Company's governance and control, including earnings, liquidity and financial position. The view held by the Company management and Board is the same as previously, namely that necessary liquidity and financing will be generated and added to operations through continuing income, borrowing, and the authorisation granted by the Annual General Meeting to carry out new issues or such.

Related Party Transactions

Lage Jonason with related parties is one of the Company's largest individual shareholders. Lage Jonason has personally stood surety for some of the Company's undertakings vis-à-vis suppliers. Lage Jonason has the right to 1.5 percent annual reimbursement concerning his surety.

Future Reporting Dates

- Year-End Report 2013: February 19, 2014

Stockholm, November 7, 2013

Lars Röckert
Chairman of the Board

Anders Persson
Director

Lage Jonason
Director

Jan Samuelson
Director

Mats Warstedt
Director

Lars Højgård Hansen
CEO

For further information, please contact:

Lars Højgård Hansen, CEO
+ 45 5372 7722

Lars.HojgaardHansen@invisio.com

Thomas Larsson, CFO
+45 5372 7735

Thomas.Larsson@invisio.com

INVISIO Communications AB (publ.)
Box 49149
100 29 Stockholm
Sweden
Registered number: 556651-0987

Report of Review of Interim Financial Information

Introduction

We have reviewed this report for the period 1 January 2013 to 30 September month 2013 for INVISIO Communications AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report 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 Swedish Standard on Review Engagements SÖG 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 7, 2013

PricewaterhouseCoopers

Michael Bengtsson
Authorised Public Accountant

Auditor in charge

Financial Reports

Consolidated Income Statement

SEK 000s	Q3 2013	Q3 2012	Jan-Sep 2013	Jan-Sep 2012	Full year 2012
Sales	21 123	6 959	60 464	25 092	43 031
Cost of goods sold	-10 811	-3 526	-32 681	-14 354	-24 914
Gross Profit	10 312	3 433	27 783	10 738	18 117
Operating expenses*	-11 479	-9 028	-33 766	-30 196	-43 930
Operating profit/loss	-1 167	-5 595	-5 983	-19 458	-25 813
Net financial items	-412	-1 037	-1 459	-2 156	-3 678
Profit/loss before tax	-1 579	-6 632	-7 442	-21 614	-29 491
Income tax	-	-	-	-	-
Profit/loss for the period	-1 579	-6 632	-7 442	-21 614	-29 491
Other comprehensive income					
Translation differences	-153	-649	138	-1 047	-641
Comprehensive income for the period (Entirely attributable to equity holders of the parent)	-1 732	-7 281	-7 304	-22 661	-30 132
*Depreciation incl. in operating expenses	-1 599	-1 463	-4 524	-3 494	-5 226

Per-share data	Q3 2013	Q3 2012	Jan-Sep 2013	Jan-Sep 2012	Full year 2012
Earnings per share, SEK	-0,04	-0,18	-0,19	-0,62	-0,83
Earnings per share after dilution, SEK	-0,04	-0,18	-0,19	-0,62	-0,83
Shareholders' equity per share, SEK	neg.	neg.	neg.	neg.	neg.
Shareholders' equity per share after dilution, SEK	neg.	neg.	neg.	neg.	neg.
Equity ratio	neg.	neg.	neg.	neg.	neg.
Number of shares, thousand	38 440	36 167	38 440	36 167	38 440
Average number of shares, thousand	38 440	36 167	38 440	34 968	35 345
Number of shares after dilution, thousand	38 440	36 167	38 440	36 167	38 440
Share price, SEK	4,45	4,53	4,45	4,53	5,00

Consolidated Balance Sheet

SEK 000s

Assets	2013-09-30	2012-09-30	2012-12-31
Intangible assets	16 398	16 724	16 832
Property, plant and equipment	98	219	139
Financial assets	653	638	670
Inventories	6 981	3 989	3 240
Accounts receivable - trade	23 525	4 885	17 362
Other receivables	1 264	1 167	1 488
Cash and bank balances	116	690	4 240
Total assets	49 035	28 312	43 971

