

INVISIO COMMUNICATIONS

Year-end Report

January – December 2010



Year-end Report January – December 2010

October – December

- ➔ Total income amounted to SEK 9.3 m (12.1)
- ➔ Sales amounted to SEK 9.3 m (12.1)
- ➔ Other income amounted to SEK 0.0 m (0.0)
- ➔ Gross profit was SEK 5.7 m (6.0)
- ➔ The gross margin was 61.3 percent (49.8)
- ➔ Operating loss was SEK -6.9 m (-8.0)
- ➔ Loss after tax was SEK -7.1 m (-9.7)
- ➔ Loss per share was SEK -0.30 (-0.45)
- ➔ The order book for the business area Professional products was SEK 6.4 m (4.4)

January – December

- ➔ Total income amounted to SEK 32.8 m (28.6) and including the sale of the VoIP patent 2009, SEK 32.8 m (61.1)
- ➔ Sales amounted to SEK 32.8 m (28.6)
- ➔ Sales for the business area Professional products, adjusted for currency effects, increased with 27 percent compared with the corresponding period 2009
- ➔ Other income amounted to SEK 0.0 m (32.5)
- ➔ Gross profit totalled SEK 17.8 m (10.2) and including the sale of the VoIP patent 2009, SEK 17.8 m (42.7)
- ➔ Gross margin was 54.4 percent (35.8) and including the sale of the VoIP patent 2009, 54.4 percent (69.9)
- ➔ Operating loss was SEK -37.9 m (-45.9) and including the sale of the VoIP patent 2009, SEK -37.9 m (-13.4)
- ➔ Loss after tax was SEK -39.8 m (-49.8) and including the sale of the VoIP patent 2009, SEK -39.8 m (-17.3)
- ➔ Loss per share was SEK -1.75 (-2.36) and including the sale of the VoIP patent 2009, SEK -1.75 (-0.82)

Important events October – December

- ➔ INVISIO received an order from the US Army through a partner. The order was for the communications system INVISIO X50 control unit with the INVISIO X5 headset. Total order value was approximately SEK 2 m and the products were delivered during the fourth quarter of 2010.
- ➔ INVISIO received an order from a European military unit. The order was for the communications system INVISIO X50 control unit with the INVISIO X5 headset. Total order value was approximately SEK 1.4 m and the products were delivered during the fourth quarter of 2010.
- ➔ INVISIO received an order from a military unit in the Asia-Pacific region. The order was for the INVISIO M3 headset. Total order value was approximately SEK 1.2 m and the products were delivered during the fourth quarter of 2010.



- ➔ INVISIO received an order from Copenhagen Fire Brigade. The order was for the heat resistant headset INVISIO M4 Fire with PTT (Push to Talk). Total order value was approximately SEK 1.7 m and the products will be delivered during the first quarter of 2011.
- ➔ INVISIOs' 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.
- ➔ After a decision by the Board of Directors on November 1, 2010 and approval of the Extra Annual General Meeting on November 19, 2010, a new issue of shares with preferential rights was performed for the Company's existing shareholders. The issue was fully subscribed and brought the Company SEK 20.5 m net after issue expenses.

Important events after year-end

- ➔ INVISIO has received another order from a Danish fire brigade. The order is for the heat resistant headset INVISIO M3 Fire and the products will be delivered during the first quarter of 2011. The order value is not official.
- ➔ INVISIO received an additional order from a previously announced TETRA project in Portugal. The complementary order is again for the headset INVISIO M3, to be used by public safety users in Portugal's current TETRA roll out. The order value is not official but is below SEK 1 m, and the products will be delivered during the second quarter of 2011.
- ➔ INVISIO and Alecta pension insurances, mutual, have come to an agreement regarding a subordinated loan of SEK 20 m. The loan runs over a period of two years and shall be paid back to Alecta in February 2013. Meanwhile, Alecta has the possibility to cancel the loan if INVISIO is to perform a new issue of shares with preferential rights. The loan carries a 10 percent interest rate in the first year and 15 percent in the second. The loan will, amongst other things, replace an earlier loan of SEK 12 m from Danske Bank to be paid back on February 28, 2011. Alecta controls more than 10 percent of the shares and votes in INVISIO and for this reason the loan is to be considered a related party transaction.

