

## Interim Report

January – March 2017

### Continued good growth and stronger position in the United Kingdom

SEK in millions	2017	2016	Δ %
	Jan-Mar	Jan-Mar	
Revenue	<b>87.9</b>	79.5	11
Gross profit	<b>48.2</b>	42.2	14
Gross margin, %	<b>54.9</b>	53.1	3
EBITDA	<b>24.0</b>	24.8	-3
Operating profit/loss	<b>22.7</b>	23.5	-3
Operating margin, %	<b>25.8</b>	29.6	-13
Profit/loss for the period	<b>22.7</b>	23.4	-3
Earnings per share, SEK	<b>0.52</b>	0.55	-6

**”In the first quarter of 2017 INVISIO reports continued good growth and profitability. Our long-term market penetration and expansion efforts have resulted among other things in a new contract with the UK Ministry of Defence and a number of employees for our recently established subsidiary in the USA. The development of new products with a view to broadening our offer is going as planned.”**

Lars Højgård Hansen, CEO

#### IMPORTANT EVENTS DURING THE QUARTER

- INVISIO won a new framework contract with the UK Ministry of Defence initially worth about SEK 90 million. The four-year contract includes options for a fifth year and a complete product upgrade two and a half years into the contract.
- The order book at the close of the quarter was SEK 148.5 million (137.0).

#### IMPORTANT EVENTS AFTER THE CLOSE OF THE QUARTER

- The initial order from the UK Ministry of Defence worth about SEK 90 million was augmented with an additional order of about SEK 15 million.

## Continued good growth and stronger position in the United Kingdom

In the first quarter of 2017 INVISIO reports continued good growth and profitability. Income amounted to SEK 87.9 million, an increase of 11 per cent compared with the previous year. The income mainly derives from deliveries under contracts covering modernization programs for regular units. Some sales were also made to special forces in Europe.

The operating profit was SEK 22.7 million (23.5) and the operating margin was 25.8 per cent (29.6). Costs have increased due to planned strategic investments in new products and increased market presence. The number of employees, restated as full-time equivalents, was 63 (44) at the close of the period.

Orders from a new framework contract with the UK Ministry of Defence (see below) contributed to an increase in the order book. At the close of the quarter it amounted to SEK 148.5 million (137.0). As we have emphasized many times before, it is important to remember, however, that the order book and sales may vary between quarters due to an uneven order flow in our industry.

### New contract with UK modernization program

In August 2015 INVISIO signed a four-year framework contract through its local partner MCL with the UK Ministry of Defence for a tactical communication and hearing protection system for the British army (THPS - DCCU).<sup>1</sup> In March this year we signed another contract with the UK Ministry of Defence through MCL. The new framework contract also runs for four years and covers equipment adapted to special operations on land, sea and in the air.

In the first quarter INVISIO received an order for about SEK 90 million from the new framework contract. In April, after the close of the reporting period, we received a supplementary order of about SEK 15 million, which means that the total order value is about SEK 105 million. Deliveries are expected to start during Q2 and continue in 2017–2018 as required by the customer. In addition, the framework contract includes options for a fifth year and a complete product upgrade two and a half years into the contract.

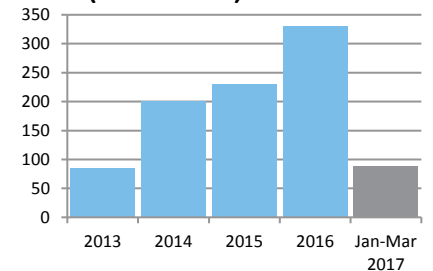
Together with our local partner we are looking forward to equipping the various UK defense force units with solutions of great significance for users' operative capacity and for protection against hearing loss.

### Increased sales initiatives in the USA

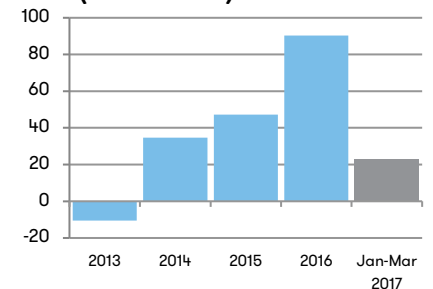
In the United States an organization is under way. Since the beginning of the year we have recruited a number of employees with long experience of the industry for our recently established subsidiary. We expect to have six colleagues in place for the leading international event, the Special Operations Forces Industry Conference, SOFIC, in Florida in May.

