

# INVISIO COMMUNICATIONS

## Interim Report

January – September 2011



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### July – September

- Total income amounted to SEK 11.6 m (5.1)
- Sales for the business area Professional products increased with 258.6 percent compared with the corresponding period 2010, and adjusted for currency effects with 256.4 percent
- Gross profit increased to SEK 5.5 m (2.8)
- Gross margin amounted to 47.3 percent (55.4)
- Operating loss decreased to SEK -5.1 m (-7.8)
- Loss after tax decreased to SEK -6.4 m (-8.8)
- Loss per share decreased to SEK -0.25 (-0.38)
- The order book for the business area Professional products was SEK 5.3 m (3.1) at the end of the quarter

### January – September

- Total income amounted to SEK 32.0 m (23.5)
- Sales for the business area Professional products increased with 61.9 percent compared with the corresponding period 2010, and adjusted for currency effects, with 74.0 percent
- Gross profit increased to SEK 16.2 m (12.1)
- Gross margin amounted to 50.7 percent (51.6)
- Operating loss decreased to SEK -17.1 m (-31.0)
- Loss after tax decreased to SEK -19.8 m (-32.7)
- Loss per share decreased to SEK -0.77 (-1.46)

### Important Events July – September

- INVISIO has signed a new agreement with Motorola, which means that Motorola can continue to manufacture and market products with INVISIO's patented technology until the 31st of May 2012. The agreement also implies that Motorola no longer has exclusivity on INVISIO's technology for the consumer market, which means that INVISIO is free to enter agreements with other manufacturers.
- INVISIO has, through its Australian distribution partner Defcon Technologies, received an order from the Australian Department of Defence. The order is for INVISIO M3 headsets with PTT (Push to Talk). The total order value is approximately SEK 1.8 m and the products will be delivered before the end of 2011.

### Important events after the period

- INVISIO has launched a new series of innovative communication solutions with hearing protection for use with two-way radios, the INVISIO S-Series. The communication solutions complement INVISIO's portfolio of products with hearing protection with a small and lightweight and easily operated solution.
- The Board has on October 21 decided to carry out a share issue with shareholder precedence where, after approval at the shareholders' meeting, a maximum of 8 617 150 shares will be issued which would result in an increase of SEK 8 617 150 of



the Company's share equity. Owners of about 45.3 percent of the Company have committed to subscribe to the share issue. Furthermore, a guarantee consortium constituted by current share owners and external investors have entered a share issue guarantee corresponding to about 45.4 percent of the issue. In total, all the undertaking amounts to 90.7 percent of the share issue (counted on the share issue's size without consideration for the outstanding stock options that if utilized can increase the size of the share issue). The remainder, corresponding to about 9.3 percent of the share issue, is held by institutional share owners that due to internal policies lack the possibility to commit to share subscriptions. The extra general meeting will be held on November 9, 2011. The share issue will provide the Company with approximately SEK 43.1 m before issuance costs. In February 2011 INVISIO signed an agreement with Alecta Pensionsförsäkringar, regarding a SEK 20 m loan. The loan is for two years and will be repaid to Alecta in February 2013. The condition for the loan is that if INVISIO should carry out a share issue with shareholder precedence during the period of the loan, Alecta Pensionsförsäkringar is permitted to require early repayment of the loan. With regards to this, the Board has after consulting some of the Company's largest shareholders decided on a financial solution that implies (i) a share issue with shareholder precedence of about SEK 43.1 m, (ii) taking up of new loan financing of about SEK 10.0 m and (iii) repayment of the loan from Alecta Pensionsförsäkringar if the loan should be required for early repayment.

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 year's third quarter we saw a continued positive sales development for INVISIO's professional products, which is our area of focus. The sales beat the record again and surpassed the previous quarter that was our best quarter up till then. We have now had four consecutive quarters with increasing sales of our professional products. During the quarter INVISIO signed a new agreement with Motorola, which means that Motorola can continue to manufacture and market products with INVISIO's patented technology until 31<sup>st</sup> of May 2012. The agreement also implies that Motorola no longer has exclusivity on INVISIO's technology for the consumer market

### Business Area Professional Products

Sales of INVISIO's professional products during the third quarter was once again the best ever and amounted to SEK 11.5 m compared to SEK 3.2 m in the corresponding period of 2010. If the numbers are adjusted for currency effects the sales increase amounts to about 256 percent. The increase in sales is primarily due to our single largest order ever, a breakthrough order from the Danish Armed Forces for urgent operational requirements that we received during the second quarter 2011 and that has been delivered during the second and third quarter 2011. The order is not mainly important because of its size, but especially because it acts as proof that INVISIO's products are used operationally and that we can deliver larger volumes in a short period of time, which is important in the sales work towards large and other military customers.