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. Mangold Fondkommission AB (tel. +46-8-503 015 50) is Certified Adviser for INVISIO Communications AB on First North.



CEO's Comments

2010 closed positive with a strong order book for professional products during the quarter. The quarter was also positive with regards to that we saw an increased geographic spread on our orders; from military units in US, Europe and the Asia-Pacific region as well as an order from a large fire brigade. The increased spread is another sign of that our changed strategy, which since 2008 means that INVISIO focuses on the world market of professional users' needs of durable and functional communications solutions in demanding environments, is increasingly fruitful.

The cooperation with Motorola took another positive step during the quarter as Motorola Finiti, the second Bluetooth headset developed under the exclusive license and cooperation agreement, was launched in the US.

Business Area Professional Products

Sales during the quarter did not completely reach the same level as the corresponding quarter the previous year, SEK 6.6 m compared to SEK 8.6 m. The fourth quarter of 2009 was however our strongest quarter ever. Looking at the whole year, sales increased with 14.2 percent compared to the previous year. If the numbers are adjusted for currency effects, the sales increase becomes even stronger, 27 percent.

During the quarter we received a number of important orders from different military units and different geographical regions, for example from a military unit in the Asia-Pacific region. The communications system INVISIO X50 control unit with the INVISIO X5 headset had further success with orders from both a European military unit and the US army.

Yet another important order within the TETRA market was received during the quarter, as the Copenhagen Fire Brigade placed an order on our heat resistant headset M4 Fire. The products will be used in the communications network TETRA, where we see a large potential for our digitally compatible products. After the end of the quarter, another such order was received from another Danish fire brigade. Combined, these orders are positive signs of market demand within the TETRA market, as well as of our durable and functional communications solutions in demanding environments.

Business Area Consumer Products and Cooperation with Motorola

Sales for the business area Consumer Products decreased with 23 percent during the quarter and consisted entirely 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 developed consumer headsets. Looking at the year as whole, sales for the business area increased with 15 percent.

The income from the cooperation with Motorola did not reach the expected level, but very positive for the business area during the quarter is that Motorola launched Motorola Finiti, the second Bluetooth headset for the consumer market with licensed technology from INVISIO. The product was launched through two important sales channels in the US and has so far received very positive reviews, but it is too early to estimate the long-term sales potential. Motorola has also announced a large number of new mobile phones, which is positive for the sales of mobile phone accessories such as Bluetooth headsets.



A year in the right direction

2010 was a good year for INVISIO. The interest in INVISIO's products continues to grow. As we have expanded the product portfolio to include headsets, control units and accessories and now 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 opened. INVISIO's change of strategy from 2008 is implemented with success and is increasingly fruitful.

Result wise, we have still not reached the goal of turning to profit and achieving a positive cash flow from operations, but we are on the right track. Sales have continued to increase during the year and with increased gross profit margin, and our costs, apart from non-recurring costs, have decreased. 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 values compared to previous years, continues to increase. The transition from selling to those that accept new technology early ("innovators") to those that come a bit later in the cycle ("early adopters") has however taken longer than we expected.

During the year we submitted offers for two large military programs, where decisions are expected at the earliest during the second quarter of 2011. When we analyze competitors with long business industry experience, we can point out that they have historically 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 however no guarantee that INVISIO can receive such orders, but we now have a product portfolio and a retailer network that we have developed during the past 18 months, that enables us to make offers on large military and other programs that potentially consist of thousands of users.

In terms of sales of our professional products, 2010 was our best ever and was 14.2 percent higher compared to 2009. If we disregard the currency effect, the increase was 27 percent higher. As communicated earlier, 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. This is 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.