<sup>1</sup>Tactical Hearing Protection Systems for the Dismounted Close Combat User. (THPS DCCU)

Sales (SEK million)



EBIT (SEK million)



**”In the first quarter INVISIO received an order for about SEK 90 million from the new framework contract.”**



The purpose of our establishment in the USA is to get closer to existing and potential customers, increase the customer base and develop our partner and industry network. The USA is the single largest defense and security market in global terms and customers in both regular units and special and security forces are important target groups for INVISIO.

### **Innovative product development**

INVISIO's business concept is to continually improve users' ability to communicate and work effectively in mission-critical environments at the same time as we protect their hearing. Thus we contribute to reducing the costs to society of hearing loss.

We have been in an investment phase for over a year, increasing the pace of product development and substantially reinforcing both our development and marketing resources with more employees. Our ambition in the next few years is to strengthen our role as leading supplier to customer groups in defense and security by broadening our offer of smart and easy-to-use communication and hearing protection systems.

Our close collaboration with customers and our innovative capacity form a very stable foundation for our continued growth ambitions. Development of the new products has continued according to plan during the quarter and we intend to provide more information in the later part of 2017.

*Lars Højgård Hansen, CEO*

**"The purpose of our establishment in the USA is to get closer to existing and potential customers, increase the customer base and develop our partner and industry network."**

**"Our ambition in the next few years is to strengthen our role as leading supplier to customer groups in defense and security forces by broadening our offer of smart and easy-to-use communication and hearing protection systems."**

## 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 safety 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 software, the company creates innovative and customized solutions that are better than traditional methods.

### Modernization of armed forces drives growth

The company's customers are mainly agencies 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 has long-term framework contracts with defense authorities in the USA, the UK, Canada, Australia and Denmark, among others.

### Sales and manufacture

Sales are primarily via a global network of partners and resellers but the company also sells via its own companies in France and the USA. The products are mainly manufactured by contract manufacturers.

### Uneven order flow and sales

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 should not fall below 15 per cent. The overall growth strategy is manifested in four areas:

- 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 that have spent time in war-torn areas are particularly affected.**

**Statistics show that the problems cost the American defense forces billions of dollars every years.<sup>1</sup>**

<sup>1</sup> 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 12014.

## Sales and profit

### First quarter 2017

Sales in the period January – March 2017 were SEK 87.9 million (79.5), equivalent to an increase of 11 per cent in comparison with the same period in 2016. After currency adjustment growth was 13 per cent.

Sales on international markets are mainly in USD, EUR and GBP. The company hedges large orders to compensate in the short term for any foreign exchange fluctuations.

The order book amounted to SEK 148.5 million (137.0) at the close of the quarter. 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.

Gross profit was SEK 48.2 million (42.2) and the gross margin was 54.9 per cent (53.1). 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 25.5 million (18.7). The increase refers to a larger organization and increased activities in accordance with INVISIO's strategic plan.

During the quarter development costs of SEK 2.4 million (1.2) were capitalized. Operating expenses include depreciation of capitalized development costs of SEK 1.0 million (1.3).

Operating profit for the quarter was SEK 22.7 million (23.5) and the operating margin was 25.8 per cent (29.6).

Profit before tax amounted to SEK 22.7 million (23.4) and profit for the period was SEK 22.7 million (23.4). Earnings per share were SEK 0.52 (0.55).

## Cash flow, investments and financial position

### Cash flow and investments

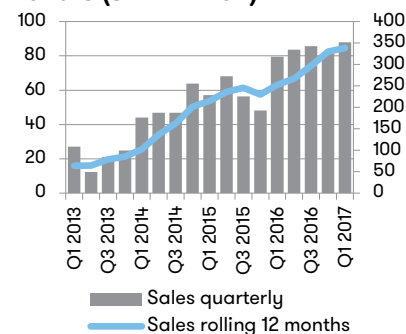
The Group's cash flow for the period January - March 2017 was SEK 21.4 million (13.8), of which cash flow from operating activities was SEK 24.7 million (15.2) and cash flow from investing activities was SEK -3.3 million (-1.4). Cash flow from financing activities was SEK 0.0 million (0.0).

