

Year-end Bulletin 2016

Record results and proposed dividend

SEK in millions	2016 Q4	2015 Q4	Δ %	2016 Full year	2015 Full year	Δ %
Revenue	81.3	48.1	69	330.0	229.8	44
Gross Profit	40.4	22.7	78	171.0	118.3	45
Gross margin, %	49.7	47.1	6	51.8	51.5	1
EBITDA	20.6	4.8	327	97.8	52.9	85
Operating profit/loss	16.9	4.0	318	90.4	47.3	91
Operating margin, %	20.8	8.4	147	27.4	20.6	33
Profit/loss for the period	16.3	3.6	354	91.8	57.1	61
Earnings per share, SEK	0.38	0.08	348	2.14	1.35	59

“In 2016 we successfully implemented our strategy for profitable growth. For the full year our sales, operating profit and operating margin are the highest in the company's history. Our strong belief in the future is unchanged. The Board's proposed dividend should be seen in the light of our capacity to grow with sound profitability and retained financial strength in the coming years.”

Lars Højgård Hansen, CEO

IMPORTANT EVENTS IN THE FOURTH QUARTER

- INVISIO formed a wholly-owned subsidiary in the USA to increase its presence in the American market.
- An existing NATO customer ordered equipment for SEK 18 million to be delivered in the first half of 2017.
- An order worth SEK 11 million was received from an existing NATO customer.
- The order book at the close of the quarter was SEK 136.5 million (163.4).

IMPORTANT EVENTS AFTER THE YEAR END

- The Board of Directors proposes a dividend of SEK 0.50 per share.

Successful implementation of strategy for profitable growth

In 2016 sales and profitability developed well. Deliveries of the major orders we won in connection with modernization programs at the end of 2015 contributed to an increase in sales of 44 per cent, to SEK 330.0 million (229.8).

Sales in the year's last quarter amounted to SEK 81.3 million (48.1), and the order book was SEK 136 (163) at the year end.

The strong growth together with our scalable business model mean that the operating profit for the full year grew by 91 per cent to SEK 90.4 million (47.3), which corresponds to an operating margin of 27.4 per cent, the highest for a full year in the history of the company.

Increased market share

An important element of our growth strategy is to increase market share in existing markets. We were very successful in this as we received follow-up orders from programs in the USA, UK and Australia in 2016. The UK Ministry of Defence decided to supply not only the army but also units within the Navy, Air Force and Army Reserve with our system in 2016.

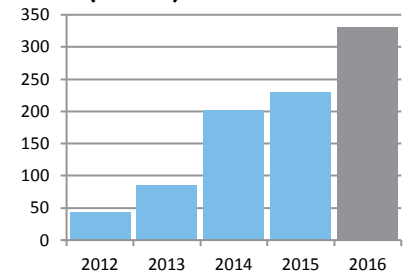
At the same time, in 2016 sales to special forces and other defense customers increased, particularly in NATO. Deliveries of equipment to French security forces paved the way for additional orders from the French army, which thus became INVISIO's seventh army customer after the USA, Canada, United Kingdom, Australia, Denmark and Sweden.

In line with our expansion plans for key markets we established our own sales companies in France and the USA at the end of 2016. Local organizations bring us closer to our customers, partners and the industry, benefiting our long-term development.

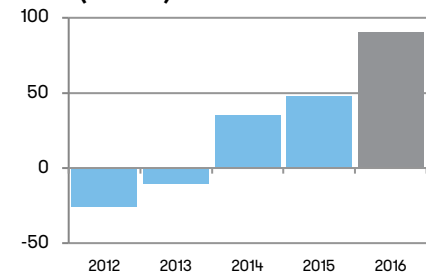
Geographical expansion

Our growth strategy also builds on geographical expansion. Last year we started preparations for broadening the customer base in selected countries in new geographical regions. The initiatives in 2016 have led to several new partners in parts of Asia, South America and the Middle East. Lead times are long in our industry but we expect a good return over time from these investments.

Sales (SEK m)



EBIT (SEK m)



“In line with our expansion plans for key markets we established our own sales companies in France and the USA at the end of 2016.”



Increased focus on product development

Last but not least, product development is a central element of our growth strategy. For the past year, we have been in an investment phase, in which we are substantially strengthening our R&D resources with more employees. The initiative is part of increasing our product portfolio with new, related products that we believe have great potential. The plan is to broaden our role as a supplier of smart and easy-to-use communication solutions to customers in defense and security. We intend to provide more information as soon as this is possible with respect to competition considerations.