A strength for INVISIO is an important institutional and enduring ownership. Through a number of investor-related activities during the year we also increased the institutional ownership. To secure INVISIO's financial position and to finance an increased capital formation to support the increased efforts in sales of professional products, a new issue of shares with preferential rights for existing shareholders was issued during the quarter. The issue was fully subscribed, which is an encouraging proof of the confidence that the shareholders and investors have in us. The plan to list the Company's share on NASDAQ OMX Small Cap Stockholm is intact, as there is reason to believe that the financial market conditions are sufficiently good during 2011.

With wind in our back we leave 2010 and look forward to a new exciting year.

Lars Højgård Hansen
CEO



Total Income and Result October – December 2010

Total income for the fourth quarter amounted to SEK 9.3 m (12.1)

Sales during the fourth quarter decreased with 23.0 percent compared to the corresponding period 2009 and totalled SEK 9.3 m (12.1). Other income amounted to SEK 0.0 m (0.0).

Gross profit totalled SEK 5.7 m (6.0) and the gross margin was 61.3 percent (49.8). The significant increased gross profit margin compared to the corresponding period 2009 is mainly attributable to the changed business model for the business area Consumer Products, which has meant that the Company stopped selling its own products within the business area in 2009.

The order book, consisting entirely of professional products, was SEK 6.4 m (4.4) by the end of the quarter.

Operating expenses for the fourth quarter decreased to SEK -12.6 m (-14.0). Included in the expenses are depreciations of SEK -4.6 m (-2.5). The increased depreciations is attributable to changes in depreciation principles, which mean that certain types of product development projects within the business area Professional products are now written off on a shorter time period. Provisions for the Company's synthetic option program under the operating expenses concerning allocation for 2010 amounted during the third quarter to SEK 0.0 m (-0.7), as the possibility of receiving employment-related options was discontinued at the end of 2009. During the fourth quarter dissolution under the operating expenses of the provision for the Company's synthetic option program of SEK 1.5 m occurred, as a result of that the Company's stock-price decreased.

Operating loss for the fourth quarter thus amounted to SEK -6.9 m (-8.0).

Net financial items for the fourth quarter amounted to SEK -0.2 m (-1.8).

Loss after tax for the fourth quarter amounted to SEK -7.1 m (-9.7).

Loss per share for the fourth quarter amounted to SEK -0.30 (-0.45).

Professional Products

Sales for the fourth quarter in business area Professional Products decreased with 23.0 percent compared to the corresponding period 2009 and amounted to SEK 6.6 m (8.6). The gross profit margin decreased compared to the fourth quarter 2009 and amounted to 45.6 percent (47.7). 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.

Consumer Products

Sales for the fourth quarter in business area Consumer Products amounted to SEK 2.7 m (3.5) and consisted of the quarter's royalty quota and compensation for development work from Motorola, compared with the corresponding period 2009 when sales included income from sales of remaining stock of INVISIO's own developed consumer headsets. The business areas' sales during 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 (55.0).



Total income and Result January – December 2010

Total income for the period January – December amounted to SEK 32.8 m (61.1), 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 32.8 m (28.6).

Sales during the period January – December increased with 14.5 percent compared to the corresponding period 2009 and amounted to SEK 32.8 m (28.6). 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 17.8 m (42.7) and excluding the sale of the VoIP-patent in 2009 to SEK 17.8 m (10.2). The gross profit margin was 54.4 percent (69.8) and excluding the sale of the VoIP-patent in 2009 54.4 percent (35.8). 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 has meant that the Company stopped selling its own products within the business area during 2009.

The operating expenses for the period January – December decreased to SEK -55.7 m (-56.2). Included in the operating expenses are depreciations of SEK -12.2 m (-9.5) and non-recurring costs of SEK -5.6 m (0.0). The increased depreciations result from changes in depreciation principles, which mean that certain types of product development projects within the business area Professional products are now written off on a shorter time period. Non-recurring costs are mainly attributable to the planned listing at NASDAQ OMX Small Cap Stockholm of SEK -2.7 m, 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, where a verdict on April 20, 2010 stated that INVISIO lost the dispute.

