

# INVISIO COMMUNICATIONS

Interim report

January – September 2010



## Interim report January – September 2010

### July – September

- ➔ Total income amounted to SEK 5.1 m (7.9)
- ➔ Sales amounted to SEK 5.1 m (7.9)
- ➔ Other income amounted to SEK 0.0 m (0.0)
- ➔ Gross profit totalled SEK 2.8 m (2.4)
- ➔ Gross margin was 55.4 percent (29.6)
- ➔ Operating loss was SEK -7.8 m (-9.3)
- ➔ Loss after tax was SEK -8.8 m (-10.2)
- ➔ Loss per share was SEK -0.38 (-0.49)
- ➔ The order book for the business area Professional products was SEK 3.1 m (4.8)

### January – September

- ➔ Total income amounted to SEK 23.5 m (49.0) or, excluding the sale of the VoIP patent 2009, SEK 23.5 m (16.5)
- ➔ Sales amounted to SEK 23.5 m (16.5)
- ➔ Other income amounted to SEK 0.0 m (32.5)
- ➔ Gross profit totalled SEK 12.1 m (36.7) or, excluding the sale of the VoIP patent 2009, SEK 12.1 m (4.2)
- ➔ Gross margin was 51.6 percent (74.9) or, excluding the sale of the VoIP patent 2009, 51.6 percent (25.6)
- ➔ Operating loss was SEK -31.0 m (-5.4) or, excluding the sale of the VoIP patent 2009, SEK -31.0 m (-37.9)
- ➔ Loss after tax was SEK -32.7 m (-7.6) or, excluding the sale of the VoIP patent 2009, SEK -32.7 m (-40.0)
- ➔ Loss per share was SEK -1.46 (-0.36) or, excluding the sale of the VoIP patent 2009, SEK -1.46 (-1.92)

### Important Events July – September

- ➔ INVISIO has received an order from one of the largest banks in the US. The communication products will be used by the bank's security staff. The order is for INVISIO M3 headsets with PTTs (Push to Talk) and will be delivered during the fourth quarter of 2010. The order value is not official, but is below SEK 1 m.
- ➔ INVISIO has submitted an offer for another large military program. A decision is expected during the first quarter of 2011.
- ➔ A directed share issue corresponding to approximately 4.5 percent of the total number of shares in the Company after the issue was implemented in July, providing the Company with SEK 15 m. The issue was directed to Erik Penser Bankaktiebolag.



## Important Events after the Period

- INVISIO has received an order from the US Army through a partner. The order is for the communications system INVISIO X50 control unit with INVISIO X5 headsets. Total order value is approximately SEK 2 m and the products will be delivered during the fourth quarter of 2010.
- INVISIO has received an order from a European military unit. The order is for the communications system INVISIO X50 control unit with INVISIO X5 headsets. Total order value is approximately SEK 1.4 m and the products will be delivered during the fourth quarter of 2010.
- INVISIO's technology is integrated in another Bluetooth headset for the consumer market, Motorola Finiti. The headset features the patented technology INVISIO Bone Conduction, which enables clear and uninterrupted communication in demanding and extreme environments.
- A court ruling was issued after the end of the quarter concerning a dispute between INVISIO and a former supplier with demands of DKK 1.7 m from INVISIO following default calls, stating that INVISIO won the dispute. No costs in connection with the matter have been rendered.
- INVISIO has entered into an agreement with Erik Penser Bankaktiebolag AB to be, in addition to Remium AB, market maker in the Company's share.
- The Board has this day decided to carry out a share issue with shareholder precedence where, after approval at the shareholders' meeting, a maximum of 2 350 132 shares will be issued which would result in an increase of SEK 2 350 132 of the Company's share equity. Owners of 30.2 percent of the Company have committed to subscribe to the share issue, owners of 9.3 have declared their intention to subscribe and subscription guarantees of 60.5 percent of the issue have been obtained. The shareholders' meeting will be held November 19, 2010. Thus, the issue is fully guaranteed. The share issue will provide the Company with approximately SEK 23 m before issuance costs.

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 Communications holds the patents for Bone Conduction Technology, which provides the best possible speech in difficult sound environments, and the Soft Spring, for optimal wearing comfort. Both patents are featured in the company's INVISIO® consumer and military communications headsets. Its professional products are used by police forces, fire fighters, military personnel, security units and Special Forces around the world. Additional information is available on the company's web site at [www.invisiocommunications.com](http://www.invisiocommunications.com). Mangold Fondkommission AB (tel. +46-8-503 015 50) is Certified Adviser for INVISIO Communications AB on First North.



## CEO's Comments

During the quarter we saw a continued increase in the number of sales leads with larger average value compared to previous years. After the quarter expired we received another two important orders; one from the US Army and one from a European military unit. Both orders are for our communication solution INVISIO X50 with the INVISIO X5 headset. We have also submitted an offer for another large military program during the quarter and now have submitted two offers for military programs, where decisions are expected by the end of 2010 at the earliest and during the first quarter of 2011.

Despite of these positive events, the year's third quarter did not reach our internal goals. We have during the quarter experienced what previously has been communicated; that sales for the business area Professional products can vary from quarter to quarter due to long lead times from first contact with customer, to inquiry, to customer testing, to quotation and to firm order. As a result of our developed product portfolio, which now includes advanced communication solutions, and hence serve a greater part of the value chain – which in itself opens up for more and larger orders – this lead time can prolonged somewhat more.

