

INTERIM REPORT

January-June 2014

INVISIO[®]
NO NOISE. ONLY YOUR VOICE.

Strong Growth and Continued Profitability

SEK m	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013
Total income	46,9	12,4	91,0	39,3
Gross Profit	20,3	5,5	39,2	17,5
Gross Margin (%)	43,2	44,7	43,1	44,4
EBITDA	6,1	-4,9	14,0	-1,9
Operating Profit/Loss	4,9	-6,4	11,4	-4,8
Profit/Loss after tax	4,2	-6,8	9,3	-5,9
Profit/Loss per share (SEK)	0,10	-0,18	0,22	-0,15

Important Events April – June

- Received a second order of SEK 20 million through the American partner TEA Headsets from the American military program TCAPS on complete communications and hearing protection systems.
- Received an order of SEK 21,0 million from a NATO country on the communications system INVISIO V60.
- Received an order of SEK 7,0 million from a military client in a Nordic country on headsets, control units and add-on equipment.
- INVISIO's management have purchased a total of 470 000 shares in the Company.
- Outgoing backlog amounted per June 30th to SEK 48,7 million.

Important Events after the Period

- Received a third order of SEK 41,6 million through the American partner TEA Headsets from the American military program TCAPS on complete communications and hearing protection systems.
- Received a follow-up order of SEK 5,6 million from a military client in a Nordic country on an order received during Q2 on headsets, control units and add-on equipment.
- Received a follow-up order of SEK 1,6 million through the Canadian distribution partner Levitt Safety from Canada's Department of National Defense on various headsets and communications solutions.
- Outgoing backlog amounted in end of July to SEK 92,3 million.

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 pleased to announce that INVISIO continues to grow and show profit. During the second quarter, the total revenue is SEK 46,9 million compared to SEK 12,4 million the corresponding period last year, which equals an increase by 278 percent. The backlog by the end of the quarter amounts to SEK 48,7 million. The inflow of orders after the quarter has been very positive and amounted in end of July to SEK 92,3 million.

The results during the second quarter was improved by SEK 11 million, from SEK -6,8 million to SEK 4,2 million. When we look at the first two quarters of this year, we are able to present total income of SEK 91,0 million and profit of SEK 9,3 million. Total income from the first six months exceeds the total income for the entire year of 2013.

CONTINUED YIELDINGS FROM MILITARY PROGRAMS

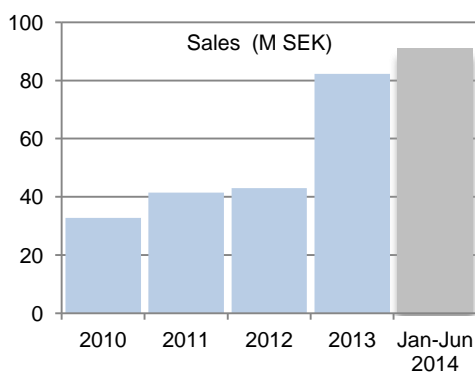
It is particularly satisfying that we received our second follow-up order during the second quarter and a third follow-up order after the end of the quarter from the American military program TCAPS (Tactical Communication and Protective System) at a total value of SEK 61,6 million. This demonstrates the benefits and advantages of being part of the program and is a positive rating for our products and offerings.

TCAPS is a great example of the potential with the ongoing larger military modernization programs in numerous countries worldwide, which are increasingly demanding advanced hearing protection in communications solutions. This is a volume market with thousands of users where our leading technology fits very well and we are therefore very optimistic in regards to continuous sales opportunities within these types of programs. It is however difficult for us to determine and influence the timing of the tendering processes or the final timing of the customers' orders, which means that order intake can still fluctuate during different periods. However it is reassuring to end the quarter with such orders. Customers worldwide are influenced by the U.S Army's decision to invest in INVISIO's solutions. It has been a contributing factor to the large order of numerous units of the communications system INVISIO V60 in June to a total worth of SEK 21,0 million from a NATO country.

In addition to these two orders we received one order during the quarter and a follow-up order after the end of the quarter to a total worth of SEK 12,6 million on headsets, control units and add-on equipment from a military client in a Nordic country. This is positive since our Nordic home market is a particularly important reference for us.