During the quarter we also received an order from the Australian Department of Defence. The order is for INVISIO M3 headsets with PTT (Push to Talk). The total order value is approximately SEK 1.8 m and the products will be delivered before the end of 2011. It is pleasing that we see continued demand of our products and solutions from Australia. It is a proof of our products' high quality and the good recognition that we have created among the very demanding users within the Australian Defence.

During the quarter we also participated at the trade fair DSEi in London, which is a very important trade fair within the military segment. Our participation was successful and we saw a large interest for our communications solutions from relevant interesting parties and also from media that now increasingly notes INVISIO's technology and solutions. For example, the important trade publications G3 Defence, Armada and Military Technology have published articles on INVISIO's products and solutions.

After the end of the quarter, we launched a new series of innovative communication solutions with hearing protection for use with two-way radios on the military trade fair AUSA 2011 in Washington D.C. The demand for communication solutions with hearing protection is increasing and with the new S-series that has market leading hearing protection our portfolio of products is complemented with a small and lightweight and easily operated solution.

### Business Area Consumer Products and Cooperation with Motorola

The exclusive licence and collaboration agreement that INVISIO entered into with Motorola in 2008 in the business area Consumer products was conditioned by certain goals and undertakings, which has not been fulfilled. The agreement therefore expired on 31<sup>st</sup> of March 2011 and after renegotiations during the second quarter, which were in positive character, a new agreement was signed after the end of the quarter, which implies that Motorola can continue to manufacture and market products with INVISIO's technology until the 31<sup>st</sup> of May 2012. The agreement also implies that Motorola no longer has exclusivity on INVISIO's



technology for the consumer market, which means that INVISIO is free to enter agreements with other manufacturers.

According to the new agreement with Motorola the income in the business area now solely comes from Motorola's manufacturing and sales success of products with INVISIO's patented technology. The consumer market for mobile phones and accessories such as wireless headsets has changed significantly during 2009 and 2010. Partly due to the introduction of new phones and smartphones that has led to new services and consumer behaviour, such as increased use of stereo headsets, and partly due by the global economic crisis that caused a temporary decrease in the global market for Bluetooth-headsets during the period.

During the fourth quarter 2010 Motorola launched Motorola Finiti, the second Bluetooth headset for the consumer market with licensed technology from INVISIO. Sales have not yet reached our expectations, even though the product has been launched through several important sales channels in the US and has received very positive reviews from media. We are however still very positive to the new agreement with Motorola that means a continued focus on global sales of Motorola Finiti.

The need for consumers and professions that use mobile phones during work to be able to communicate in noisy and demanding environments remains. Therefore we estimate that there still is good potential for INVISIO's patented technology on the consumer market.

To sum up, the third quarter was successful for INVISIO in several ways even though we have not reached the goal of turning to profit. The sales of our professional products beat the record again and our costs are under control.

Lars Højgård Hansen  
CEO

## Total Income and Result July – September 2011

Total income for the third quarter increased with 129.1 percent compared with the corresponding period 2010 and amounted to SEK 11.6 m (5.1).

Gross profit totalled SEK 5.5 m (2.8) and the gross margin was 47.3 percent (55.4).

Operating expenses for the third quarter amounted to SEK 10.5 m (10.6). Included in the expenses are depreciations of SEK 1.8 m (2.6).

Operating loss for the third quarter decreased to SEK -5.1 m (-7.8).

Net financial items for the third quarter amounted to SEK -1.3 m (-1.0). The net financial items for the quarter include currency exchange losses from the operating activities of SEK -0.4 m.

Loss after tax for the third quarter decreased to SEK -6.4 m (-8.8)

Loss per share for the third quarter amounted to SEK -0.25 (-0.38)

### Professional Products

Sales during the third quarter in the business area Professional Products increased with 258.6 percent compared to the corresponding period 2010 and amounted to SEK 11.5 m (3.2).

The gross profit margin increased compared to the third quarter 2010 and amounted to 46.9 percent (29.7). It is characteristic of the business area that the gross margin 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.