”The plan is to broaden our role as a supplier of smart and easy-to-use communication solutions to customers in defense and security.”

A larger company is beginning to take shape

The contours of a company that in the foreseeable future will be considerably larger in terms of sales, product portfolio and geographical presence are starting to emerge. In the business plan, we have adopted for the next few years this will be achieved through continued focus on modernization programs in all parts of the world, the most innovative product solutions in the market and a broader product portfolio.

Proposed dividend

For the first time in the history of the company the Board is proposing a dividend to the Annual General Meeting. The proposal is that SEK 0.50 per share be distributed. The Board of Directors' proposed dividend should be seen in the light of the trust we feel in our capacity to continue growing with sound profitability and retained financial strength.

”The Board of Directors' proposed dividend should be seen in the light of the trust we feel in our capacity to continue growing with sound profitability and retained financial strength in the coming years.”

Lars Højgård Hansen, CEO

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.

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 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 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 defense forces billions every year (USD).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 12014.

Sales and profit

Full year 2016

Sales for 2016 were SEK 330.0 million (229.8), an increase of 44 per cent in comparison with the same period in 2015. Adjusted for exchange rate effects sales increased by 49 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 136.5 million (163.4).

Gross profit was SEK 171.0 million (118.3) and the gross margin was 51.8 per cent (51.5).

Operating expenses for the year were SEK 80.6 million (71.0). The increase refers to a larger organization and increased project activities.

During the period development costs of SEK 6.8 million (4.1) were capitalized. Depreciation of capitalized development costs of SEK 7.0 million (5.5) were included in operating expenses.

The operating profit for the period improved to SEK 90.4 million (47.3) and the operating margin was 27.4 per cent (20.6).

The pre-tax profit was SEK 90.3 million (46.9). The net profit for the year was SEK 91.8 million (57.1). The net profit for the year includes capitalization of deferred tax assets of SEK 3.4 million (14.7) and an estimated tax cost of SEK -1.9 million (-4.4). Earnings per share improved to SEK 2.14 (1.35)

Fourth quarter 2016

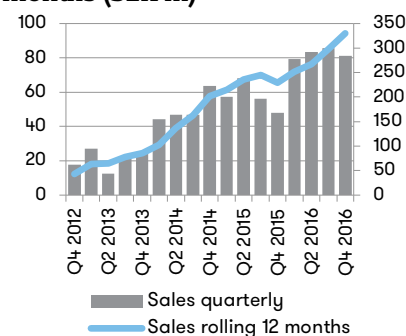
Sales in October–December 2016 amounted to SEK 81.3 million (48.1), an increase of 69 per cent compared with the corresponding period in the previous year. After adjustment for exchange rate effects growth was 65 percent.

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.

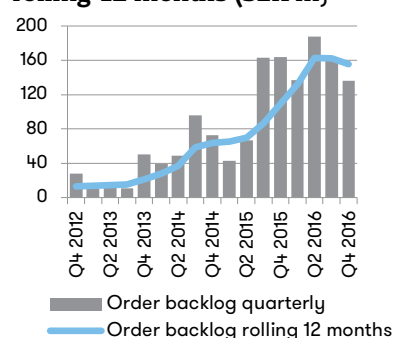
Gross profit was SEK 40.4 million (22.7), which corresponds to a gross margin of 49.7 per cent (47.1). Gross margin may vary between the quarters depending on the product mix and the share of direct sales to end-customers.

Operating expenses for the quarter were SEK 23.5 million (18.6). The increase refers to a larger organization and increased project activities.

Sales per quarter and rolling 12 months (SEK m)



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



During the quarter development costs of SEK 2.2 million (0.8) were capitalized. Operating expenses include depreciation of capitalized development costs of SEK 3.4 million (0.7).

The operating profit for the quarter was SEK 16.9 million (4.0), which corresponds to an operating margin of 20.8 per cent (8.4).

Profit before tax amounted to SEK 16.9 million (4.2) and profit for the period was SEK 16.3 million (3.6). Earnings per share improved to SEK 0.38 (0.08).

