

YEAR-END REPORT

January-December 2013

INVISIO[®]
NO NOISE. ONLY YOUR VOICE.

A doubling of sales, profit within reach

SEK m	Q4 2013	Q4 2012	Jan-Dec 2013	Jan-Dec 2012
Total income	24.8	17.9	85.3	43.0
Gross Profit	9.3	7.4	37.0	18.1
Gross Margin (%)	37.4	41.1	43.5	42.1
EBITDA	-3.8	-4.6	-5.3	-20.6
Operating Profit/Loss	-4.5	-6.4	-10.5	-25.8
Profit/Loss after tax	-3.1	-7.9	-10.5	-29.5
Profit/Loss per share (SEK)	-0.08	-0.22	-0.27	-0.83

Important Events October – December

- Largest order so far of SEK 40 m was received in October. The order is for the military program TCAPS, administered by PEO Soldier within the U.S. Army.
- An additional order of SEK 4.8 m was received from a NATO country's army
- An order from Australia of approximately SEK 4.8 m through the distribution partner Defcon Technologies.
- An order of SEK 7.6 m was received from a NATO-country.
- The financial position was strengthened through two directed share issues of approximately SEK 10 m and SEK 5.7 m and a prolongation in the amortization plans.
- Outgoing backlog amounted per December 31 to SEK 50.

Important Events After the Period

- An order of SEK 5.2 m on a number of units of the communication systems INVISIO V60 was received from a NATO country.
- An order from Australia of approximately SEK 1.8 m through the distribution partner Defcon Technologies.

About INVISIO Communications

INVISIO Communications AB is a public company listed on the NASDAQ OMX First North Premier Segment (ticker code: IVSO) an alternative market on NASDAQ OMX Stockholm. INVISIO specializes in voice communications in difficult conditions. The company develops, manufactures, markets and sells communication solutions such as advanced headsets control units and accessories for use with two-way radio, primarily for professional users who often work in difficult environments. The customers are for example found in the military and military Special Forces, police and SWAT teams, emergency services, the security sector, and various industries throughout the world. Additional information is available on the company's web site at www.invisio.com. Mangold Fondkommission AB is Certified Adviser for INVISIO Communications AB.

CEO's Comments

INVISIO's sales doubled in 2013 compared to 2012, from SEK 43.0 m to SEK 85.3 m. Thus, 2013 is the sixth consecutive year with increased sales within INVISIO's focus since 2008: The global niche for advanced systems for hearing protection and interference-free communication in difficult conditions. Not only our sales have increased; our technology leadership in the industry has been fortified.

During the fourth quarter we received a new record order of SEK 40 m and a number of other large orders. We expect continued growth in sales, stable gross margin and unchanged costs, and that operations will be profitable in 2014.

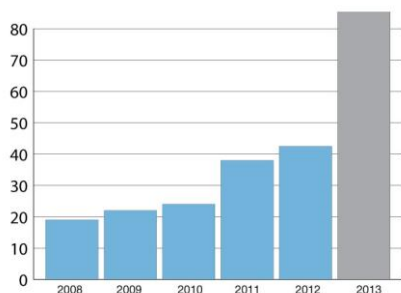
NEW RECORD ORDER AN IMPORTANT MILESTONE

The new order of SEK 40 m is our single largest so far and is for several reasons a milestone in INVISIO's history. The order is for a large number of complete communications and hearing protection systems from INVISIO and is for the military program TCAPS, Tactical Communication and Protective System, which is managed by the organization PEO Soldier within the U.S. Army. The purpose of TCAPS is to provide hearing protection and auditory situational awareness and reduce hearing damage in high noise and extreme conditions. Within TCAPS, extensive testing and evaluation of communications solutions that include hearing protection have been conducted, and the INVISIO solution is now approved for use. This is a very good credential for our communications solutions and strengthens our business opportunities, both in the U.S. and in other parts of the world. We expect possibilities for additional similar orders within this program in the coming years.

The American market is very important for INVISIO and we have now made a volume breakthrough, even though the SEK 40 m order in relation to the long-term customer need is small. Other customers across the world take impression of the fact that the U.S. Army, as well as several other NATO countries, have found INVISIO's solution very good.