### Consumer Products

In connection to the new agreement with Motorola the Company received a non-recurring compensation that was noted as an income during the first half of 2011. In the adjustment against the non-recurring compensation, Motorola has the right to produce units up to certain volume before INVISIO obtains further compensation. As the Company assesses that Motorola will not exceed this volume during the third quarter and thus being prone to further compensation, no additional revenue has been accounted for during the quarter.

## Total Income and Result January – September 2011

Total income for the period January – September increased with 36.1 percent compared to the corresponding period 2010 and amounted to SEK 32.0 m (23.5).

Gross profit totalled SEK 16.2 m (12.1) and the gross margin was 50.7 percent (51.6)

The order book, consisting entirely of professional products, was SEK 5.3 m (3.1) by the end of the period.

Operating expenses for the period January – September decreased to SEK 33.4 m (43.1). (2010: excluding non-recurring costs SEK 36.8 m).

Operating loss for the period January – September thus improved to SEK -17.1 m (-31.0)

Net financial items for the period January – September amounted to SEK -2.6 m (-1.7)

Loss after tax for the period January – September decreased to SEK -19.8 m (-32.7)

Loss per share for the period January – September decreased to SEK -0.77 (-1.46)

### Professional Products

Sales for the period January – September in business area Professional Products increased with 61.9 percent compared to the corresponding period 2010 and amounted to SEK 28.7 m (17.7).

The gross profit margin increased compared to the corresponding period 2010 and amounted to 48.5 percent (36.3). It is characteristic of the business area that the gross margin 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.

### Consumer Products

Sales during the period January – September for the business area Consumer Products decreased with 43.4 percent compared to the corresponding period 2010 and amounted to SEK 3.3 m (5.8).

Gross margin amounted to 70.9 percent (99.0). The result has been burdened with costs associated to the renegotiation of the agreement with Motorola.



## Capital Expenditure, Cash flow and Liquidity, Financing and Shareholders' Equity

### Capital Expenditure

During the period January – September net capital expenditures amounted to SEK -4.9 m (-5.7), of which SEK -4.3 m (-5.4) 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 amounted to SEK -15.5 m (-29.7). Cash flow from investing activities amounted to SEK -4.9 m (-5.7) and cash flow from financing activities amounted to SEK 8.8 m (32.6), of which the new share issue SEK 0 m (21.1) and liabilities to credit institutions of SEK 8.8 m (11.5). Cash flow during the period thus amounted to SEK -11.6 m (-2.7).

At the end of the period January – September cash and cash equivalents of the Group amounted to SEK 1.2 m (2.1). 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. It is not possible to exclude the possibility that the Company might need 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 Annual General Meeting to carry out new issues or such.

### Financing

On February 18, 2011, INVISIO Communications signed an agreement with Alecta Pensionsförsäkringar, mutual, regarding a SEK 20 m loan. The loan is for two years and will be repaid to Alecta in February 2013. Alecta is however permitted to require early repayment of the loan if INVISIO Communications should carry out a share issue with pre-emption rights. The loan is at 10 percent interest in the first year and 15 percent interest in the second year. The loan is partly to replace an earlier loan of SEK 12 m from Danske Bank that was paid back on February 28, 2011. Alecta controls more than 10 percent of the shares and votes in INVISIO Communications, for which reason the loan is to be considered as a transaction with a related party.

During the period, INVISIO Communications AB received a short-term loan of SEK 3.0 m.

On January 13, 2011, all of the 2 350 132 shares concerning the new issue of shares with preferential rights for the Company's existing shareholders that was carried out during November to December 2010 was registered, which corresponded to about 9.1 percent of the total number of shares in the Company following the issue. The issue was fully subscribed and provided the Company SEK 20.5 m net after issue expenses. The subscription price was SEK 10 per share.



## Shareholders' Equity

The Group's reported shareholders' equity at the end of the period January – September amounted to SEK -13.4 m (-6.4), which resulted into a negative equity ratio (negative).

## Parent Company

Net income for the Parent Company during the period January – September amounted to SEK 0.045 m (0.075). Operating loss for the period amounted to SEK -4.9 m (-8.3). The difference is mainly attributable to non-recurring costs in connection with the planned listing at NASDAQ OMX Small Cap Stockholm. The period's result was SEK -31.1 m (-39.9), where SEK 25.3 m (30) is attributable to shareholder contribution to the subsidiary company INVISIO Communications A/S.