The cooperation with Motorola continues to work well, but sales have not yet reached the target level. It is very pleasing that right after the quarter expired, Motorola announced the second Bluetooth-headset for the consumer market with licensed technology from INVISIO, the Motorola Finiti.

## Business Area Professional Products

For the period January to September, we have a strong increase in sales of 39.4 percent compared to the corresponding period previous year, primarily as a result of the sales during the year's first two quarters. Sales did however decrease during the third quarter compared to the corresponding period previous year, after three consecutive quarters with good sales. The decrease during the quarter is not due to a decreased interest or loss of orders, but as a result of what we have explained previously – that sales in the business area can vary from quarter to quarter due to long lead times.

In the annual report 2009 we estimated the total value of the market for communication accessories for two-way radio to more than SEK 4 bn. An estimated 85 percent of those currently using two-way radio have no headset, which means that the growth potential is great. Furthermore, there is a great potential growth because of technology transition from analog to digital and as more and more professions realize the advantages with advanced headsets. The market is still dominated by so called "ear-cups" with an external microphone. We are convinced that the share of users who prefer "in-ear" solutions that INVISIO provide will continue to increase and that we will see that these will make out a larger and larger share of the total market.

We can time after time confirm that the need and interest in our solutions is great and that the number of sales leads, with larger average value compared to previous years, continues to increase, but also that the transition from selling to the ones that accept new technology early ("innovators") and the ones that come a bit later in the cycle ("early adopters") has taken longer than we expected.

Since INVISIO do not only sell headsets anymore but now has a product portfolio that includes advanced headsets, control units and accessories and nowadays offer advanced communication solutions, opportunities for more and larger orders as well as possibilities to take a larger part of the growing market for accessories for use with two-way radio have arisen. This is a step in our growth strategy and is a conscious development towards becoming a



communication company, as reflected by our company name. However, the lead times from first contact with customer, to inquiry, to customer testing, to quotation and to firm order can be long due to long purchasing processes in different military and other programs with extensive customer testing. Short-term during the next few quarters, sales can also be affected in some markets by restrictions in public budgets as a result of the financial crisis.

When we analyze competitors with long experience in the business, we can point out that they historically have announced orders on military programs in numbers between SEK 25 m to SEK several hundred m, even though very few orders are made public. There is no guarantee that INVISIO can get that type of orders, but we now have a product portfolio and a retailer network that we have developed during the past 18 months, which enables us to make offers on large military and other programs that potentially consists of thousands of users. During the third quarter we submitted yet another offer for a large military program and we now have two offers out, where decisions are expected by the end of 2010 at the earliest and during the first quarter of 2011.

During and right after the quarter expired, we received three important orders. The first order is from one of the largest banks in the US and is for the INVISIO M3 headset, where the bank's security staff will use the products. This is our first order within this segment and we hope that the order will lead to more business for products to security staff. The second order is from the US Army and the third from a European military unit. Both orders are for the communication system INVISIO X50 control unit with the INVISIO X5 headset. We have now sold the communications system to two branches in US military; previously this year to US Navy and now to the US army. This is proof of that INVISIO's communication system is cutting edge technology that is valued by users operating in demanding and extreme environments, and the fact that these orders are results of previous smaller test orders shows that the products deliver what they promise. Pleasing news is also that we during the quarter received our first military order on the new headset INVISIO X6, which was launched during the second quarter this year.

## **Business Area Consumer Products and Cooperation with Motorola**

Sales for the business area Consumer Products decreased with 42.6 percent during the third quarter and consisted of the quarter's royalty quota from Motorola, compared with the corresponding period 2009 when sales also included income from the sales of the remaining stock of INVISIO's own consumer headsets. The sales from the cooperation with Motorola did not reach the target level, but very positive for the business area is that Motorola right after the quarter expired announced Motorola Finiti, the second Bluetooth headset for the consumer market with licensed technology from INVISIO. The headset has the patented technology INVISIO Bone Conduction, which enables clear and interference-free communication in demanding and extreme conditions.

## **Summary of the Third Quarter 2010**

Result wise, we have still not reached the goal of turning to profit and achieving a positive cash flow from operations, and the Company needs additional capital until the operations reach break-even. But if we take into account the several important events during and after the quarter expired, in form of orders and new offers and the increase in sales leads with larger average value, as well as our development of a broader product portfolio that opens for new customer segments and a larger part of the value-chain, the quarter was yet another resolute step forward



according with our strategy to focus on the business area Professional Products and on the cooperation with Motorola.

In connection with publication of this report, the Board has decided on a share issue with shareholder precedence of SEK 23 m. The share issue is secured through subscription guarantees from certain larger owners and guarantees. It is pleasing that INVISIO possesses trust among current owners and other professional parties on the capital market.

Lars Højgård Hansen  
CEO

## Total Income and Result July – September 2010

Total income for the third quarter amounted to SEK 5.1 m (7.9).

Sales during the third quarter decreased with 36.3 percent compared to the corresponding period 2009 and totalled SEK 5.1 m (7.9). Other income amounted to SEK 0.0 m (0.0).

