

INTERIM REPORT

January-September 2014

INVISIO[®]
NO NOISE. ONLY YOUR VOICE.

INVISIO continues with profitable growth

SEK Million	Q3 2014	Q3 2013	Jan-Sept 2014	Jan-Sept 2013
Total income	46.8	21.1	137.9	60.5
Gross profit	20.0	10.3	59.2	27.8
Gross margin (%)	42.7	48.8	42.9	45.9
EBITDA	7.4	0.4	21.3	-1.5
Operating Profit/Loss	6.2	-1.2	17.5	-6.0
Profit/Loss after tax	20.1	-1.6	29.3	-7.4
Profit/Loss per share (SEK)	0.48	-0.04	0.69	-0.19

Important Events July – September

- Received a follow-up order from a NATO-country for INVISIO V60 worth SEK 10.1million.
- Received a new order from the American military program TCAPS worth SEK 21.5million.
- Received a third order from the American military program TCAPS worth SEK 41.6 million.
- Received a follow-up order for an order received in Q2 from a military customer in a Nordic country, worth SEK 5.6 million.
- Received a follow-up order from Canada's Department of National Defence worth SEK 1.6 million.
- Activation of the deferred taxes are recognized, affecting the result with SEK 15.0 million.
- Outgoing backlog amounted per September 30th to SEK 95.9 million.

Important Events after the Period

- Received a follow-up order from two NATO-countries worth SEK 5.3 million.
- Next generation X5 headset launched.

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 is Certified Adviser for INVISIO Communications AB.

CEO's Comments

I am proud that INVISIO today can present yet another quarter with strong growth and profitability. During the third quarter, the total revenue is SEK 46.8 million compared to SEK 21.1 million the corresponding period last year, which equals an increase by 122 percent. The backlog by the end of the quarter amounts to SEK 95.9 million.

Profit before taxes was SEK 6.3 million for the third quarter, an improvement by SEK 7.9 million compared to the same quarter last year. For the first nine months, INVISIO's revenue was SEK 137.9 million and profit before taxes SEK 15.6 million. We estimate full year profits to be even higher.

CONTINUED CONTRIBUTIONS FROM MILITARY PROGRAMS

We received several important military orders during the quarter. I would like to highlight two important follow-up orders from the U.S Army worth 41.6 and SEK 21.5 million, and also an order from another NATO country worth SEK 10.1 million.

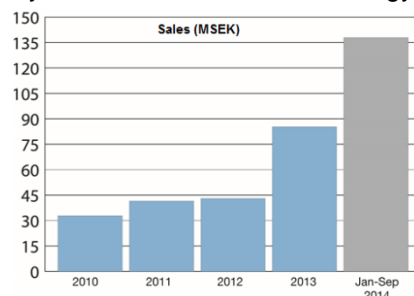
These orders illustrate the importance of being a part of the American TCAPS-programme, and that it also helps us to grow in other NATO-markets.

TCAPS is a good example of the potential in the larger military modernization programs that is taking place all over the world. This is a volume market with potentially tens of thousands of users for whom our leading communications and hearing protection technology is a perfect fit. We anticipate that these programs will continue to drive our growth. Nevertheless we want to indicate that long procurement processes means that order inflow will vary from quarter to quarter.

After three quarters with recurring orders during 2014 I am confident that these programs over time will continue to be a very important driving force for INVISIO.

CONTINUED CONTRIBUTIONS FROM MILITARY PROGRAMS

In our annual report for 2013 we indicated that we had profitability within reach. Our new strategy from 2008 where we decided to solely focus on professional and military users had been successful. The development has been as strong as I could have hoped for. Since 2008 we have increased our sales to professional users every year. So far this year we have three quarters with profitable growth. We have a strong order intake and an increasing number of open tenders. Our relationships with customers and partners are solid and our existing customers are returning with follow-up orders. Our business model with outsourced production enables us to increase the revenue with limited cost increase.



A larger volume helps us to maintain and even increase gross margins over time.

During the past years and after large investments in INVISIO, 2014 will be the first year the company is profitable on a full year basis. Therefore we have substantial tax deductions with no time limit. This quarter we have decided to recognize a smaller amount as deferred tax asset. Please see section "Equity" for details.

The winds are favourable and we have great confidence in INVISIO's future.

Lars Højgård Hansen, CEO

Total Income and Results July – September 2014

Total income for the third quarter increased with 122 percent compared to the corresponding period in 2013 and amounted to SEK 46.8 million (21.1).