At the end of the period January – September, cash and cash equivalents held by the Parent Company amounted to SEK 0.2 m (0.02) and shareholders' equity amounted to SEK 57.8 m (70.0), which resulted into an equity ratio of 65.7 (75.4). The Parent Company had 1 employee (1).

On January 13, 2011, all of the 2 350 132 shares concerning the new issue of shares with preferential rights for the Company's existing shareholders that was carried out during November to December 2010 was registered, which corresponded to about 9.1 percent of the total number of shares in the Company following the issue. The issue was fully subscribed and provided the Company SEK 20.5 m net after issue expenses. The subscription price was SEK 10 per share.

## Outlook for the Coming Quarters

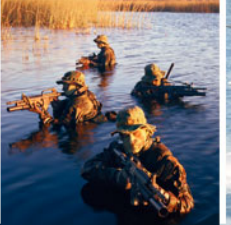
### Professional Products

As a result of INVISIO Communications' conscious development towards becoming a communication company, where INVISIO now offers advanced communications 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 have opened. Our breakthrough order from the Danish Armed Forces is a further proof and an important reference order towards other military customers. This, as well as the increased marketing, the continuous efforts to increase the number of resellers and strategic cooperations, 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

With the new agreement, which is valid until May 2012, the income in the business area now solely comes from Motorola's manufacturing and sales success of products with INVISIO's patented technology, such as Motorola Finiti, without guaranteed minimum compensation. Sales have not yet reached our expectations, even though the product has been launched through several important sales channels in the US and has received very positive reviews from media. In addition to Motorola, INVISIO will during the coming quarters investigate and evaluate additional opportunities for cooperations on the consumer market. The need for consumers and professions that use mobile phones during work to be able to communicate in noisy and





demanding environments remains. Therefore we estimate that there is still good potential for INVISIO's patented technology on the consumer market.

## 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, Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting principles that are described in the 2010 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 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 Interim Report and on the pages 43, 46, 47, 48 and in note 2 in INVISIO's Annual Report for 2010 and in the prospectus dated November 25, 2010 with reason of the then forthcoming share issue.

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. It is not possible to exclude the possibility that the Company might need 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 Annual General Meeting to carry out new issues or such.

## Related Party Transaction

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 m, and for undertakings vis-à-vis suppliers. The loan of SEK 12 m was paid back by the Company on February 28, 2011. The Company has not compensated Lage Jonason for his current security responsibility.

The company has agreed with Alecta Pensionsförsäkringar, mutual, on a subordinate loan of SEK 20 m, for further information see the section Financing.



## Election Committee

At the Company's Annual General Meeting on April 28, 2011, 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, representing himself with family and company, Ramsay Brufer, representing Alecta Pensionsförsäkringar, mutual, Björn Franzon, representing Swedbank Robur fonder and Lars Röckert, INVISIO's Chairman of the Board.

## Future Reporting Dates

- Year-End Report 2011: February 17, 2012
- Annual meeting of shareholders 2012: May 4, 2012, in Stockholm

Stockholm, October 26, 2011

Lars Röckert

Chairman of the Board

Anders Persson  
Director

Jan Samuelson  
Director

Mats Warstedt  
Director

Lars Højgård Hansen  
CEO

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## Review Report

We have reviewed this report for the period January 1 to September 30, 2011 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, October 26, 2011

PricewaterhouseCoopers AB

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Michael Bengtsson

Authorised Public Accountant

Auditor in charge

## Tables

### Consolidated Income Statement

SEK 000s

| Income statement   | July - Sept. 2011 | July - Sept. 2010 | Jan. - Sept. 2011 | Jan. - Sept. 2010 | Jan. - Dec. 2010 |
|--|-------------------|-------------------|-------------------|-------------------|------------------|
| Sales  | 11 582            | 5 055             | 31 980            | 23 500            | 32 787           |
| Cost of goods sold   | -6 104            | -2 255            | -15 754           | -11 364           | -14 955          |
| <b>Gross Profit</b>  | <b>5 478</b>      | <b>2 800</b>      | <b>16 226</b>     | <b>12 136</b>     | <b>17 832</b>    |
| Operating expenses <sup>1/ 2/</sup>  | -10 533           | -10 629           | -33 371           | -43 099           | -55 698          |
| <b>Operating profit/loss</b>   | <b>-5 055</b>     | <b>-7 829</b>     | <b>-17 145</b>    | <b>-30 963</b>    | <b>-37 866</b>   |
| Net financial items  | -1 349            | -956              | -2 608            | -1 722            | -1 948           |
| <b>Profit/loss before tax</b>  | <b>-6 404</b>     | <b>-8 785</b>     | <b>-19 753</b>    | <b>-32 685</b>    | <b>-39 814</b>   |
| Income tax   | 0                 | 0                 | 0                 | 0                 | -                |
| <b>Profit/loss for the period</b>  | <b>-6 404</b>     | <b>-8 785</b>     | <b>-19 753</b>    | <b>-32 685</b>    | <b>-39 814</b>   |
| <b>Other comprehensive income</b>  |                   |                   |                   |                   |                  |
| Translation differences during the period from translation of foreign businesses | 371               | -658              | 679               | -1 872            | -3 187           |
| <b>Comprehensive income for the period</b>                                       | <b>-6 033</b>     | <b>-9 443</b>     | <b>-19 074</b>    | <b>-34 557</b>    | <b>-43 001</b>   |