Gross profit totalled SEK 2.8 m (2.4) and the gross margin was 55.4 percent (29.6). The significant increase of the gross profit margin compared to the same period 2009 is mainly attributable to the changed business model for the business area Consumer Products, which meant that Company stopped selling its own products within the business area in 2009.

The order book totalled SEK 3.1 m (7.7) by the end of the year's third quarter; where SEK 3.1 (4.8) is attributed to the business area Professional Products. The lower level is mainly explained by the changed business model for the business area Consumer Products, which meant that Company stopped selling its own products within the business area in 2009. The order book now consists entirely of the business area Professional Products.

Operating expenses for the third quarter decreased to SEK -10.6 m (-11.7). Included in the expenses are depreciations of SEK -2.6 m (-2.4). Provisions for the Company's synthetic option program under the operating expenses concerning allocation for 2010 amounted under the third quarter to SEK 0.0 m (0.0), as the possibility of receiving employment-related options was discontinued at the end of 2009. During the third quarter dissolution under the operating expenses of the provision for the Company's synthetic option program of SEK 0.1 m has occurred, as a result of that the Company's stock-price decreased.

Net financial items amounted for the third quarter amounted to SEK -1.0 m (-0.9).

Loss after tax for the third quarter amounted to SEK -8.8 m (-10.2).

Loss per share amounted to SEK -0.38 (-0.49)

### Professional Products

Sales for the third quarter in business area Professional Products decreased with 32.0 percent compared to the corresponding period 2009 and amounted to SEK 3.2 m (4.7). The gross profit margin decreased compared to the third quarter of 2009 and amounted to 29.7 percent (35.3). It is characteristic of the business area that the gross margin for professional products may vary from quarter to quarter depending on the share of direct sales to end-customers – with higher margins – compared with the share of sales made through distributors. The gross margin has under the third quarter been affected by a high share of sales through distributors and by currency fluctuations against the Swedish krona.



## Consumer Products

Sales for the third quarter in business area Consumer Products amounted to SEK 1.8 m (3.2) and consisted of the quarter's royalty quota from Motorola, compared with the corresponding period 2009 when sales included income from the sale of remaining stock of INVISIO's own consumer headsets. The business areas' sales under the quarter correspond to the lowest volume according to the exclusive license and cooperation agreement that was signed 2008 between INVISIO and Motorola. The agreement is signed for six years and includes the right to compensation for certain minimum quantities and development work for INVISIO. The agreement is under the condition of meeting certain targets before March 31, 2011.

The gross profit margin amounted to 100.0 percent (21.2).

## Total income and Result January – September 2010

Total income for the period January – September amounted to SEK 23.5 m (49.0), where SEK 32.5 m is attributable to the sale of VoIP-patent (Voice over Internet Protocol) in March 2009. Excluding the sale of the VoIP-patent in 2009, total income amounted to SEK 23.5 m (16.5).

Sales during the period January – September increased with 41.8 percent compared to the corresponding period 2009 and amounted to SEK 23.5 m (16.5). Other income amounted to SEK 0.0 m (32.5), where SEK 32.5 m is attributable to the sale of the VoIP-patent in 2009.

The gross profit amounted to SEK 12.1 m (36.7) and excluding the sale of the VoIP-patent in 2009 to SEK 12.1 m (4.2). The gross profit margin was 51.6 percent (74.9) and excluding the sale of the VoIP-patent in 2009 it was 51.6 percent (25.6). The significant increase in the gross profit margin compared to the corresponding period 2009 is attributable to the changed business model for the business area Consumer Products, which meant that Company stopped selling its own products within the business area in 2009.

The operating expenses for the period January – September increased to SEK -43.1 (-42.2). Included in the operating expenses are depreciations of SEK -7.7 m (-6.9) and non-recurring costs of SEK -6.3 m (0.0). Costs attributable to the planned listing at NASDAQ OMX Small Cap Stockholm was SEK -3.4 m, while costs of SEK -1.0 m associated with a organizational change that was implemented during the first half of 2010, and an additional reserve cost of SEK -1.9 m concerning a dispute stemming from 2005 between former employees and INVISIO, stating that INVISIO lost the dispute. Adjusted for these non-recurring costs the operating expenses decreased compared to the corresponding period 2009.

Provisions for the Company's synthetic option program under the operating expenses for performance-based options concerning allocation for 2009 amounted under the period January – September to SEK -1.0 m (0 concerning allocation for 2008). Provisions for the Company's synthetic option program under the operating expenses concerning allocation for 2010 amounted under the period January – September to SEK 0.0 m (-1.7), as the possibility of receiving employment-related options was discontinued at the end of 2009. During the period January – September dissolution of the provision for the Company's synthetic option program of SEK 1.3 m has occurred, as a result of that the Company's stock-price decreased.

Net financial items for the period January – September amounted to SEK -1.7 m (-2.1).



Loss after tax for the period January – September amounted to SEK -32.7 m (-7.6) and excluding the sale of the VoIP patent in 2009 to SEK -32.7 m (-40.0).

Loss per share amounted to SEK -1.46 (-0.36) and excluding the sale of the VoIP patent in 2009 to SEK -1.46 (-1.92).