Gross profit amounted to SEK 20.0 million (10.3) and gross margin to 42.7 percent (48.8). The gross margin may vary between the quarters depending on the product mix and the share of direct sales to end-customers with higher margins compared to the share of sales through distributors.

The order backlog amounted to SEK 95.9 million (11.1) by the end of the quarter.

Operating expenses for the third quarter amounted to SEK 13.8 million (11.5).

Research and development costs of SEK 1.7 million (1.4) has been activated during the quarter. Operating expenses includes depreciation of capitalized development expenditures of SEK 1.2 million (1.6).

Operating profit for the third quarter amounted to SEK 6.2 million (-1.2).

Net financial items for the third quarter amounted to SEK 0.1 million (-0.4).

Profit before tax for the third quarter amounted to SEK 6.3 million (-1.6).

Results for the third quarter amounted to SEK 20.1 million (-1.6).

The result includes an activation of deferred tax assets of SEK 15.0 million (0.0) and an estimated tax cost of SEK -1.1 million (0.0) .

Profit per share for the third quarter amounted to SEK 0.48 SEK (-0.04).

Total Income and Results January – September 2014

Total income for this period increased with 128 percent compared to the corresponding period in 2013 and amounted to SEK 137.9 million (60.5).

Gross profit amounted to SEK 59.2 million (27.8) and gross margin to 42.9 percent (45.9).

Operating expenses for the period January – September amounted to SEK 41.7 million (33,8). The increase in expenses is mainly due to the increased personnel costs. INVISIO has made three new recruitments and variable compensation correlating to the large in-flow of orders has been paid or reserved. Research and development costs amounting to SEK 4.2 million (3.9) has been activated. The result includes depreciation of capitalized development expenditures of SEK 3.7 million (4.5).

Operating profit for the period January – September amounted to SEK 17.5 million (-6.0).

Net financial items for the period January – September amounted to SEK -2.0 million (-1.5), of which currency fluctuations contributed to SEK 0.6 million (0.2).

Profit before taxes for the period January – September amounted to SEK 15.6 million (-7.4).

Results for the period amounted to SEK 29.3 million (-7.4).

The result for the period includes an activation of deferred tax assets of SEK 15.0 million (0.0) and an estimated tax cost of SEK -1.1 million (0.0).

Results per share for the period January – September amounted to SEK 0.69 (0.19).

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

CAPITAL EXPENDITURE

During January – September, capital expenditures amounted to SEK 4.3 million (3.9), of which 4.2 (3.9) was activated development costs.

CASH FLOW AND LIQUIDITY

Cash flow from the operating activities during January – September amounted to SEK 21.4 million (-8.9). Cash flow from the investment activities amounted to SEK -4.3 million (-3.9). Cash flow from the financing activities amounted to SEK -10.2 million (8.7), of which new share issue SEK 0 million and raising/amortization of loans of SEK -10.2 million (8.7). Cash flow during the period thus amounted to SEK 6.8 million (-4.1).

By the end of the period, the Group's liquid assets amounted to SEK 16.3 million (0.1).

FINANCING

The Company's management and Board concludes that INVISIO currently has a balanced financing.

After the strong results during 2014 it is less likely that the company will need to utilize the authorization of new issues established by the annual meeting in 2014, even if we receive a very large order.

The Company's total debt of SEK 23.5 million per September regards to: factoring of SEK 5.3 million, loans of SEK 13.5 million in total, and utilized overdraft facility of SEK 4.7 million (limit 10 million).

EQUITY

The Group's equity by the end of the period amounted to SEK 34.8 million (-8.9), which resulted in an equity ratio of 38.8 percent (neg).

During the third quarter deferred tax assets of SEK 15.0 million has been recognized. Deferred tax assets are accounted as tax deductions if it is likely that they can be used against future taxable profits. Tax assets in each subsidiary is assessed with regards to historic results and possibilities to utilize deductions.

Deductions exists mainly in the Danish subsidiary. Since Danish law limits the yearly amounts deductible, we estimate that the subsidiary will pay taxes amounting to SEK 1.1 million during January-September 2014.

There is no time limit on the deductions (worth SEK 293 million per December 2013).