STRONG SALES GROWTH IN THE QUARTER

During the fourth quarter, sales grew by 39 percent compared to the same period last year, from SEK 17.9 m to SEK 24.8 m.



Next to the record order from TCAPS, we received an additional order of SEK 4.8 m from a NATO country's army, an order from Australia of SEK 4.8 m and an order from yet another NATO country of SEK 7.6 m in the quarter.

After the end of the quarter, we have received an order of SEK 5.2 m from a NATO country, and one from Australia of approximately SEK 1.8 m.

During the fourth quarter, we also carried out two directed share issues totaling SEK 15.7 m. This is due to our heavily growing order intake and sales, which has tied up capital and increased the need to strengthen our working capital.

CONTINUED LARGE POTENTIAL WITHIN MILITARY PROGRAMS

TCAPS is a good and specific example of the potential within the larger military modernization programs that are active in a number of countries across the world, and require hearing protection in the communication solutions. We call this the volume market, which includes thousands of users.

With our world leading technology and solutions within this field, this is a trend that suits us well.

We therefore look very brightly upon continued sales possibilities within these types of programs. But it is, as we have often said, difficult for us to determine and influence when the actual purchasing takes place or the final timing of the customers' orders.

PROFITABLE OPERATIONS WITHIN REACH

We are, as earlier communicated, expecting to achieve a significant sales growth during 2014. Our current knowledge does not contradict that INVISIO will become profitable in 2014: The backlog has never been larger, our customer relations are working well, we can uphold our gross margin from this year with higher volumes, costs are under control and the customers that have purchased and are using our products are very satisfied and are placing follow-up orders.

Lars Højgård Hansen, CEO

Total income and Results October – December 2013

Total income during the fourth quarter increased substantially compared with the corresponding period in 2012 and amounted to SEK 24.8 m (17.9).

Gross profit amounted to SEK 9.3 m (7.4) and the gross margin was 37.4 percent (41.1). Gross profit for the quarter is affected by lower initial gross margins for the TCAPS order. The gross margin may vary from quarter to quarter depending on the product mix and the share of direct sales to end customers with higher margins, compared to the share of sales through distributors.

The backlog was SEK 50.0 m (27.9) at the end of the fourth quarter.

Operating expenses for the fourth quarter were SEK 13.8 m (13.7). During the period, expenditures for development of SEK 1.2 m (1.4) have been capitalized. Included in the operating expenses are depreciations of balanced development expenditures of SEK 0.7 m (1.6).

Operating result for the fourth quarter amounted to SEK -4.5 m (-6.4).

Net financial items for the fourth quarter amounted to SEK -1.4 m (-1.5).

The quarter accounted for SEK 2.9 m (0) in tax. This refers to tax refunds for 2012 and 2013 in the Danish subsidiary. Under the new Danish law, companies that invest in research and development can apply for a direct payment of the deductible deficiency in cases where they are yet not profit-making. During the quarter, a payment of the 2012 tax refund was made that accounted to SEK 1.5 m. Payment for 2013 is expected in December 2014.

Loss after tax for the fourth quarter amounted to SEK -3.0 m (-7.9).

Loss per share for the fourth quarter amounted to SEK -0.08 m (-0.22)

Total Income and Results Januari – December 2013

Total income for 2013 almost doubled compared to 2012 and amounted to SEK 85.3 m (43.0).

Gross profit amounted to SEK 37.0 m (18.1) and the gross margin was 43.5 percent (42.1)

Operating expenses for the period January – December was SEK 47.5 m (43.9). During the period, development expenditures of SEK 5.2 m (6.8) have been capitalized. Included in the operating expenses are depreciations of balanced development expenditures of SEK 47.5 m (46.0).

Operating result for the period January – December amounted to SEK -10.5 m (-25.8).

Net financial items for the period January – December amounted to SEK -2.9 m (-3.7).

Result after tax for the period January – December amounted to SEK -10.5 m (-29.5).