### **Professional Products**

Sales for the period January – September in business area Professional Products improved with 39.3 percent compared to the corresponding period 2009 and amounted to SEK 17.7 m (12.7). The significant increase is primarily a result of implemented marketing and sales activities, an increase in numbers of retailers in important countries and the introduction of the new series of professional products during the second half of 2009. The product portfolio for professional users now includes headsets, control units and accessories for use with two-way radio.

The gross profit margin for the period January – September increased compared to the corresponding period 2009 and amounted to 36.3 percent (34.0). It is characteristic of the business area that the gross margin for professional products can vary from quarter to quarter depending on the share of direct sales to end-customers – with higher margins – compared with the share of sales made through distributors. The gross margin has under the period been affected by a high share of sales through distributors and by currency fluctuations against the Swedish krona.

### **Consumer Products**

Sales for the period January – September in business area Consumer Products amounted to SEK 5.8 m (3.8) and consisted entirely of royalty income from Motorola.

The gross profit amounted to 99.0 percent (negative)

## **Capital expenditure, Cash flow, Liquidity and Shareholders' Equity**

### **Capital Expenditure**

Under the period January – September net capital expenditure amounted to SEK -5.7 m (-6.2), of which SEK -5.4 m (-6.5) consisted of capitalized development costs attributable mainly to the development of future professional products.

### **Cash Flow and Liquidity**

Cash flow from operating activities during the period January – September was SEK -29.7 m (-2.9). Cash flow from investing activities amounted to SEK -5.7 m (-6.2) and cash flow from financing activities amounted to SEK 32.6 m (12.7), including a new share issue of SEK 21.1 m (15.0) and liabilities to credit institutions of SEK 11.5 m (-2.4). Cash flow during the period thus amounted to SEK -2.7 m (3.5)

At the end of the third quarter cash and cash equivalents of the Group amounted to SEK 2.1 m (4.4). 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 Board is also continuously evaluating that the conditions for further operations are fulfilled.



During the period January – September, the equity of the Parent Company has been increased due to the issue of new shares with the purpose of securing INVISIO's financial position and financing an increased capitalization to support the increased sales efforts of professional products. The Company is in need of additional liquidity until its operations reaches break-even. The view held by the Company management and Board is the same as previously, namely, that necessary liquidity and financing will be generated to strengthen operations through income, borrowing, the possible exercise of stock options, and the authorisation for equity issuance granted by the 2010 Annual General Meeting or such.

## Financing

On January 11, 2010, a total of 500,000 shares were registered relating to the directed share issue implemented in December 2009. On February 26, 2010, The Board of INVISIO decided for a directed share issue of 383,562 shares corresponding to approximately 1.7 percent of the total number of shares in the Company following the issue, which provided the company with approximately SEK 7 m. The subscription price was SEK 18.25 per share, corresponding to the closing price prior to the Board's decision. The issue was directed at a smaller group of external investors. On July 22, 2010, the Board of INVISIO decided for another directed share issue of 1 052 632 shares corresponding to approximately 4.5 percent of the total number of shares in the Company following the issue, which provided the company with approximately SEK 15 m before issuance costs. The subscription price was SEK 14.25 per share, corresponding to the closing price prior to the Board's decision. The issue was directed at Erik Penser Bankaktiebolag. A new line of credit totalling SEK 14 m was raised in March 2010.

## Shareholders' Equity

The Group's reported shareholders' equity at the end of the third quarter amounts to SEK -6.4 m (6.3), which resulted into a negative equity ratio (13.8 percent).

## Parent Company

Income for the Parent Company for the period January – September amounted to SEK 0,075 m (0.09), The operating result for the period amounted to SEK -8.3 m (-4.5). The period's result after tax was SEK -39.9 m (-20.9), where SEK -30 m (-15.0) is attributable to shareholder contribution to the subsidiary company INVISIO Communications A/S.

At the end of the third quarter, cash and cash equivalents held by the Parent Company amounted to SEK 0.1 m (1.7) while the shareholders' equity amounted to SEK 70.0 m (76.3), which resulted into an equity ratio of 75.4 percent (63.6). The Parent Company had 1 employee (1).

On January 11, 2010, a total of 500,000 shares were registered relating to the directed share issue implemented in December 2009. Another directed share issue of 383,562 shares corresponding to approximately 1.7 percent of the total amount of shares in the Company following the issue was carried out in March 2010, which provided the Company with approximately SEK 7 m. Another directed share issue of 1 052 632 shares corresponding to approximately 4.5 percent of the total amount of shares in the Company following the issue was carried out in July 2010, which provided the company with SEK 15 m before issuance costs.



## Outlook for the Fourth Quarter of 2010

### Professional Products

As a result of INVISIO's conscious development towards becoming a communication company, where the Company now offers advanced communication solutions and has a product portfolio that includes headsets, control units and accessories, opportunities for orders that partly are a larger part of the value-chain and partly in new customer segments has been opened. The number of sales leads, queries and full-scale customer trials has continued to increase during the year. This, as well as continuous efforts to increase the number of retailers and strategic co-operations, and the fact that the products deliver what they promise during trials, means that INVISIO expects a considerable long-term increase of sales in the business area. Short-term the next few quarters, sales can be affected in some markets by restrictions in public budgets as a result of the financial crisis. In addition, sales in the business area can as previously communicated vary from quarter to quarter due to long lead times from first contact with customer, to inquiry, to customer testing, to quotation and to firm order.