STEADY GROWTH AND CONTINUED PROFIT

After the outcome of the first six months we are even more convinced in our estimations regarding a continued growth of the future revenue. We are expecting a continued inflow of orders during the fall as well as profit for the year of 2014. The outgoing backlog is large and we have an increasing 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 cost increase. A larger volume enables us to maintain the gross margin at the same level. The first six months of 2014 shows that INVISIO continues to strengthen its position on the global market for advanced systems for hearing protection and interference-free communication in extreme environments. The Company's management has great confidence in INVISIO. As previously announced, the management purchased a total of 470.000 shares in March.



Lars Højgård Hansen, CEO

Total Income and Results April – June 2014

Total income for the second quarter increased with 278 percent compared to the corresponding period in 2013 and amounted to SEK 46,9 million (12,4).

Gross profit amounted to SEK 20,3 million (5,5) and gross margin to 43,2 percent (44,7). 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 48,7 million (11,7) by the end of the quarter.

Operating expenses for the second quarter were SEK 15,4 million (12,0). The increase in expenses is mainly due to increased personnel costs. INVISIO has made three new recruitments during the year and variable compensation correlating to the large in-flow of orders has been paid or reserved.

Development costs of SEK 1,5 million (1,4) has been activated during the quarter. Operating expenses include depreciation of capitalized expenditures of SEK 1,3 million (1,5).

Operating profit for the second quarter amounted to SEK 4,9 million (-6,4).

Net financial items for the second quarter amounted to SEK -0,7 million (-0,4).

Profit after tax for the second quarter amounted to SEK 4,2 million (-6,8).

Profit per share for the second quarter amounted to SEK 0,10 kr (-0,18).

Total Income and Results January – June 2014

Total income during the first half of the year increased with 131 percent compared to the corresponding period in 2013 and amounted to SEK 91,0 million (39,3).

Gross profit amounted to SEK 39,2 million (17,5) and gross margin was 43,1 percent (44,4).

Operating expenses for the first half of the year amounted to SEK 27,8 million (22,3). 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. Development costs of SEK 2,4 million (2,5) has been activated during the quarter. The operating expenses include depreciation of capitalized expenditures of SEK 2,6 million (2,9).

Operating profit for the first half of the year thus amounted to SEK 11,4 million (-4,8).

Net financial items for the first half of the year amounted to SEK -2,1 million (-1,0).

Profit after taxes for the first half of the year amounted to SEK 9,3 million (-5,9).

Profit per share for the first half of the year amounted to SEK 0,22 kr (-0,15).

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

CAPITAL EXPENDITURE

During the first half of the year, capital expenditures amounted to SEK 2,6 million (2,5), of which 2,6 (2,5) was activated development costs.

CASH FLOW AND LIQUIDITY

Cash flow from the operating activities during the first half of the year amounted to SEK 8,7 million (1,7). Cash flow from the investment activities amounted to SEK -2,6 million (-2,5). Cash flow from the financing activities amounted to SEK -8,4 million (-2,1), of which new share issue SEK 0

million (0), and raising/amortization of loans of SEK -8,4 million (-2,1). Cash flow during the period thus amounted to SEK -2,2 million (-2,9).

During the period, amortization of loans was made to Almi Företagspartner to a worth of SEK 2,3 million, and the utilization of overdraft facility of SEK 10 million was reduced by SEK 5,5 million. Factoring has been reduced by SEK 0,6 million.

By the end of the period, the Group's liquid assets amounted to SEK 7,1 million (1,3).

FINANCING

The management and the board are actively and continuously working with governance and control of the Company, including results, liquidity and financial position. After two new share issues and strengthening the debt financing during 2013, the Company's management and Board concludes that INVISIO currently has a balanced financing.

The board notes that shareholder's equity has gradually increased during the year, debt-financing has decreased and liquidity is good. The financial position is estimated to be strengthened further during the year through internally generated funds. Thus there are no forthcoming requirements to issue new shares to strengthen the operational financing.