During the period the Group's investments amounted to SEK 3.3 million (1.4), of which SEK 2.4 million (1.2) was capitalized development costs and SEK 0.9 million (0.2) was net investment in property, plant and equipment.

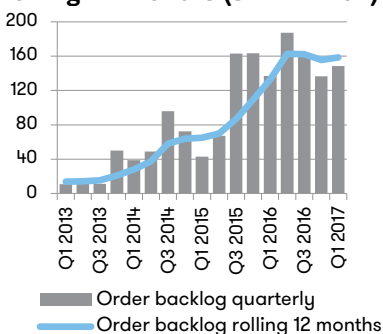
### Cash and cash equivalents and financial position

The Group's cash and cash equivalents at the close of the period amounted to SEK 154.4 million (43.4). INVISIO has no loans.

**Sales per quarter and rolling 12 months (SEK million)**



**Order book per quarter and rolling 12 months (SEK million)**



Group equity at the close of the period amounted to SEK 231.8 million (130.2), which gave an equity ratio of 86 per cent (77).

### **Taxes**

Capitalized deferred tax assets in the balance sheet are SEK 34.2 million, attributable to the Danish subsidiary. Deferred tax assets are reported as tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. An individual assessment is made of each subsidiary with reference to historical performance and possibilities of utilizing the loss carry-forwards. Danish legislation limits the yearly utilization of loss carry-forwards, which means that the Danish subsidiary will pay tax in 2017. Total loss carry-forwards as at December 31, 2016 were SEK 252 million, of which SEK 156 million are capitalized. The remaining unutilized loss carry-forwards amounted to SEK 96 million and refer to other companies and cannot be capitalized at present. All loss carry-forwards have an unlimited life.

### **Parent company**

Net sales for the parent company during the period January – March 2017 amounted to SEK 0.0 million (0.0). The operating result was SEK -1.0 million (-1.5). Profit/loss for the period amounted to SEK -1.0 million (-1.5).

At the close of the period the parent company's cash and bank balances amounted to SEK 25.1 million (0.6). Equity amounted to SEK 111.3 million (81.3), which gave an equity ratio of 98 per cent (96). The number of employees in the parent company was 1 (1).

### **Employees**

The number of employees in the Group, restated as full time equivalents, was 63 (44) at the close of the period. Of the employees, 50 were men (33) and 13 women (11).

### **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 2016 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. Risks can be divided into market, operational, and financial risks. For a complete list of risks please see pages 39–40 in INVISIO's annual report for 2016.

#### **Financial key figures, alternative key figures and other definitions**

INVISIO's financial statements include both financial key figures that are specified in current financial reporting rules, alternative key figures (performance measures) in accordance with ESMA's definition and other key figures related to the business.

The alternative key figures are regarded as relevant for an investor who wants to understand the company's results and financial position better. Definitions and reconciliation of the alternative key figures that are not directly reconcilable with the financial statements can be found on the company's website: [www.invisio.com/IR](http://www.invisio.com/IR). Reconciliation is against the closest comparable IFRS financial measure.

### Financial instruments

The fair value of the Group's financial assets and liabilities is estimated to be equal to the book value.

### Review

This interim report has not been reviewed by the company's auditor.

### Financial calendar

Interim report January – June 2017	August 18, 2017
Interim report January-September 2017	October 30, 2017
Year-end report 2017	February 16, 2018

Interim reports and annual reports are available at [www.invisio.com](http://www.invisio.com).

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Stockholm, April 26, 2017

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 April 26, 2017, at 11.00 CET.

### Address

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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.

## Condensed consolidated income statement and consolidated statement of comprehensive income

	2017	2016	2016
SEK in millions	Jan-Mar	Jan-Mar	Full year
Revenue	87.9	79.5	330.0
Cost of goods sold	-39.7	-37.3	-159.0
<b>Gross profit</b>	<b>48.2</b>	<b>42.2</b>	<b>171.0</b>
Operating expenses*	-25.5	-18.7	-80.6
<b>Operating profit/loss</b>	<b>22.7</b>	<b>23.5</b>	<b>90.4</b>
Net financial items	0.0	-0.1	-0.1
<b>Profit/loss before tax</b>	<b>22.7</b>	<b>23.4</b>	<b>90.3</b>
Income tax	-	-	1.5
<b>Profit/loss for the period</b>	<b>22.7</b>	<b>23.4</b>	<b>91.8</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may subsequently be reclassified to profit and loss</i>			
Translation differences	-0.4	1.0	5.7
<b>Comprehensive income for the period</b>	<b>22.2</b>	<b>24.4</b>	<b>97.4</b>
<i>(Profit/loss attributable to equity holders of the parent company.)</i>			
*Depreciation incl. in operating expenses	-1.3	-1.3	-7.5