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

|                                      |        |        |        |        |         |
|--------------------------------------|--------|--------|--------|--------|---------|
| 1/ Of which, depreciation            | -1 789 | -2 571 | -6 891 | -7 662 | -12 224 |
| 2/ Of which, cost of one-off measure | -      | -      | -      | -8 318 | -6 588  |

| Per-share data                                     | July - Sept. 2011 | July - Sept. 2010 | Jan. - Sept. 2011 | Jan. - Sept. 2010 | Jan. - Dec. 2010 |
|--|-------------------|-------------------|-------------------|-------------------|------------------|
| Earnings per share, SEK                            | -0.25             | -0.38             | -0.77             | -1.46             | -1.75            |
| Earnings per share after dilution, SEK             | -0.25             | -0.38             | -0.77             | -1.46             | -1.75            |
| Shareholders' equity per share, SEK                | neg.              | neg.              | neg.              | neg.              | 0.24             |
| Shareholders' equity per share after dilution, SEK | neg.              | neg.              | neg.              | neg.              | 0.24             |
| Equity ratio                                       | neg.              | neg.              | neg.              | neg.              | 12%              |
| Number of shares outstanding                       | 25 851 452        | 23 501 320        | 25 851 452        | 23 501 320        | 23 501 320       |
| Average number of shares outstanding               | 25 851 452        | 22 877 621        | 25 747 002        | 22 463 761        | 22 723 151       |
| Number of shares outstanding after dilution        | 25 851 452        | 23 501 320        | 25 851 452        | 23 501 320        | 23 501 320       |
| Share price, SEK                                   | 7.00              | 14.10             | 7.00              | 14.10             | 10.00            |

### Consolidated Balance Sheet

#### Condensed balance sheet

SEK 000s

| Assets  | 9/30/2011        | 9/30/2010        | 6/30/2011        | 12/31/2010        |
|---|------------------|------------------|------------------|-------------------|
| Intangible assets                                       | 15 735           | 20 331           | 15 908           | 16 948            |
| Property, plant and equipment                           | 768              | 866              | 802              | 834               |
| Financial assets  | 663              | 655              | 653              | 643               |
| Inventories   | 4 576            | 1 891            | 4 694            | 2 780             |
| Accounts receivable - trade                             | 11 209           | 5 147            | 16 463           | 10 169            |
| Other receivables, prepaid expenses and accrued income  | 1 483            | 1 564            | 1 260            | 3 156             |
| Cash and bank balances                                  | 1 171            | 2 091            | 6 730            | 12 752            |
| <b>Total assets</b>                                     | <b>35 605</b>    | <b>32 545</b>    | <b>46 510</b>    | <b>47 282</b>     |
| <b>Shareholders' equity and liabilities</b>             | <b>9/30/2011</b> | <b>9/30/2010</b> | <b>6/30/2011</b> | <b>12/31/2010</b> |
| Shareholders' equity                                    | -13 444          | -6 427           | -7 411           | 5 630             |
| Liabilities to credit institutions                      | 35 372           | 22 649           | 36 114           | 21 570            |
| Accounts payable - trade                                | 7 164            | 4 388            | 8 265            | 9 301             |
| Other liabilities, accrued expenses and deferred income | 6 513            | 11 935           | 9 542            | 10 781            |
| <b>Total shareholders' equity and liabilities</b>       | <b>35 605</b>    | <b>32 545</b>    | <b>46 510</b>    | <b>47 282</b>     |
| <b>Changes in shareholders' equity</b>                  | <b>9/30/2011</b> | <b>9/30/2010</b> | <b>6/30/2011</b> | <b>12/31/2010</b> |
| Opening balance   | 5 630            | 7 030            | 5 630            | 7 030             |
| New issues  | -                | 21 100           | -                | 41 601            |
| Comprehensive income for the period                     | -19 074          | -34 557          | -13 041          | -43 001           |
| <b>Closing balance</b>                                  | <b>-13 444</b>   | <b>-6 427</b>    | <b>-7 411</b>    | <b>5 630</b>      |