As stated previously, there are numerous ongoing military modernization programs where INVISIO can offer our product solutions. There is therefore an existing possibility that INVISIO, before the annual meeting 2015, will receive an order large enough to result in the counterpart requiring INVISIO to strengthen the equity or that the order in itself will result in a more extensive capitalization that cannot be solved within the existing or extended credit facility. Should such a situation occur we may utilize the authorization of new issues established by the annual meeting in 2014.

The Company's total debt of SEK 25,3 million per the last June regards to: factoring of SEK 6,5 million, loans of SEK 14,7 million in total, and utilized overdraft facility of SEK 4,2 million (limit 10 million)

EQUITY

The Group's equity by the end of the period amounted to SEK 14,5 million (-7,4), which resulted in an equity ratio of 24 percent (neg).

Parent Company

Net income for the parent company during the first half of the year amounted to SEK 30 thousand (30). Operating result amounted to SEK -2,7 million (-2,8). The result after tax for the period amounted to SEK -3,2 million (-3,5).

The liquid assets of the parent company by the end of the quarter amounted to SEK 5,8 million (0), including unutilized overdraft facility of SEK 5,8 million (0), and shareholder's equity of SEK 60,9 million (59,2), which resulted in an equity ratio of 73,8 percent (71,0). 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 order book of SEK 50 million and closed the first six months of the year with a backlog of SEK 48,7 million despite an almost tripled increase in total income. We are expecting a continued positive development and profit for the whole year. 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.

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.

As noted in the section "Financing", the Company's management and Board are actively and continuously working with the Company's governance and control, including earnings, liquidity and financial position. After two new share issues and strengthening the debt financing during 2013, the Company's management and Board concludes that INVISIO currently holds a well-balanced financing.

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 3,9 percent in average.

Future Events and Reporting Dates

- Interim Report July – September 2014: November 6
- Year-End Report 2014: February 23
- Annual Meeting 2015: April 23

This Interim Report has not been reviewed by the Company's auditor.

Stockholm August 14, 2014

Lars Højgård Hansen
CEO

For further information, please contact:

Lars Højgård Hansen, CEO
+ 45 5372 7722

Lars.HojgaardHansen@invisio.com

Thomas Larsson, CFO
+45 5372 7735

Thomas.Larsson@invisio.com

INVISIO Communications AB (publ.)
Box 151
201 21 Malmö
Sweden
Registered number: 556651-0987

Financial Reports

Consolidated Income Statement

SEK 000s	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Sales	46 908	12 363	91 022	39 341	85 254
Cost of goods sold	-26 646	-6 834	-51 826	-21 870	-48 205
Gross Profit	20 262	5 529	39 196	17 471	37 049
Operating expenses*	-15 402	-11 955	-27 809	-22 287	-47 529
Operating profit/loss	4 859	-6 426	11 386	-4 816	-10 480
Net financial items	-665	-367	-2 124	-1 047	-2 880
Profit/loss before tax	4 195	-6 793	9 263	-5 863	-13 360
Income tax	-	-	-	-	2 900
Profit/loss for the period	4 195	-6 793	9 263	-5 863	-10 460
Other comprehensive income					
Translation differences	973	885	963	291	485
Comprehensive income for the period (Entirely attributable to equity holders of the parent)	5 168	-5 908	10 226	-5 572	-9 975
*Depreciation incl. in operating expenses	-1 290	-1 503	-2 604	-2 925	-5 218

Per-share data	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Earnings per share, SEK	0,10	-0,18	0,22	-0,15	-0,27
Earnings per share after dilution, SEK	0,10	-0,18	0,22	-0,15	-0,27
Shareholders' equity per share, SEK	0,34	neg.	0,34	neg.	0,09
Shareholders' equity per share after dilution, SEK	0,34	neg.	0,34	neg.	0,09
Equity ratio	24%	neg.	24%	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
Number of shares after dilution, thousand	42 240	38 440	42 240	38 440	38 850
Share price, SEK	10,50	4,10	10,50	4,10	5,05