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 – December 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 – December to SEK 0.0 m (-2.0), as the possibility of receiving employment-related options was discontinued at the end of 2009. During the period January – December dissolution of the provision for the Company's synthetic option program of SEK 2.3 m occurred, as a result of that the Company's stock-price decreased.

Included in the Groups' total result are costs of SEK -1.4 m attributable to the subsidiary INVISIO Inc. in the US. The subsidiary was liquidated in December 2010.

Operating loss for the period January – December amounted to SEK -37.9 m (-13.4) and excluding the sale of the VoIP patent 2009 to SEK -37.9 m (-45.9).

Net financial items for the period January – December amounted to SEK -1.9 m (-3.9).

Loss after tax for the period January – December amounted to SEK -39.8 m (-17.3) and excluding the sale of the VoIP patent 2009 to SEK -39.8 m (-49.8).

Loss per share amounted to SEK -1.75 (-0.82) and excluding the sale of the VoIP patent 2009 to SEK -1.75 (-2.36).



Professional Products

Sales for the period January – December in business area Professional Products improved with 14.2 percent compared to the corresponding period 2009 and amounted to SEK 24.4 m (21.3). The significant increase is primarily a result of implemented marketing and sales activities, an increase in numbers of resellers in important countries and the introduction of the new series 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 – December decreased compared to the corresponding period 2009 and amounted to 38.8 percent (39.6). 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 – December in business area Consumer Products increased with 15 percent compared to the corresponding period 2009 and amounted to SEK 8.4 m (7.3), and consisted of royalty quota and compensation for development work from Motorola, compared with the corresponding period 2009 when sales included income from the sale of remaining stock of INVISIO's own developed consumer headsets.

The gross profit for the business area Consumer Products amounted to 99.6 percent (24.7).

Capital expenditure, Cash flow, Liquidity and Shareholders' Equity

Capital Expenditure

Under the period January – December net capital expenditure amounted to SEK -7.0 m (-8.5), of which SEK -6.5 m (-8.3) 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 – December was SEK -37.2 m (-10.7). Cash flow from investing activities amounted to SEK -7.0 m (-8.5) and cash flow from financing activities amounted to SEK 52.1 m (23.3), including a new share issue of SEK 41.6 m (24.0) and liabilities to credit institutions of SEK 10.6 m (-0.7). Cash flow during the period thus amounted to SEK 7.9 m (4.1).

At the end of the fourth quarter cash and cash equivalents of the Group amounted to SEK 12.8 m (5.1). 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. During the period January – December, 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 capital formation to support the increased sales efforts of professional products. 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 2010 Annual General Meeting to carry out new issues 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 SEK 14.1 m after 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 Bankaktiefbolag. After a decision by the Board of Directors on November 1, 2010, and approval of the shareholder's meeting on November 19, 2010, a new issue of shares of 2 350 132 shares with preferential rights was carried out, corresponding to approximately 9.1 percent of the total number of shares in the Company following the issue. The issue was fully subscribed and brought the Company SEK 20.5 m net before issue expenses. The subscription price was SEK 10 per share. This year's three share issues correspond to 14.6 percent of the total amount of shares in the Company following the issues.

A new line of credit facilities totalling SEK 14 m was raised in March 2010.

Shareholders' Equity

The Group's reported shareholders' equity at the end of the fourth quarter amounts to SEK 5.6 m (7.0), which resulted into an equity ratio of 11.9 percent (14.0).

Parent Company

Income for the Parent Company for the period January-December amounted to SEK 0.4 m (0.3). Operating loss for the period amounted to SEK -9.4 m (-5.7). 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 -41.7 m (-33.5), where SEK -30 m (-30.0) is attributable to shareholder contribution to the subsidiary company INVISIO Communications A/S.