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

|  | Share capital | Other capital contributions | Loss carried forward | Total shareholders' equity |
|--|---------------|-----------------------------|----------------------|----------------------------|
| <b>Interim period 1/1/2011 – 9/30/2011</b> |               |                             |                      |                            |
| Opening balance, 1/1/2011                  | 23 501        | 216 676                     | -234 547             | 5 630                      |
| Issues during registration 31/12/2010      | 2 350         | -2 350                      | -                    | -                          |
| Comprehensive income for the period        | -             | -                           | -19 074              | -19 074                    |
| <b>Shareholders' equity, 9/30/2011</b>     | <b>25 851</b> | <b>214 326</b>              | <b>-253 621</b>      | <b>-13 444</b>             |

|  | 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>              |

**Statement of cash flows – Group**

SEK 000s

| Cash flow  | July - Sept. 2011 | July - Sept. 2010 | Jan. - Sept. 2011 | Jan. - Sept. 2010 | Jan. - Dec. 2010 |
|--|-------------------|-------------------|-------------------|-------------------|------------------|
| <b>Operating activities</b>  |                   |                   |                   |                   |                  |
| Profit/loss before tax   | -6 404            | -8 785            | -19 753           | -32 685           | -39 814          |
| Adjustments for non-cash items   | 1 990             | 1 873             | 6 873             | 5 250             | 9 519            |
| Taxes  | -                 | -                 | -                 | -                 | -                |
| <b>Cash flow from operating activities before changes in working capital</b> | <b>-4 414</b>     | <b>-6 912</b>     | <b>-12 880</b>    | <b>-27 435</b>    | <b>-30 295</b>   |
| Cash flow from changes in working capital                                    | 1 049             | -3 384            | -2 580            | -2 280            | -6 927           |
| <b>Cash flow from operating activities</b>                                   | <b>-3 365</b>     | <b>-10 296</b>    | <b>-15 460</b>    | <b>-29 715</b>    | <b>-37 222</b>   |
| <b>Investing activities</b>  |                   |                   |                   |                   |                  |
| Capitalization of non-current assets   | -1 153            | -1 735            | -4 344            | -5 351            | -6 472           |
| Acquisition/divestment of property, plant and equipment                      | -149              | -59               | -559              | -309              | -565             |
| <b>Cash flow from investing activities</b>                                   | <b>-1 302</b>     | <b>-1 794</b>     | <b>-4 903</b>     | <b>-5 660</b>     | <b>-7 037</b>    |
| <b>Financing activities</b>  |                   |                   |                   |                   |                  |
| New issues   | -                 | 14 100            | -                 | 21 100            | 41 601           |
| Change in financial assets   | -850              | -750              | 8 750             | 11 500            | 10 550           |
| Acquisition/divestment of financial assets                                   | -                 | -                 | -                 | 29                | -19              |
| <b>Cash flow from financing activities</b>                                   | <b>-850</b>       | <b>13 350</b>     | <b>8 750</b>      | <b>32 629</b>     | <b>52 132</b>    |
| <b>Cash flow for the period</b>  | <b>-5 517</b>     | <b>1 260</b>      | <b>-11 613</b>    | <b>-2 746</b>     | <b>7 873</b>     |
| Cash and bank balances at start of period                                    | 6 730             | 953               | 12 752            | 5 059             | 5 059            |
| Translation differences in cash and bank balances                            | -42               | -122              | 32                | -222              | -180             |
| Cash and bank balances at end of period                                      | 1 171             | 2 091             | 1 171             | 2 091             | 12 752           |