Parent Company

Net income for the parent company during the period January – September amounted to SEK 45 thousand (45). Operating results amounted to SEK -3.9 million (-4,0). The results after taxes for the period amounted to SEK -4.9 million (-12.1), of which shareholder's contribution to subsidiary amounted to SEK 0 million (-7).

The liquid assets of the parent company by the end of the period January – September amounted to SEK 5.3 million (0.0), including unutilized overdraft facility of SEK 4.7 million (0,0) and shareholder's equity of SEK 59.2 million (50.9), which resulted in an equity ratio of 67.4 percent (61.5). The number of employees in the parent company amounted to 1 (1).

Outlook for 2014: Continued Growth and Profitability

Since the change in strategy in 2008 INVISIO has increased sales every year. INVISIO started 2014 with an orderbook of SEK 50 million and closed the third quarter with a backlog of SEK 96 million. Thanks to a strong order inflow, we expect continued growth during the rest of the year and during 2015 and we expect to be profitable for the full year of 2014 and during 2015.

The backlog is large, we have a growing number of open tenders, our customer relations are solid, the interest in our solutions is increasing and our existing customers are returning with follow-up orders. Our business model with outsourced production enables us to increase the revenue with limited increase in costs. A larger volume enables us to maintain the gross margin over time.

Accounting Principles

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 have been prepared in accordance with RFR2, Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting principles that are described in the 2013 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 anticipated 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 situations, 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, intellectual property, dependence on key persons and employees, as well as risks related to financial reporting) and financial risks (including interest rate risk, currency risk, financing risks and liquidity risks).

The Company estimates that no additional significant risks or uncertainties have arisen during the year, beyond those reported in this Interim Report and on the pages 43-45 and 57-58 in the annual Report for 2013.

Related Party Transactions

Lage Jonason, with related parties, is one of the Company's largest individual shareholders. For part of the commitment towards suppliers, Lage Jonason has personally stood guarantee. Lage Jonason is entitled to 1.5 percent annual reimbursement concerning his guarantee. Yggdrasil AB provides guarantee for the Company's loans of SEK 10 million and overdraft facility (limit SEK 10 million) in exchange for an annual guarantee commission of 3.5 percent up to SEK 15 million.

Future Events and Reporting Dates

- Year-End Report 2014: February 23
- Annual Meeting 2015: April 23

Stockholm November 6th 2014

Lars Röckert
Chairman of Board

Annika Andersson
Board Member

Lage Jonason
Board Member

Mats Warstedt
Board Member

Anders Persson
Board Member

Charlotta Falvin
Board Member

Lars Højgård Hansen
CEO

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Report of Review of Interim Financial Information

Introduction

We have reviewed this report for the period 1 January 2014 to 30 September 2014 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 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 6th 2014

PricewaterhouseCoopers

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Michael Bengtsson

Authorised Public Accountant

Auditor in charge

Financial Reports

Consolidated Income Statement

SEK 000s	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Sales	46 848	21 123	137 870	60 464	85 254
Cost of goods sold	-26 845	-10 811	-78 671	-32 681	-48 205
Gross Profit	20 003	10 312	59 199	27 783	37 049
Operating expenses*	-13 845	-11 479	-41 654	-33 766	-47 529
Operating profit/loss	6 158	-1 167	17 545	-5 983	-10 480
Net financial items	130	-412	-1 994	-1 459	-2 880
Profit/loss before tax	6 288	-1 579	15 551	-7 442	-13 360
Income tax	13 797	-	13 797	-	2 900
Profit/loss for the period	20 085	-1 579	29 348	-7 442	-10 460
Other comprehensive income					
Translation differences	247	-153	1 210	138	485
Comprehensive income for the period (Entirely attributable to equity holders of the parent)	20 332	-1 732	30 558	-7 304	-9 975
*Depreciation incl. in operating expenses	-1 194	-1 599	-3 798	-4 524	-5 218

Per-share data	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Earnings per share, SEK	0,48	-0,04	0,69	-0,19	-0,27
Earnings per share after dilution, SEK	0,46	-0,04	0,68	-0,19	-0,27
Shareholders' equity per share, SEK	0,82	neg.	0,82	neg.	0,09
Shareholders' equity per share after dilution, SEK	0,82	neg.	0,82	neg.	0,09
Equity ratio	39%	neg.	39%	neg.	7%
Number of shares, thousand	42 240	38 440	42 240	38 440	42 240
Average number of shares, thousand	42 240	38 440	42 240	38 440	38 850
Average number of shares after dilution, thousand	43 573	38 440	43 279	38 440	38 850
Share price, SEK	14,50	4,45	14,50	4,45	5,05