At the end of the fourth quarter, cash and cash equivalents held by the Parent Company amounted to SEK 11.8 m (3.5) while the shareholders' equity amounted to SEK 88.9 m (88.8), which resulted into an equity ratio of 78.9 percent (88.5). 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. During the period January – September two directed share issues of 1 436 194 shares were carried out, which provided the Company net SEK 21.1 m after issue expenses. In December, another issue of shares of 2 350 132 shares with preferential rights was carried out for the Company's existing shareholders, at a subscription



price of SEK 10. The issue provided the Company SEK 20.5 m net after issue expenses. The three share issues carried out during the year correspond to 14.6 percent of the total number of shares in the Company after implemented share issues.

New credit facilities of SEK 14 m net was raised in March 2010.

Outlook for the First Quarter of 2011

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 have 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 in the US. 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'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 report and on pages 39, 40, 43, 44 and in note 2 in INVISIO's annual report for 2009 and in the prospect dated 25th of November 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. The Parent Company has, during the period January – December 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.

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 2010 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 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.



This Year-end report has not been reviewed by the Company's auditor.

Future Reporting Dates

- Annual General Meeting 2011: April 28, 2011 in Stockholm
- Interim Report January – March: April 27, 2011
- Interim Report April – June: July 20, 2011
- Interim Report July – September: November 2, 2011
- Year-End Report 2011: February 17, 2012

Stockholm, February 18, 2011

Heléne Vibbleus Bergquist
Chairman of the Board

Anders Persson
Director

Magnus Ruding
Director

Lars Röckert
Director

Mats Warstedt
Director

Lars Højgård Hansen
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Tables

Consolidated Income Statement

SEK 000s

Income statement	Oct. - Dec. 2010	Oct. - Dec. 2009	Jan. - Dec. 2010	Jan. - Dec. 2009
Sales	9 287	12 057	32 787	28 633
Other income	-	-	0	32 473
Total income	9 287	12 057	32 787	61 106
Cost of goods sold	-3 591	-6 053	-14 955	-18 388
Gross Profit	5 696	6 004	17 832	42 718
Operating expenses ^{1/ 2/}	-12 599	-13 992	-55 698	-56 156
Operating profit/loss	-6 903	-7 988	-37 866	-13 438
Net financial items	-226	-1 756	-1 948	-3 857
Profit/loss before tax	-7 129	-9 744	-39 814	-17 295
Income tax	-	-	-	-
Profit/loss for the period	-7 129	-9 744	-39 814	-17 295
Other comprehensive income				
Translation differences during the period from translation of foreign businesses				
	-1 315	1 497	-3 187	-541
Comprehensive income for the period	-8 444	-8 247	-43 001	-17 836

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

1/ Of which, depreciation	-4 562	-2 537	-12 224	-9 480
2/ Of which, cost of one-off measure	750	-	-5 568	-

Per-share data	Oct. - Dec. 2010	Oct. - Dec. 2009	Jan. - Dec. 2010	Jan. - Dec. 2009
Earnings per share, SEK	-0.30	-0.45	-1.75	-0.82
Earnings per share after dilution, SEK	-0.30	-0.45	-1.75	-0.82
Shareholders' equity per share, SEK	0.24	0.33	0.24	0.33
Shareholders' equity per share after dilution, SEK	0.24	0.33	0.24	0.33
Equity ratio	12%	14%	12%	14%
Number of shares outstanding	23 501 320	21 565 126	23 501 320	21 565 126
Average number of shares outstanding	23 501 320	21 565 126	22 723 151	21 063 789
Number of shares outstanding after dilution	23 501 320	21 565 126	23 501 320	21 565 126
Share price, SEK	10,00	18,00	10,00	18,00



Consolidated Balance Sheet

Condensed balance sheet

SEK 000s

Assets	12/31/2010	12/31/2009
Intangible assets	16 948	24 521
Property, plant and equipment	834	1 611
Financial assets	643	769
Inventories	2 780	2 716
Accounts receivable - trade	10 169	13 404
Other receivables, prepaid expenses and accrued income	3 156	2 149
Cash and bank balances	12 752	5 059
Total assets	47 282	50 229