**Parent Company Income Statement**

SEK 000s

| Income statement                  | July - Sept. 2011 | July - Sept. 2010 | Jan. - Sept. 2011 | Jan. - Sept. 2010 | Jan. - Dec. 2010 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Operating income                  | 15                | 15                | 45                | 75                | 383              |
| Operating expenses <sup>3)</sup>  | -1 544            | -1 425            | -4 856            | -8 402            | -9 804           |
| <b>Operating loss</b>             | <b>-1 529</b>     | <b>-1 410</b>     | <b>-4 811</b>     | <b>-8 327</b>     | <b>-9 421</b>    |
| Net financial items <sup>4)</sup> | -15 764           | -15 292           | -26 263           | -31 578           | -32 338          |
| <b>Loss before tax</b>            | <b>-17 293</b>    | <b>-16 702</b>    | <b>-31 074</b>    | <b>-39 905</b>    | <b>-41 759</b>   |
| Income tax                        | -                 | -                 | -                 | -                 | 68               |
| <b>Loss for the period</b>        | <b>-17 293</b>    | <b>-16 702</b>    | <b>-31 074</b>    | <b>-39 905</b>    | <b>-41 691</b>   |

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

<sup>4)</sup> Of which, SEK 25,3 m in shareholder contribution to subsidiaries as per 9/30/2011 ( 30 m as per 9/30/2010)



**Parent Company Balance Sheet**

**Condensed balance sheet**  
SEK 000s

| Assets   | 9/30/2011     | 9/30/2010     | 6/30/2011      | 12/31/2010     |
|--|---------------|---------------|----------------|----------------|
| Financial assets/shares in subsidiaries                | 81 819        | 81 871        | 81 819         | 81 819         |
| Receivables from Group companies                       | 5 651         | 10 409        | 20 134         | 16 804         |
| Other receivables, prepaid expenses and accrued income | 400           | 520           | 177            | 2 278          |
| Cash and bank balances                                 | 164           | 20            | 3 045          | 11 798         |
| <b>Total assets</b>                                    | <b>88 034</b> | <b>92 820</b> | <b>105 175</b> | <b>112 699</b> |

| Shareholders' equity and liabilities                    | 9/30/2011     | 9/30/2010     | 6/30/2011      | 12/31/2010     |
|---|---------------|---------------|----------------|----------------|
| Shareholders' equity                                    | 57 847        | 70 017        | 75 140         | 88 921         |
| Liabilities to credit institutions                      | 27 050        | 19 250        | 27 900         | 18 300         |
| Accounts payable - trade                                | 1 204         | 1 544         | 940            | 2 736          |
| Liabilities to Group companies                          | 106           | 58            | 124            | 103            |
| Other liabilities, accrued expenses and deferred income | 1 827         | 1 951         | 1 071          | 2 639          |
| <b>Total shareholders' equity and liabilities</b>       | <b>88 034</b> | <b>92 820</b> | <b>105 175</b> | <b>112 699</b> |

| Changes in shareholders' equity            | 9/30/2011     | 9/30/2010     | 6/30/2011     | 12/31/2010    |
|--|---------------|---------------|---------------|---------------|
| Opening balance                            | 88 921        | 88 822        | 88 921        | 88 822        |
| New issues                                 | -             | 22 000        | -             | 22 000        |
| Issues expenses                            | -             | -900          | -             | -900          |
| Issues during registration                 | -             | -             | -             | 23 501        |
| Issues expenses issues during registration | -             | -             | -             | -3 000        |
| Group contribution                         | -             | -             | -             | 257           |
| Tax group contribution                     | -             | -             | -             | -68           |
| Loss for the period <sup>4)</sup>          | -31 074       | -39 905       | -13 781       | -41 691       |
| <b>Closing balance</b>                     | <b>57 847</b> | <b>70 017</b> | <b>75 140</b> | <b>88 921</b> |

4/ Of which, SEK 25,3 m in shareholder contribution to subsidiaries as per 9/30/2011 ( 30 m as per 9/30/2010)