Cash flow, investments and financial position

Cash flow and investments

The Group's cash flow for 2016 was SEK 101.5 million (2.1), of which cash flow from operating activities was SEK 105.8 million (29.9) and cash flow from investing activities was SEK -10.5 million (-4.7). Cash flow from financing activities amounted to SEK 6.2 million (-23.1), as a result of exercising employee stock options.

During the period the Group's investments amounted to SEK 10.5 million (4.7), of which SEK 6.8 million (4.1) was capitalized development costs and SEK 3.1 million (0.6) was net investment in property, plant and equipment.

Cash and cash equivalents and financial position

The Group's cash and cash equivalents at the year end amounted to SEK 133.2 million (29.4). INVISIO has no loans.

Group equity at year-end amounted to SEK 209.5 million (105.6), which gave an equity/assets ratio of 80.3 per cent (74.9). During the year, SEK 6.2 million was added to equity through exercising stock options in connection with the employee stock option program 2013/2017 Tranche 1 and 2. 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 34.3 million, attributable to the Danish subsidiary. Deferred tax assets are reported as tax loss carry-forwards to the extent it is probable that they can be utilized 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 tax loss carry-forwards, which means that the Danish subsidiary will pay tax in 2016. Total tax loss carry forwards are estimated to be SEK 252 million, of which SEK 156 million is capitalized. Thus, the loss carry-forwards in Denmark are fully capitalized. The remaining unutilized loss carry-forwards amount to SEK 96 million, 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 for the full year 2016 amounted to SEK 0.1 million (0.1). The operating result was SEK -6.9 million (-8.9). The profit for the year was SEK 23.1 million (15.7), of which dividends from subsidiaries amounted to SEK 30 million (25).

At the close of the year cash held by the parent company amounted to SEK 28.2 million (0.5). Equity amounted to SEK 112.3 million (82.7), which gave an equity/assets ratio of 98.1 per cent (98.0). 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 (40) at the close of the year. Of the employees, 41 were men (31) and 11 women (9). During 2016 the organization was augmented with new employees in all areas of operation to meet the company's pace of growth and ambitions.

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. INVISIO's risks can be divided into market-related, operational and financial risks. For a complete list of risks please see pages 53–54 in INVISIO's annual report for 2015.

Financial key figures, alternative performance measures and other definitions

INVISIO's financial statements include both financial key figures that are specified in current financial reporting rules, alternative performance measures ("APM") in accordance with ESMA's definition and other key figures related to the business. The APMs are regarded as relevant for an investor who wants to understand the company's results and financial position better. Definition and reconciliation of the APMs that are not directly reconcilable with the financial statements can be found on the company's website: 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.

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 0.50 per share be distributed for 2016.

Review

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

Annual General Meeting 2017

INVISIO's Annual General Meeting in 2017 will be held on April 26, 2017 at 13.00 in IVA's premises at Grev Turegatan 16 in Stockholm.

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

Financial calendar

Interim report January-March 2017	April 26, 2017
Annual General Meeting 2017	April 26, 2017
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. The annual report for 2016 will be available on the website in week 14.

Stockholm, February 24, 2017

Lars Højgård Hansen
President/CEO

For further information, please contact

Lars Højgård Hansen, CEO
+45 5372 7722 | lhh@invisio.com

Thomas Larsson, CFO
+45 5372 7735 | thl@invisio.com

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 February 24, 2017, at 08.30 CET.

Address

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

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

Condensed consolidated statement of comprehensive income

SEK 000s	2016 Q4	2015 Q4	2016 Full year	2015 Full year
Revenue	81,291	48,129	330,024	229,802
Cost of goods sold	-40,860	-25,475	-159,028	-111,474
Gross Profit	40,431	22,654	170,996	118,328
Operating expenses*	-23,514	-18,606	-80,619	-71,005
Operating profit/loss	16,917	4,048	90,377	47,323
Net financial items	-4	118	-102	-459
Profit/loss before tax	16,913	4,166	90,275	46,864
Income tax	-647	-586	1,482	10,224
Profit/loss for the period	16,266	3,580	91,757	57,088
Other comprehensive income				
<i>Items that may be reclassified subsequently to the income statement</i>				
Translation differences	-1,394	-3,774	5,680	-4,367
Comprehensive income for the period	14,872	-194	97,437	52,721
(Entirely attributable to equity holders of the parent)				
*Depreciation incl. in operating expenses	-3,675	-770	-7,463	-5,595
	2016 Q4	2015 Q4	2016 Full year	2015 Full year
Per-share data				
Earnings per share, SEK	0.38	0.08	2.14	1.35
Earnings per share after dilution, SEK	0.37	0.08	2.08	1.30
Shareholders' equity per share, SEK	4.82	2.50	4.82	2.50
Shareholders' equity per share after dilution, SEK	4.75	2.39	4.75	2.41
Equity ratio, %	80	75	80	75
Number of shares, thousand	43,449	42,240	43,449	42,240
Average number of shares, thousand	43,317	42,240	42,781	42,240
Average number of shares after dilution, thousand	44,112	44,138	44,112	43,920
Share price, SEK	63.75	75.75	63.75	75.75