### Consumer Products

The cooperation with Motorola continues to work well even though sales have not yet reached the target level. The first product under the exclusive license and cooperation agreement, Motorola Endeavor HX-1, received excellent reviews and right after the third quarter expired, Motorola announced the new wireless headset Motorola Finiti. The need for consumers and professions using mobile phones during work to be able to communicate in noisy and demanding environments is constant, and our confidence in the new Motorola Finiti is strong. Hence we remain positive towards the cooperation with Motorola and coming royalty income from this.

## 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 2.3 Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting principles that are described in the 2009 Annual Report have been applied.

## Significant Risks and Uncertainties

INVISIO Communications' 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 report and on pages 39, 40, 43, 44 and in note 2 in INVISIO Headsets' annual report for 2009.

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 Board continuously tests that the conditions for continued operation exist. The Parent Company has, during the period January – September 2010, received equity through new share issues with the purpose of securing INVISIO's financial position and financing an increased capitalization to support the increased sales efforts of professional products.

The Company is in need of additional capital until the business reaches break-even. 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, the possible exercise of stock options, and the authorisation granted by the 2010 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 liabilities to credit institutions, for a nominal amount of SEK 12.3 m, and for undertakings vis-à-vis suppliers. The Company has not compensated Lage Jonason for his current security responsibility.

The Financial advisor and Investment Bank during the new issue of shares, carried out in July 2010, has been Lage Jonason AB, also owned by Lage Jonason. For the work as a financial advisor Lage Jonason AB received a remuneration of six percent, equivalent of SEK 0.9 m, of the amount provided to the Company through the share issue.

## Election Committee

At the Company's Annual General Meeting on April 27 2010, it was decided to appoint an Election Committee for preparation and submission of proposals for the Shareholders at the Annual General Meeting concerning the number of Board members, election of Board members and, where applicable, auditor and also remuneration to Board and auditors and other queries which may appear at an Election Committee in accordance with Swedish code of corporate governance. The Election Committee, as now appointed, consists of Lage Jonason, Chairman of the Election Committee, representing himself with family and company, Ramsay Brufer, representing Alecta Pensionsförsäkring, mutually, Björn Franzon, representing Swedbank Robur fonder and Heléne Vibbleus Bergquist, Chairman of the Board.

## Future Reporting Dates

- Year-end Report 2010: February 18, 2011
- Annual meeting of shareholders 2011: April 28, 2011 in Stockholm



## The Board of Directors' Guarantee

The Board and the CEO certify that the interim report gives a true and fair view of the Group's operations, financial position and results and describes significant risks and uncertainties that the parent company and the included entities are facing.

Stockholm, November 1, 2010

Heléne Vibbleus Bergquist  
Chairman of the Board

Anders Persson  
Director

Magnus Ruding  
Director

Lars Röckert  
Director

Mats Warstedt  
Director

Lars Højgård Hansen  
CEO

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## Review Report

We have reviewed this report for the period 1 January 2010 to 30 September 2010 for INVISIO Communications AB. 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.

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 Standards on Auditing in Sweden, RS, 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.

Based on our review, nothing has come to our attention that causes us to believe that the interim report, regarding the group 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 1, 2010

PricewaterhouseCoopersAB

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Michael Bengtsson

Authorised Public Accountant

Auditor in charge

## Tables

### Consolidated Income Statement

SEK 000s

Income statement	July - Sept. 2010	July - Sept. 2009	Jan.-Sept. 2010	Jan.-Sept. 2009	Jan.-Dec. 2009
Sales	5 055	7 938	23 500	16 576	28 633
Other income	-	-	0	32 473	32 473
<b>Total income</b>	<b>5 055</b>	<b>7 938</b>	<b>23 500</b>	<b>49 049</b>	<b>61 106</b>
Cost of goods sold	-2 255	-5 588	-11 364	-12 334	-18 388
<b>Gross Profit</b>	<b>2 800</b>	<b>2 350</b>	<b>12 136</b>	<b>36 715</b>	<b>42 718</b>
Operating expenses <sup>1/2/</sup>	-10 629	-11 690	-43 099	-42 164	-56 156
<b>Operating profit/loss</b>	<b>-7 829</b>	<b>-9 340</b>	<b>-30 963</b>	<b>-5 449</b>	<b>-13 438</b>
Net financial items	-956	-861	-1 722	-2 101	-3 857
<b>Profit/loss before tax</b>	<b>-8 785</b>	<b>-10 201</b>	<b>-32 685</b>	<b>-7 550</b>	<b>-17 295</b>
Income tax	-	-	-	-	-
<b>Profit/loss for the period</b>	<b>-8 785</b>	<b>-10 201</b>	<b>-32 685</b>	<b>-7 550</b>	<b>-17 295</b>
<b>Other comprehensive income</b>					
Translation differences during the period from translation of foreign businesses	-658	-1 836	-1 872	-2 038	-541
<b>Comprehensive income for the period</b>	<b>-9 443</b>	<b>-12 037</b>	<b>-34 557</b>	<b>-9 588</b>	<b>-17 836</b>

Profit for the period as well as comprehensive income are entirely attributable to equity holders of the parent.