**Consolidated Income Statement - Segmental Breakdown**

SEK 000s

| Income statement, per segment, July - Sept. 2011 | Professional Products | Consumer Products | Other         | Total         |
|--|-----------------------|-------------------|---------------|---------------|
| Sales  | 11 515                | 67                | -             | 11 582        |
| Cost of goods sold                               | -6 112                | 8                 | -             | -6 104        |
| <b>Gross Profit</b>                              | <b>5 403</b>          | <b>75</b>         | <b>-</b>      | <b>5 478</b>  |
| Selling and marketing expenses                   | -3 875                | -81               | -135          | -4 091        |
| Administrative expenses                          | -1 230                | -27               | -1 291        | -2 548        |
| Research and development costs                   | -3 677                | -172              | -45           | -3 894        |
| <b>Operating profit/loss <sup>5)</sup></b>       | <b>-3 379</b>         | <b>-205</b>       | <b>-1 471</b> | <b>-5 055</b> |
| Net financial items                              | -616                  | -                 | -733          | -1 349        |
| <b>Profit/loss before tax</b>                    | <b>-3 995</b>         | <b>-205</b>       | <b>-2 204</b> | <b>-6 404</b> |
| Tax  | -                     | -                 | -             | -             |
| <b>Profit/loss for the period</b>                | <b>-3 995</b>         | <b>-205</b>       | <b>-2 204</b> | <b>-6 404</b> |

5/ Includes depreciation of SEK 1 769 thousand for the period July - Sept. 2011

| Income statement, per segment, Jan. - Sept. 2011 | Professional Products | Consumer Products | Other         | Total          |
|--|-----------------------|-------------------|---------------|----------------|
| Sales  | 28 723                | 3 257             | -             | 31 980         |
| Cost of goods sold                               | -14 806               | -948              | -             | -15 754        |
| <b>Gross Profit</b>                              | <b>13 917</b>         | <b>2 309</b>      | <b>-</b>      | <b>16 226</b>  |
| Selling and marketing expenses                   | -11 231               | -185              | -274          | -11 690        |
| Administrative expenses                          | -4 609                | -62               | -4 279        | -8 950         |
| Research and development costs                   | -10 812               | -1 832            | -87           | -12 731        |
| <b>Operating profit/loss <sup>6)</sup></b>       | <b>-12 735</b>        | <b>230</b>        | <b>-4 640</b> | <b>-17 145</b> |
| Net financial items                              | -965                  | -                 | -1 643        | -2 608         |
| <b>Profit/loss before tax</b>                    | <b>-13 700</b>        | <b>230</b>        | <b>-6 283</b> | <b>-19 753</b> |
| Tax  | -                     | -                 | -             | -              |
| <b>Profit/loss for the period</b>                | <b>-13 700</b>        | <b>230</b>        | <b>-6 283</b> | <b>-19 753</b> |

6/ Includes depreciation of SEK 6 691 thousand for the period Jan. - Sept 2011



| Income statement, per segment, July - Sept. 2010 | Professional Products | Consumer Products | Other         | Total         |
|--|-----------------------|-------------------|---------------|---------------|
| Sales  | 3 211                 | 1 844             | -             | 5 055         |
| Cost of goods sold                               | -2 256                | 1                 | -             | -2 255        |
| <b>Gross Profit</b>                              | <b>955</b>            | <b>1 845</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>7)</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> |

7/ 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         |
| Cost of goods sold                               | -11 308               | -56               | -             | -11 364        |
| <b>Gross Profit</b>                              | <b>6 437</b>          | <b>5 699</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>8)</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> |

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

| Income statement, per segment, Jan. - Dec. 2010 | Professional Products | Consumer Products | Other          | Total          |
|---|-----------------------|-------------------|----------------|----------------|
| Sales   | 24 375                | 8 412             | -              | 32 787         |
| Other income                                    | -                     | -                 | -              | -              |
| <i>Total income</i>                             |                       |                   |                |                |
| Cost of goods sold                              | -14 918               | -37               | -              | -14 955        |
| <b>Gross Profit</b>                             | <b>9 457</b>          | <b>8 375</b>      | -              | <b>17 832</b>  |
| Selling and marketing expenses                  | -17 489               | -482              | -1 511         | -19 482        |
| Administrative expenses                         | -8 744                | -163              | -7 611         | -16 518        |
| Research and development costs                  | -14 163               | -5 096            | -439           | -19 698        |
| <b>Operating profit/loss<sup>9)</sup></b>       | <b>-30 939</b>        | <b>2 634</b>      | <b>-9 561</b>  | <b>-37 866</b> |
| Net financial items                             | -1 482                | -                 | -466           | -1 948         |
| <b>Profit/loss before tax</b>                   | <b>-32 421</b>        | <b>2 634</b>      | <b>-10 027</b> | <b>-39 814</b> |
| Tax   | -                     | -                 | -              | -              |
| <b>Profit/loss for the period</b>               | <b>-32 421</b>        | <b>2 634</b>      | <b>-10 027</b> | <b>-39 814</b> |

9/ Includes depreciation of SEK 12 224 thousand for the period Jan. - Dec. 2010