Shareholders' equity and liabilities	2013-09-30	2012-09-30	2012-12-31
Shareholders' equity	-8 894	-3 787	-1 814
Liabilities to credit institutions	40 040	21 271	31 245
Accounts payable - trade	11 387	6 243	8 840
Other liabilities	6 502	4 585	5 700
Total shareholders' equity and liabilities	49 035	28 312	43 971

Changes in shareholders' equity	2013-09-30	2012-09-30	2012-12-31
Opening balance	-1 814	11 287	11 287
New issues	-	7 587	17 031
Employee stock option program	225	-	-
Comprehensive income for the period	-7 305	-22 661	-30 132
Closing balance	-8 894	-3 787	-1 814

Statement of cash flows – Group

SEK 000s

Cash flow	Q3 2013	Q3 2012	Jan-Sep 2013	Jan-Sep 2012	Full year 2012
Operating activities					
Profit/loss before tax	-1 579	-6 632	-7 442	-21 614	-29 491
Adjustments for non-cash items	1 738	1 628	4 730	3 542	5 312
Taxes	-	-	-	-	-
Cash flow from operating activities before changes in working capital	159	-5 004	-2 712	-18 072	-24 179
Cash flow from changes in working capital	-10 754	4 910	-6 197	5 760	-2 644
Cash flow from operating activities	-10 595	-94	-8 909	-12 312	-26 823
Investing activities					
Capitalization of non-current assets	-1 391	-2 165	-3 921	-5 437	-6 797
Acquisition of property, plant and equipment	1	2	-13	-102	-145
Cash flow from investing activities	-1 390	-2 163	-3 934	-5 539	-6 942
Financing activities					
New issues	-	-	-	7 587	17 031
Change in financial assets	10 817	671	8 733	-6 278	3 795
Cash flow from financing activities	10 817	671	8 733	1 309	20 826
Cash flow for the period	-1 168	-1 586	-4 110	-16 542	-12 939
Cash and bank balances at start of period	1 290	2 391	4 240	17 305	17 305
Translation differences in cash and bank balances	-6	-115	-14	-73	-126
Cash and bank balances at end of period	116	690	116	690	4 240

Parent Company Income Statement

SEK 000s	Q3 2013	Q3 2012	Jan-Sep 2013	Jan-Sep 2012	Full year 2012
Operating income	15	15	45	45	60
Operating expenses	-1 227	-1 380	-4 068	-4 483	-5 907
Operating loss	-1 212	-1 365	-4 023	-4 438	-5 847
Net financial items**	-7 321	-360	-8 044	-16 250	-28 346
Loss before tax	-8 533	-1 725	-12 067	-20 688	-34 193
Income tax	-	-	-	-	-
Loss for the period	-8 533	-1 725	-12 067	-20 688	-34 193
**Of which, shareholder contribution to subsidiaries	-7 000	-	-7 000	-15 000	-26 000

Parent Company Balance Sheet

SEK 000s

Assets	2013-09-30	2012-09-30	2012-12-31
Financial assets/shares in subsidiaries	81 737	81 512	81 512
Receivables from Group companies	746	6 366	825
Other receivables	210	155	254
Cash and bank balances	10	516	205
Total assets	82 703	88 549	82 796
Shareholders' equity and liabilities	2013-09-30	2012-09-30	2012-12-31
Shareholders' equity	50 851	66 751	62 690
Liabilities to credit institutions	29 500	19 000	17 800
Accounts payable - trade	887	1 126	523
Liabilities to Group companies	111	111	111
Other liabilities	1 354	1 561	1 672
Total shareholders' equity and liabilities	82 703	88 549	82 796
Changes in shareholders' equity	2013-09-30	2012-09-30	2012-12-31
Opening balance	62 690	79 852	79 852
New issues	-	7 750	17 750
Issues expenses	-	-163	-719
Employee stock option program	228	-	-
Loss for the period**	-12 067	-20 688	-34 193
Closing balance	50 851	66 751	62 690
**Of which, shareholder contribution to subsidiaries	-7 000	-15 000	-26 000