1/ Of which, depreciation	-2 571	-2 382	-7 662	-8 843	-9 480
2/ Of which, cost of one-off measure	-	-	-8 318	-	-

Per-share data	July - Sept. 2010	July - Sept. 2009	Jan.-Sept. 2010	Jan.-Sept. 2009	Jan.-Dec. 2009
Earnings per share, SEK	-0,38	-0,49	-1,46	-0,36	-0,82
Earnings per share after dilution, SEK	-0,38	-0,49	-1,46	-0,36	-0,82
Shareholders' equity per share, SEK	neg	0,29	neg	0,29	0,33
Shareholders' equity per share after dilution, SEK	neg	0,29	neg	0,29	0,33
Equity ratio	neg	14%	neg	14%	14%
Number of shares outstanding	23 501 320	21 565 126	23 501 320	21 565 126	21 565 126
Average number of shares outstanding	22 877 621	20 814 107	22 463 761	20 896 056	21 063 789
Number of shares outstanding after dilution	23 501 320	21 565 126	23 501 320	21 565 126	21 565 126
Share price, SEK	14,10	18,90	14,10	18,90	18,00

### Condensed balance sheet

SEK 000s

Assets	9/30/2010	9/30/2009	6/30/2010	12/31/2009
Intangible assets	20 331	24 565	21 657	24 521
Property, plant and equipment	866	1 950	1 117	1 611
Financial assets	655	742	679	769
Inventories	1 891	1 999	1 703	2 716
Accounts receivable - trade	5 147	10 075	6 920	13 404
Other receivables, prepaid expenses and accrued income	1 564	1 671	1 518	2 149
Cash and bank balances	2 091	4 389	953	5 059
<b>Total assets</b>	<b>32 545</b>	<b>45 391</b>	<b>34 547</b>	<b>50 229</b>

Shareholders' equity and liabilities	9/30/2010	9/30/2009	6/30/2010	12/31/2009
Shareholders' equity	-6 427	6 278	-11 084	7 030
Liabilities to credit institutions	22 649	15 109	24 441	16 815
Accounts payable - trade	4 388	7 383	8 490	11 761
Other liabilities, accrued expenses and deferred income	11 935	16 621	12 700	14 623
<b>Total shareholders' equity and liabilities</b>	<b>32 545</b>	<b>45 391</b>	<b>34 547</b>	<b>50 229</b>

Changes in shareholders' equity	9/30/2010	9/30/2009	6/30/2010	12/31/2009
Opening balance	7 030	4 068	7 030	4 068
New issues	21 100	11 798	7 000	20 798
Comprehensive income for the period	-34 557	-9 588	-25 114	-17 836
<b>Closing balance</b>	<b>-6 427</b>	<b>6 278</b>	<b>-11 084</b>	<b>7 030</b>

**Statement of financial position, Group**  
SEK 000s

	Share capital	Other capital contributions	Loss carried forward	Total shareholders' equity
<b>Interim period 1/1/2010 – 9/30/2010</b>				
Opening balance, 1/1/2010	21 565	177 011	-191 546	7 030
Issues during registration 31/12/2009	500	-500	-	-
New issues	1 436	20 564	-	22 000
Issues expenses	-	-900	-	-900
Comprehensive income for the period	-	-	-34 557	-34 557
<b>Shareholders' equity, 9/30/2010</b>	<b>23 501</b>	<b>196 175</b>	<b>-226 103</b>	<b>-6 427</b>

	Share capital	Other capital contributions	Loss carried forward	Total shareholders' equity
<b>Interim period 1/1/2009 – 9/30/2009</b>				
Opening balance, 1/1/2009	20 646	157 132	-173 710	4 068
New issues	919	10 879	-	11 798
Comprehensive income for the period	-	-	-9 588	-9 588
<b>Shareholders' equity, 9/30/2009</b>	<b>21 565</b>	<b>168 011</b>	<b>-183 298</b>	<b>6 278</b>

**Statement of cash flows – Group**  
SEK 000s

Cash flow	July - Sept. 2010	July - Sept. 2009	Jan.-Sept. 2010	Jan.-Sept. 2009	Jan.-Dec. 2009
<b>Operating activities</b>					
Profit/loss before tax	-8 785	-10 201	-32 685	-7 550	-17 295
Adjustments for non-cash items	1 873	1 184	5 250	-27 664	9 034
Taxes	-	-	-	-	-
<b>Cash flow from operating activities before changes in working capital</b>	<b>-6 912</b>	<b>-9 017</b>	<b>-27 435</b>	<b>-35 214</b>	<b>-8 261</b>
Cash flow from changes in working capital	-3 384	-3 674	-2 280	32 300	-2 433
<b>Cash flow from operating activities</b>	<b>-9 175</b>	<b>-12 691</b>	<b>-24 592</b>	<b>-2 914</b>	<b>-10 694</b>
<b>Investing activities</b>					
Capitalization of non-current assets	-1 735	-2 352	-5 351	-6 545	-8 286
Acquisition/divestment of property, plant and equipment	-59	322	-309	296	-189
<b>Cash flow from investing activities</b>	<b>-1 794</b>	<b>-2 030</b>	<b>-5 660</b>	<b>-6 249</b>	<b>-8 475</b>
<b>Financing activities</b>					
New issues	14 100	10 000	21 100	15 044	24 044
Change in financial assets	-750	4 950	11 500	-2 378	-743
Acquisition/divestment of financial assets	0	44	29	17	-10
<b>Cash flow from financing activities</b>	<b>12 229</b>	<b>14 994</b>	<b>27 506</b>	<b>12 683</b>	<b>23 291</b>
<b>Cash flow for the period</b>	<b>1 260</b>	<b>273</b>	<b>-2 746</b>	<b>3 520</b>	<b>4 122</b>
Cash and bank balances at start of period	953	4 138	5 059	864	864
Translation differences in cash and bank balances	-122	-22	-222	5	73
Cash and bank balances at end of period	2 091	4 389	2 091	4 389	5 059