	2017	2016	2016
Per-share data	Jan-Mar	Jan-Mar	Full year
Earnings per share, SEK	0.52	0.55	2.14
Earnings per share after dilution, SEK	0.51	0.53	2.08
Shareholders' equity per share, SEK	5.33	3.08	4.82
Shareholders' equity per share after dilution, SEK	5.25	3.08	4.75
Equity ratio, %	86	77	80
Number of shares, thousand	43,449	42,240	43,449
Average number of outstanding shares, thousand	43,449	42,240	42,781
Average number of outstanding shares after dilution, thousand	44,112	44,138	44,112
Share price at year-end, SEK	67.25	59.50	63.75



# Condensed consolidated statement of financial position

SEK in millions

<b>Assets</b>	<b>31/03/2017</b>	<b>31/03/2016</b>	<b>31/12/2016</b>
Capitalized development costs	18.8	17.0	17.5
Equipment	3.9	0.8	3.3
Deposits for rent, long-term	1.5	0.8	1.5
Deferred tax assets	34.2	29.7	34.3
Inventories	19.3	18.6	25.9
Trade receivables	30.9	53.4	39.4
Other short-term receivables	6.9	4.7	5.9
Cash and cash equivalents	154.4	43.4	133.2
<b>Total assets</b>	<b>269.9</b>	<b>168.4</b>	<b>260.9</b>

## Shareholders' equity and liabilities

Shareholders' equity	231.8	130.2	209.5
Trade payables	17.0	16.2	26.0
Other short-term liabilities	21.1	22.0	25.4
<b>Total shareholders' equity and liabilities</b>	<b>269.9</b>	<b>168.4</b>	<b>260.9</b>

<b>Condensed consolidated statement of changes in equity</b>	<b>2017 Jan-Mar</b>	<b>2016 Jan-Mar</b>	<b>2016 Full year</b>
Opening balance	209.5	105.6	105.6
New issue through exercising employee stock options	-	-	6.2
Employee stock option program	0.0	0.1	0.2
Comprehensive income for the period	22.2	24.4	97.4
<b>Closing balance</b>	<b>231.8</b>	<b>130.2</b>	<b>209.5</b>

## Condensed consolidated statement of cash flow

<i>SEK in millions</i>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Q1</b>	<b>Q1</b>	<b>Full year</b>
<b>Operating activities</b>			
Profit/loss before tax	22.7	23.4	90.3
Adjustments for non-cash items	2.3	1.7	13.2
Income tax paid	-0.6	-	-5.1
<b>Cash flow from operating activities before changes in working capital</b>	<b>24.4</b>	<b>25.2</b>	<b>98.4</b>
Changes in inventories	6.5	1.6	-4.9
Changes in operating receivables	7.3	-13.6	1.1
Changes in operating liabilities	-13.5	2.0	11.2
<i>Cash flow from changes in working capital</i>	0.3	-10.0	7.5
<b>Cash flow from operating activities</b>	<b>24.7</b>	<b>15.2</b>	<b>105.8</b>
<b>Investing activities</b>			
Capitalization of development costs	-2.4	-1.2	-6.8
Acquisition of property, plant, and equipment	-0.9	-0.3	-3.1
Acquisition of financial assets	0.0	-	-0.6
<b>Cash flow from investing activities</b>	<b>-3.3</b>	<b>-1.4</b>	<b>-10.5</b>
<b>Financing activities</b>			
New issues through exercising employee stock options	-	-	6.2
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>6.2</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>21.4</b>	<b>13.8</b>	<b>101.5</b>
Cash and cash equivalents at start of period	133.2	29.4	29.4
Translation differences in cash and cash equivalents	-0.2	0.2	2.3
Cash and cash equivalents at end of period	154.4	43.4	133.2