Consolidated Balance Sheet

SEK 000s

Assets	2014-09-30	2013-09-30	2013-12-31
Intangible assets	18 438	16 398	17 489
Property, plant and equipment	177	98	83
Financial assets	747	653	692
Deferred tax assets	15 211	-	-
Inventories	14 737	6 981	10 098
Accounts receivable - trade	17 525	23 525	16 137
Other receivables	6 414	1 264	4 741
Cash and bank balances	16 292	116	9 126
Total assets	89 541	49 035	58 366
Shareholders' equity and liabilities	2014-09-30	2013-09-30	2013-12-31
Shareholders' equity	34 771	-8 894	3 895
Liabilities to credit institutions	23 519	40 040	33 548
Accounts payable - trade	21 046	11 387	12 439
Other liabilities	10 205	6 502	8 484
Total shareholders' equity and liabilities	89 541	49 035	58 366

Changes in shareholders' equity	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Opening balance	3 894	-1 814	-1 814
New issues	-	-	15 239
Employee stock option program	319	225	445
Comprehensive income for the period	30 558	-7 305	-9 975
Closing balance	34 771	-8 894	3 895

Statement of cash flows – Group

SEK 000s

Cash flow	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Operating activities					
Profit/loss before tax	6 289	-1 579	15 551	-7 442	-13 360
Adjustments for non-cash items	1 199	1 738	4 086	4 730	5 202
Taxes	-	-	-	-	2 900
Cash flow from operating activities before changes in working capital	7 488	159	19 637	-2 712	-5 258
Cash flow from changes in working capital	5 124	-10 754	1 722	-6 197	-2 079
Cash flow from operating activities	12 612	-10 595	21 359	-8 909	-7 337
Investing activities					
Capitalization of non-current assets	-1 575	-1 391	-4 167	-3 921	-5 167
Acquisition of property, plant and equipment	-152	1	-152	-13	-14
Cash flow from investing activities	-1 727	-1 390	-4 319	-3 934	-5 181
Financing activities					
New issues	-	-	-	-	15 239
Change in financial assets	-1 814	10 817	-10 199	8 733	2 027
Cash flow from financing activities	-1 814	10 817	-10 199	8 733	17 266
Cash flow for the period	9 071	-1 168	6 841	-4 110	4 748
Cash and bank balances at start of period	7 094	1 290	9 126	4 240	4 240
Translation differences in cash and bank balances	127	-6	325	-14	138
Cash and bank balances at end of period	16 292	116	16 292	116	9 126

Parent Company Income Statement

SEK 000s	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013	Full year 2013
Operating income	15	15	45	45	60
Operating expenses	-1 294	-1 227	-3 977	-4 068	-5 822
Operating loss	-1 279	-1 212	-3 932	-4 023	-5 762
Net financial items**	-413	-7 321	-982	-8 044	-8 775
Loss before tax	-1 692	-8 533	-4 914	-12 067	-14 537
Income tax	-	-	-	-	-
Loss for the period	-1 692	-8 533	-4 914	-12 067	-14 537
**Of which, shareholder contribution to subsidiaries	-	-7 000	-	-7 000	-7 000

Parent Company Balance Sheet

SEK 000s

Assets	2014-09-30	2013-09-30	2013-12-31
Financial assets/shares in subsidiaries	82 276	81 737	81 957
Receivables from Group companies	-	746	5 475
Other receivables	302	210	252
Cash and bank balances	5 310	10	5 364
Total assets	87 888	82 703	93 048
Shareholders' equity and liabilities	2014-09-30	2013-09-30	2013-12-31
Shareholders' equity	59 244	50 851	63 839
Liabilities to credit institutions	23 499	29 500	26 696
Accounts payable - trade	23	887	177
Liabilities to Group companies	3 553	111	391
Other liabilities	1 569	1 354	1 945
Total shareholders' equity and liabilities	87 888	82 703	93 048
Changes in shareholders' equity	2014-09-30	2013-09-30	2013-12-31
Opening balance	63 839	62 690	62 690
New issues	-	-	15 241
Employee stock option program	319	228	445
Loss for the period**	-4 914	-12 067	-14 537
Closing balance	59 244	50 851	63 839
**Of which, shareholder contribution to subsidiaries	-	-7 000	-7 000