Shareholders' equity and liabilities	12/31/2010	12/31/2009
Shareholders' equity	5 630	7 030
Liabilities to credit institutions	21 570	16 815
Accounts payable - trade	9 301	11 761
Other liabilities, accrued expenses and deferred income	10 781	14 623
Total shareholders' equity and liabilities	47 282	50 229

Changes in shareholders' equity	12/31/2010	12/31/2009
Opening balance	7 030	4 068
New issues	41 601	20 798
Comprehensive income for the period	-43 001	-17 836
Closing balance	5 630	7 030



Statement of financial position, Group

SEK 000s

	Share capital	Other capital contributions	Loss carried forward	Total shareholders' equity
Interim period 1/1/2010 – 12/31/2010				
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
Issues during registration 31/12/2010	-	23 501	-	23 501
Issues expenses issues during registration 31/12/2010	-	-3 000	-	-3 000
Comprehensive income for the period	-	-	-43 001	-43 001
Shareholders' equity, 12/31/2010	23 501	216 676	-234 547	5 630

	Share capital	Other capital contributions	Loss carried forward	Total shareholders' equity
Interim period 1/1/2009 – 12/31/2009				
Opening balance, 1/1/2009	20 646	157 132	-173 710	4 068
New issues	919	10 879	-	11 798
Issues during registration 31/12/2009	-	9 000	-	9 000
Comprehensive income for the period	-	-	-17 836	-17 836
Shareholders' equity, 12/31/2010	21 565	177 011	-191 546	7 030

Statement of cash flows – Group

SEK 000s

Cash flow	Oct. - Dec. 2010	Oct. - Dec. 2009	Jan. - Dec. 2010	Jan. - Dec. 2009
Operating activities				
Profit/loss before tax	-7 129	-9 744	-39 814	-17 295
Adjustments for non-cash items	4 269	3 953	9 519	9 034
Taxes	-	-	-	-
Cash flow from operating activities before changes in working capital	-2 860	-5 791	-30 295	-8 261
Cash flow from changes in working capital	-4 647	-2 260	-6 927	-2 433
Cash flow from operating activities	-7 507	-8 051	-37 222	-10 694
Investing activities				
Capitalization of non-current assets	-1 121	-1 906	-6 472	-8 286
Acquisition/divestment of property, plant and equipment	-256	-65	-565	-189
Cash flow from investing activities	-1 377	-1 971	-7 037	-8 475
Financing activities				
New issues	20 501	9 000	41 601	24 044
Change in financial assets	-950	-10	10 550	-743
Acquisition/divestment of financial assets	-48	1 635	-19	-10
Cash flow from financing activities	19 503	10 625	52 132	23 291
Cash flow for the period	10 619	603	7 873	4 122
Cash and bank balances at start of period	2 091	4 389	5 059	864
Translation differences in cash and bank balances	42	67	-180	73
Cash and bank balances at end of period	12 752	5 059	12 752	5 059



Parent Company Income Statement

SEK 000s

Income statement	Oct. - Dec. 2010	Oct. - Dec. 2009	Jan. - Dec. 2010	Jan. - Dec. 2009
Operating income	308	255	383	345
Operating expenses ³⁾	-1 402	-1 447	-9 804	-6 005
Operating loss	-1 094	-1 192	-9 421	-5 660
Net financial items ⁴⁾	-760	-17 147	-32 338	-33 609
Loss before tax	-1 854	-18 339	-41 759	-39 269
Income tax	-	5 761	68	5 761
Loss for the period	-1 786	-12 578	-41 691	-33 508

3/ Of which, depreciation

Parent Company Balance Sheet

Condensed balance sheet

SEK 000s

Assets	12/31/2010	12/31/2009
Financial assets/shares in subsidiaries	81 819	81 871
Receivables from Group companies	16 804	14 697
Other receivables, prepaid expenses and accrued income	2 278	299
Cash and bank balances	11 798	3 533
Total assets	112 699	100 400