**Parent Company Income Statement**  
SEK 000s

Income statement	July - Sept. 2010	July - Sept. 2009	Jan.-Sept. 2010	Jan.-Sept. 2009	Jan.-Dec. 2009
Operating income	15	30	75	90	345
Operating expenses <sup>3)</sup>	-1 425	-1 028	-8 402	-4 558	-6 005
<b>Operating loss</b>	<b>-1 410</b>	<b>-998</b>	<b>-8 327</b>	<b>-4 468</b>	<b>-5 660</b>
Net financial items <sup>4)</sup>	-15 292	-15 125	-31 578	-16 462	-33 609
<b>Loss before tax</b>	<b>-16 702</b>	<b>-16 123</b>	<b>-39 905</b>	<b>-20 930</b>	<b>-39 269</b>
Income tax	-	-	-	-	5 761
<b>Loss for the period</b>	<b>-16 702</b>	<b>-16 123</b>	<b>-39 905</b>	<b>-20 930</b>	<b>-33 508</b>

<sup>3)</sup> Of which, depreciation



## Parent Company Balance Sheet

### Condensed balance sheet SEK 000s

Assets	9/30/2010	9/30/2009	6/30/2010	12/31/2009
Financial assets/shares in subsidiaries	81 871	81 871	81 871	81 871
Receivables from Group companies	10 409	36 115	17 368	14 697
Other receivables, prepaid expenses and accrued income	520	272	356	299
Cash and bank balances	20	1 690	101	3 533
<b>Total assets</b>	<b>92 820</b>	<b>119 948</b>	<b>99 696</b>	<b>100 400</b>

Shareholders' equity and liabilities	9/30/2010	9/30/2009	6/30/2010	12/31/2009
Shareholders' equity	70 017	76 256	72 619	88 822
Liabilities to credit institutions	19 250	8 000	20 000	7 750
Accounts payable - trade	1 544	2 610	3 636	2 232
Liabilities to Group companies	58	31 852	161	198
Other liabilities, accrued expenses and deferred income	1 951	1 230	3 280	1 398
<b>Total shareholders' equity and liabilities</b>	<b>92 820</b>	<b>119 948</b>	<b>99 696</b>	<b>100 400</b>

Changes in shareholders' equity	9/30/2010	9/30/2009	6/30/2010	12/31/2009
Opening balance	88 822	85 388	88 822	85 388
New issues	22 000	11 798	7 000	11 798
Issues expenses	-900	-	-	-
Issues during registration	-	-	-	9 000
Group contribution	-	-	-	21 906
Tax group contribution	-	-	-	-5 762
Loss for the period <sup>4)</sup>	-39 905	-20 930	-23 203	-33 508
<b>Closing balance</b>	<b>70 017</b>	<b>76 256</b>	<b>72 619</b>	<b>88 822</b>

4/ Of which, SEK 30 m in shareholder contribution to subsidiaries as per 9/30/2010 ( 30 m as per 12/31/2009)

### Consolidated Income Statement - Segmental Breakdown SEK 000s

Income statement, per segment, July - Sept. 2010	Professional Products	Consumer Products	Other	Total
Sales	3 211	1 844	-	5 055
Other income	-	-	-	-
<b>Total income</b>	<b>3 211</b>	<b>1 844</b>	<b>-</b>	<b>5 055</b>
Cost of goods sold	-2 256	1	-	-2 255
<b>Gross Profit</b>	<b>955</b>	<b>1 845</b>	<b>-</b>	<b>2 800</b>
Selling and marketing expenses	-3 394	-91	61	-3 424
Administrative expenses	-1 550	-26	-1 778	-3 354
Research and development costs	-2 627	-1 239	15	-3 851
<b>Operating profit/loss <sup>5)</sup></b>	<b>-6 616</b>	<b>489</b>	<b>-1 702</b>	<b>-7 829</b>
Net financial items	-694	-	-262	-956
<b>Profit/loss before tax</b>	<b>-7 310</b>	<b>489</b>	<b>-1 964</b>	<b>-8 785</b>
Tax	-	-	-	-
<b>Profit/loss for the period</b>	<b>-7 310</b>	<b>489</b>	<b>-1 964</b>	<b>-8 785</b>