## Condensed parent company income statement

SEK in millions	2017	2016	2016
	Jan-Mar	Jan-Mar	Full year
Revenue	0.0	0.0	0.1
Operating expenses	-1.0	-1.5	-7.0
<b>Operating profit/loss</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-6.9</b>
Net financial items**	0.0	0.0	30.0
<b>Profit/loss before tax</b>	<b>-1.0</b>	<b>-1.5</b>	<b>23.1</b>
Income tax	-	-	-
<b>Profit/loss for the period</b>	<b>-1.0</b>	<b>-1.5</b>	<b>23.1</b>
**Of which, dividend from subsidiaries	-	-	30.0

## Condensed parent company balance sheet

SEK in millions

Assets	31/03/2017	31/03/2016	31/12/2016
Participations in Group companies	83.3	83.1	83.2
Receivables from Group companies	3.6	-	2.5
Other short-term receivables	1.0	0.6	0.5
Cash	25.1	0.6	28.2
<b>Total assets</b>	<b>113.1</b>	<b>84.4</b>	<b>114.4</b>
<b>Shareholders' equity and liabilities</b>			
Restricted shareholders' equity	65.0	63.8	65.0
Non-restricted shareholders' equity	46.3	17.5	47.5
Trade payables	0.2	0.1	0.6
Liabilities to Group companies	0.1	1.4	0.1
Other short-term liabilities	1.4	1.5	1.4
<b>Total shareholders' equity and liabilities</b>	<b>113.1</b>	<b>84.4</b>	<b>114.4</b>

Parent company changes in shareholders' equity	2017	2016	2016
	Jan-Mar	Jan-Mar	Full year
Opening balance	112.3	82.7	82.7
New issues through exercising employee stock options	-	-	6.2
Employee stock option program	0.0	0.1	0.2
Profit/loss for the period**	-1.0	-1.5	23.1
<b>Closing balance</b>	<b>111.3</b>	<b>81.3</b>	<b>112.3</b>
**Of which, dividend from subsidiaries	-	-	30.0

## Overview - last eight quarters

	2015	2015	2015	2016	2016	2016	2016	2017
SEK in millions	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Revenue	68.2	56.3	48.1	79.5	83.6	85.6	81.3	87.9
Cost of goods sold	-34.0	-27.1	-25.5	-37.3	-40.4	-40.5	-40.9	-39.7
<b>Gross profit</b>	<b>34.1</b>	<b>29.3</b>	<b>22.7</b>	<b>42.2</b>	<b>43.2</b>	<b>45.1</b>	<b>40.4</b>	<b>48.2</b>
Operating expenses	-18.0	-16.4	-18.6	-18.7	-21.0	-17.4	-23.5	-25.5
<b>Operating profit/loss</b>	<b>16.2</b>	<b>12.9</b>	<b>4.0</b>	<b>23.5</b>	<b>22.2</b>	<b>27.7</b>	<b>16.9</b>	<b>22.7</b>
Net financial items	-0.1	-0.1	0.1	-0.1	0.0	0.0	0.0	0.0
<b>Profit/loss before tax</b>	<b>16.0</b>	<b>12.8</b>	<b>4.2</b>	<b>23.4</b>	<b>22.2</b>	<b>27.7</b>	<b>16.9</b>	<b>22.7</b>
Income tax	-2.5	13.3	-0.6	-	-	2.1	-0.6	-
<b>Profit/loss for the period</b>	<b>13.5</b>	<b>26.1</b>	<b>3.6</b>	<b>23.4</b>	<b>22.2</b>	<b>29.9</b>	<b>16.3</b>	<b>22.7</b>
Cash flow from operating activities	9.0	18.2	-11.6	15.2	45.6	-1.9	46.9	24.7
Gross margin, %	50.1	52.0	47.1	53.1	51.7	52.7	49.7	54.9
Operating margin, %	23.7	22.9	8.4	29.6	26.6	32.4	20.8	25.8
Profit margin %	19.8	46.4	7.4	29.5	26.6	34.9	20.0	25.8
Equity ratio, %	66	73	75	77	76	79	80	86
Earnings per share, SEK*	0.32	0.62	0.08	0.55	0.52	0.70	0.38	0.52
Shareholders' equity per share, SEK*	1.82	2.50	2.50	3.08	3.70	4.47	4.82	5.33

\* Before dilution