Condensed consolidated statement of financial position

SEK 000s

Assets	31/12/2016	31/12/2015
Intangible assets	17,508	16,853
Property, plant and equipment	3,289	600
Financial assets	1,450	755
Deferred tax assets	34,296	29,388
Inventories	25,891	19,937
Accounts receivable - trade	39,378	35,855
Other receivables	5,894	8,286
Cash and cash equivalents	133,193	29,367
Total assets	260,899	141,041

Shareholders' equity and liabilities

Shareholders' equity	209,502	105,635
Accounts payable - trade	26,000	15,846
Other liabilities	25,397	19,560
Total shareholders' equity and liabilities	260,899	141,041

	2016	2015
Condensed consolidated statement of changes in equity	Full year	Full year
Opening balance	105,635	52,375
New issues through exercising stock options	6,193	-
Employee stock option program	237	539
Comprehensive income for the period	97,437	52,721
Closing balance	209,502	105,635

Condensed consolidated statement of cash flow

SEK 000s

	2016 Q4	2015 Q4	2016 Full year	2015 Full year
Cash flow				
Operating activities				
Profit/loss before tax	16,913	4,167	90,275	46,865
Adjustments for non-cash items	9,785	-589	13,240	4,587
Income tax paid	-4,930	-2,661	-5,145	-2,661
Cash flow from operating activities before changes in working capital	21,768	917	98,370	48,791
Cash flow from changes in working capital	25,159	-12,482	7,458	-18,869
Cash flow from operating activities	46,927	-11,565	105,828	29,922
Investing activities				
Capitalization of non-current assets	-2,216	-847	-6,750	-4,109
Acquisition of property, plant and equipment	-2,165	-316	-3,136	-592
Capitalization of financial assets	-649	-	-649	-
Cash flow from investing activities	-5,030	-1,163	-10,535	-4,701
Financing activities				
New issues	3,117	-	6,193	-
Change in financial assets	-	-3,979	-	-23,077
Cash flow from financing activities	3,117	-3,979	6,193	-23,077
Cash flow for the period	45,014	-16,707	101,486	2,144
Cash and cash equivalents at start of period	88,273	47,000	29,367	28,444
Translation differences in cash and cash equivalents	-94	-926	2,340	-1,221
Cash and cash equivalents at end of period	133,193	29,367	133,193	29,367

Condensed parent company income statement

SEK 000s	2016 Q4	2015 Q4	2016 Full year	2015 Full year
Operating income	15	15	60	60
Operating expenses	-2,200	-1,559	-6,961	-8,946
Operating loss	-2,185	-1,544	-6,901	-8,886
Net financial items**	29,967	24,896	29,997	24,614
Profit/loss before tax	27,782	23,352	23,096	15,728
Income tax	-	-	-	-
Profit/loss for the period	27,782	23,352	23,096	15,728
**Of which, dividend from subsidiaries	30,000	25,000	30,000	25,000

Condensed parent company balance sheet

SEK 000s

Assets	31/12/2016	31/12/2015
Financial assets/shares in subsidiaries	83,243	82,950
Receivables from Group companies	2,475	771
Other receivables	482	245
Cash	28,184	453
Total assets	114,384	84,419
Shareholders' equity and liabilities		
Shareholders' equity	112,255	82,729
Accounts payable - trade	621	89
Liabilities to Group companies	111	111
Other liabilities	1,397	1,490
Total shareholders' equity and liabilities	114,384	84,419
Changes in shareholders' equity		
Opening balance	82,729	66,462
New issues through exercising stock options	6,193	-
Employee stock option program	237	539
Profit/loss for the period**	23,096	15,728
Closing balance	112,255	82,729
**Of which, dividend from subsidiaries	30,000	25,000