5/ Includes depreciation of SEK 2 571 thousand for the period July - Sept. 2010

Income statement, per segment, Jan. - Sept. 2010	Professional Products	Consumer Products	Other	Total
Sales	17 745	5 755	-	23 500
Other income	-	-	-	-
<b>Total income</b>	<b>17 745</b>	<b>5 755</b>	<b>-</b>	<b>23 500</b>
Cost of goods sold	-11 308	-56	-	-11 364
<b>Gross Profit</b>	<b>6 437</b>	<b>5 699</b>	<b>-</b>	<b>12 136</b>
Selling and marketing expenses	-13 957	-464	-1 815	-16 236
Administrative expenses	-7 038	-146	-6 137	-13 321
Research and development costs	-9 073	-3 900	-569	-13 542
<b>Operating profit/loss <sup>6)</sup></b>	<b>-23 631</b>	<b>1 189</b>	<b>-8 521</b>	<b>-30 963</b>
Net financial items	-1 007	-	-715	-1 722
<b>Profit/loss before tax</b>	<b>-24 638</b>	<b>1 189</b>	<b>-9 236</b>	<b>-32 685</b>
Tax	-	-	-	-
<b>Profit/loss for the period</b>	<b>-24 638</b>	<b>1 189</b>	<b>-9 236</b>	<b>-32 685</b>

6/ Includes depreciation of SEK 7 662 thousand for the period Jan. - Sept. 2010

<b>Income statement, per segment, July - Sept. 2009</b>	<b>Professional Products</b>	<b>Consumer Products</b>	<b>Other</b>	<b>Total</b>
Sales	4 724	3 214	-	7 938
Other income	-	-	-	-
<i>Total income</i>	4 724	3 214	-	7 938
Cost of goods sold	-3 056	-2 532	-	-5 588
<b>Gross Profit</b>	<b>1 668</b>	<b>682</b>	-	<b>2 350</b>
Selling and marketing expenses	-4 731	-37	-215	-4 983
Administrative expenses	-2 141	-18	-710	-2 869
Research and development costs	-3 124	-664	-50	-3 838
<b>Operating profit/loss<sup>7)</sup></b>	<b>-8 328</b>	<b>-37</b>	<b>-975</b>	<b>-9 340</b>
Net financial items	-903	-	42	-861
<b>Profit/loss before tax</b>	<b>-9 231</b>	<b>-37</b>	<b>-933</b>	<b>-10 201</b>
Tax	-	-	-	-
<b>Profit/loss for the period</b>	<b>-9 231</b>	<b>-37</b>	<b>-933</b>	<b>-10 201</b>

7/ Includes depreciation of SEK 2 382 thousand for the period July - Sept. 2009

<b>Income statement, per segment, Jan - Sept. 2009</b>	<b>Professional Products</b>	<b>Consumer Products</b>	<b>Other</b>	<b>Total</b>
Sales	12 740	3 836	-	16 576
Other income	-	-	32 473	32 473
<i>Total income</i>	12 740	3 836	32 473	49 049
Cost of goods sold	-8 403	-3 931	-	-12 334
<b>Gross Profit</b>	<b>4 337</b>	<b>-95</b>	<b>32 473</b>	<b>36 715</b>
Selling and marketing expenses	-17 756	-348	-531	-18 635
Administrative expenses	-7 009	-117	-3 619	-10 745
Research and development costs	-9 021	-3 604	-159	-12 784
<b>Operating profit/loss<sup>8)</sup></b>	<b>-29 449</b>	<b>-4 164</b>	<b>28 164</b>	<b>-5 449</b>
Net financial items	-1 028	-1	-1 072	-2 101
<b>Profit/loss before tax</b>	<b>-30 477</b>	<b>-4 165</b>	<b>27 092</b>	<b>-7 550</b>
Tax	-	-	-	-
<b>Profit/loss for the period</b>	<b>-30 477</b>	<b>-4 165</b>	<b>27 092</b>	<b>-7 550</b>

8/ Includes depreciation of SEK 8 943 thousand for the period Jan. - Sept. 2009

<b>Income statement, per segment, Jan. - Dec. 2009</b>	<b>Professional Products</b>	<b>Consumer Products</b>	<b>Other</b>	<b>Total</b>
Sales	21 345	7 288	-	28 633
Other income	-	-	32 473	32 473
<i>Total income</i>	21 345	7 288	32 473	61 106
Cost of goods sold	-12 902	-5 486	-	-18 388
<b>Gross Profit</b>	<b>8 443</b>	<b>1 802</b>	<b>32 473</b>	<b>42 718</b>
Selling and marketing expenses	-23 121	-860	-655	-24 636
Administrative expenses	-9 250	69	-4 771	-13 952
Research and development costs	-12 397	-4 976	-195	-17 568
<b>Operating profit/loss<sup>9)</sup></b>	<b>-36 325</b>	<b>-3 965</b>	<b>26 852</b>	<b>-13 438</b>
Net financial items	-2 548	-1	-1 308	-3 857
<b>Profit/loss before tax</b>	<b>-38 873</b>	<b>-3 966</b>	<b>25 544</b>	<b>-17 295</b>
Tax	-	-	-	-
<b>Profit/loss for the period</b>	<b>-38 873</b>	<b>-3 966</b>	<b>25 544</b>	<b>-17 295</b>

9/ Includes depreciation of SEK 9 480 thousand for the period Jan. - Dec. 2009