Shareholders' equity and liabilities

	12/31/2010	12/31/2009
Shareholders' equity	88 921	88 822
Liabilities to credit institutions	18 300	7 750
Accounts payable - trade	2 736	2 232
Liabilities to Group companies	103	198
Other liabilities, accrued expenses and deferred income	2 639	1 398
Total shareholders' equity and liabilities	112 699	100 400

Changes in shareholders' equity

	12/31/2010	12/31/2009
Opening balance	88 822	85 388
New issues	22 000	11 798
Issues expenses	-900	-
Issues during registration	23 501	9 000
Issues expenses issues during registration	-3 000	-
Group contribution	257	21 906
Tax group contribution	-68	-5 762
Loss for the period ⁴⁾	-41 691	-33 508
Closing balance	88 921	88 822

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

Consolidated Income Statement - Segmental Breakdown

SEK 000s

Income statement, per segment, Oct. - Dec. 2010	Professional Products	Consumer Products	Other	Total
Sales	6 630	2 657	-	9 287
Other income	-	-	-	-
Total income	6 630	2 657	-	9 287
Cost of goods sold	-3 610	19	-	-3 591
Gross Profit	3 020	2 676	-	5 696
Selling and marketing expenses	-3 532	-18	304	-3 246
Administrative expenses	-1 706	-17	-1 474	-3 197
Research and development costs	-5 090	-1 196	130	-6 156
Operating profit/loss ⁵⁾	-7 308	1 445	-1 040	-6 903
Net financial items	-475	-	249	-226
Profit/loss before tax	-7 783	1 445	-791	-7 129
Tax	-	-	-	-
Profit/loss for the period	-7 783	1 445	-791	-7 129

5/ Includes depreciation of SEK 4 582 thousand for the period Oct. - Dec. 2010



	Professional Products	Consumer Products	Other	Total
Income statement, per segment, Jan. - Dec. 2010				
Sales	24 375	8 412	-	32 787
Other income	-	-	-	-
<i>Total income</i>	24 375	8 412	-	32 787
Cost of goods sold	-14 918	-37	-	-14 955
Gross Profit	9 457	8 375	-	17 832
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
Operating profit/loss ^{6/}	-30 939	2 634	-9 561	-37 866
Net financial items	-1 482	-	-466	-1 948
Profit/loss before tax	-32 421	2 634	-10 027	-39 814
Tax	-	-	-	-
Profit/loss for the period	-32 421	2 634	-10 027	-39 814

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

	Professional Products	Consumer Products	Other	Total
Income statement, per segment, Oct. - Dec. 2009				
Sales	8 605	3 452	-	12 057
Other income	-	-	-	-
<i>Total income</i>	8 605	3 452	-	12 057
Cost of goods sold	-4 498	-1 555	-	-6 053
Gross Profit	4 107	1 897	-	6 004
Selling and marketing expenses	-5 365	-512	-124	-6 001
Administrative expenses	-2 241	186	-1 152	-3 207
Research and development costs	-3 376	-1 372	-36	-4 784
Operating profit/loss ^{7/}	-6 875	199	-1 312	-7 988
Net financial items	-1 520	-	-236	-1 756
Profit/loss before tax	-8 395	199	-1 548	-9 744
Tax	-	-	-	-
Profit/loss for the period	-8 395	199	-1 548	-9 744

7/ Includes depreciation of SEK 2 537 thousand for the period Oct. - Dec. 2009

	Professional Products	Consumer Products	Other	Total
Income statement, per segment, Jan. - Dec. 2009				
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
Gross Profit	8 443	1 802	32 473	42 718
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
Operating profit/loss ^{8/}	-36 325	-3 965	26 852	-13 438
Net financial items	-2 548	-1	-1 308	-3 857
Profit/loss before tax	-38 873	-3 966	25 544	-17 295
Tax	-	-	-	-
Profit/loss for the period	-38 873	-3 966	25 544	-17 295

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