Consolidated Balance Sheet

SEK 000s

Assets	2014-06-30	2013-06-30	2013-12-31
Intangible assets	17 866	16 743	17 489
Property, plant and equipment	207	119	83
Financial assets	748	659	692
Inventories	9 722	9 838	10 098
Accounts receivable - trade	18 148	9 660	16 137
Other receivables	6 494	1 353	4 741
Cash and bank balances	7 094	1 290	9 126
Total assets	60 279	39 662	58 366

Shareholders' equity and liabilities	2014-06-30	2013-06-30	2013-12-31
Shareholders' equity	14 452	-7 386	3 895
Liabilities to credit institutions	25 347	29 216	33 548
Accounts payable - trade	14 244	12 589	12 439
Other liabilities	6 236	5 243	8 484
Total shareholders' equity and liabilities	60 279	39 662	58 366

Changes in shareholders' equity	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Opening balance	3 894	-1 814	-1 814
New issues	-	-	15 239
Employee stock option program	332	-	445
Comprehensive income for the period	10 226	-5 572	-9 975
Closing balance	14 452	-7 386	3 895

Statement of cash flows – Group

SEK 000s

Cash flow	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Operating activities					
Profit/loss before tax	4 194	-6 793	9 262	-5 863	-13 360
Adjustments for non-cash items	1 489	1 495	2 887	2 992	5 202
Taxes	-	-	-	-	2 900
Cash flow from operating activities before changes in working capital	5 683	-5 298	12 149	-2 871	-5 258
Cash flow from changes in working capital	-411	8 136	-3 402	4 557	-2 079
Cash flow from operating activities	5 272	2 838	8 747	1 686	-7 337
Investing activities					
Capitalization of non-current assets	-1 622	-1 413	-2 592	-2 530	-5 167
Acquisition of property, plant and equipment	-	-14	-	-14	-14
Cash flow from investing activities	-1 622	-1 427	-2 592	-2 544	-5 181
Financing activities					
New issues	-	-	-	-	15 239
Change in financial assets	-1 790	-1 082	-8 385	-2 084	2 027
Cash flow from financing activities	-1 790	-1 082	-8 385	-2 084	17 266
Cash flow for the period	1 860	329	-2 230	-2 942	4 748
Cash and bank balances at start of period	5 049	898	9 126	4 240	4 240
Translation differences in cash and bank balances	185	63	198	-8	138
Cash and bank balances at end of period	7 094	1 290	7 094	1 290	9 126

Parent Company Income Statement

SEK 000s	Q2 2014	Q2 2013	Jan-Jun 2014	Jan-Jun 2013	Full year 2013
Operating income	15	15	30	30	60
Operating expenses	-1 525	-1 695	-2 683	-2 841	-5 822
Operating loss	-1 510	-1 680	-2 653	-2 811	-5 762
Net financial items**	-237	-373	-569	-723	-8 775
Loss before tax	-1 747	-2 053	-3 222	-3 534	-14 537
Income tax	-	-	-	-	-
Loss for the period	-1 747	-2 053	-3 222	-3 534	-14 537
**Of which, shareholder contribution to subsidiaries	-	-	-	-	-7 000

Parent Company Balance Sheet

SEK 000s

Assets	2014-06-30	2013-06-30	2013-12-31
Financial assets/shares in subsidiaries	82 290	81 512	81 957
Receivables from Group companies	-	1 303	5 475
Other receivables	326	427	252
Cash and bank balances	-	82	5 364
Total assets	82 616	83 324	93 048
Shareholders' equity and liabilities	2014-06-30	2013-06-30	2013-12-31
Shareholders' equity	60 949	59 156	63 839
Liabilities to credit institutions	18 874	22 000	26 696
Accounts payable - trade	99	1 086	177
Liabilities to Group companies	948	111	391
Other liabilities	1 746	971	1 945
Total shareholders' equity and liabilities	82 616	83 324	93 048
Changes in shareholders' equity	2014-06-30	2013-06-30	2013-12-31
Opening balance	63 839	62 690	62 690
New issues	-	-	15 241
Employee stock option program	332	-	445
Loss for the period**	-3 222	-3 534	-14 537
Closing balance	60 949	59 156	63 839
**Of which, shareholder contribution to subsidiaries	-	-	-7 000