Result per share for the period January – December amounted to SEK -0.27 (-0.83)

Capital Expenditure, Cash flow and Liquidity, Financing and Shareholder's Equity

CAPITAL EXPENDITURE

During the period January – December, capital expenditure amounted to SEK 5.3 m (6.9), of which SEK 5.3 m (6.7) was capitalized expenditure for development.

CASH FLOW AND LIQUIDITY

Cash flow from the operating activities during period January – December amounted to SEK -7.3 m (-26.8). Cash flow from the investment activities was SEK -5.2 m (-6.9). Cash flow from the financing activities amounted to SEK 17.3 (20.8), of which new share issue was SEK 15.2 m (17.0) and taking up/payment of loans of SEK 2.0 m (3.8). Cash flow during the period thus amounted to SEK 4.7 m.

At the end of the period, cash and cash equivalents of the Group amounted to SEK 9.1 m (4.2). Out of the Group's total loans of SEK 33.5 m per last December, SEK 6.9 m concerned factoring. The remaining SEK 26.7 m concerns bank loans and overdraft of SEK 19.7 m and loan from Almi Företagspartner of SEK 7.0 m.

The Company Management and board work actively and continuously with governance and control the Company, including earnings, liquidity and financial position. After the strengthening of borrowing and the two directed share issues, it is the Management and Board's view that INVISIO currently has a balanced financing.

FINANCING

In 2013, the Board has worked both to strengthen the long term loan financing in the Company and increase equity by taking up the authorization granted by the Annual General Meeting 2013.

INVISIO received during the first quarter a loan of SEK 15 m from the Company's bank. The loan currency was used to pay a previous loan from Alecta of SEK 10 m and a loan of SEK 5 m from Erik Penser Bankaktiebolag. The loan is free of amortization during 2013, and will be amortized by SEK 6 m in 2014 and by SEK 9 m in 2015. Yggdrasil has guaranteed the loan from the bank with SEK 15 m and INVISIO pledged the securities against Yggdrasil, instead of as previously against Alecta and Erik Penser Bankaktiebolag. An annual guarantee commission of 3.5 percent was agreed on with Yggdrasil. The loan at the bank above was increased by SEK 7.5 m. Yggdrasil guaranteed this loan against an annual guarantee commission of 5.0 percent. The Board of INVISIO's view is that the agreement with Yggdrasil was completed according to market conditions. During the first quarter, INVISIO received a three-year loan of SEK 4.2 m from Almi Företagspartner AB. This loan is free of amortization during 2013. INVISIO has provided securities in forms of a pledge of shares in the subsidiary Nextlink IPR AB. The loan was free of amortization during 2013, and required that the Group's equity ratio was upheld no less than 10 percent per end of June 2013. Almi Företagspartner has thereafter declined the demand of the equity ratio as per end of June 2013.

INVISIO's bank financing has also been strengthened. The terms for the above mentioned bank loans totaling SEK 22.5 m were changed so that SEK 2.5 m was amortized during 2013, and the remaining loan of SEK 20 m was replaced to a loan of SEK 10 m, and an overdraft of SEK 10 m. Amortization on the loan of SEK 10 m will be made in the following way: 2014 will be free of amortization, SEK 8.5 m in 2015 and SEK 1.5 m in 2016. No changes in the securities have been made. The authorization that the Board received at the Annual General Meeting 2013 regarded new issues of maximum 3,800,000 shares. In October this year, new issues of SEK 10 m were realized. The new issues were targeted to a smaller Group of investors and included 2,500,000 shares, or 6.5 percent of the total amount of shares in the Company. This increased the Company's share capital by SEK 2.5 m. The issue price was SEK 4.15 per share and the new issues brought approximately SEK 10.4 m before costs for the issue.

To further strengthen INVISIO's financial position, the Board decided in December to take up the remaining part of the shares, 1,300,000 shares, approximately 3.2 percent of the total amount of the share capital in the Company and target them to a small group of investors. The issue price was 4.4 SEK per share and brought approximately SEK 5.7 m before costs for the issue. This was the final step in the financial plan, which the Board worked with during 2013.

The growing sales during the year was the reason for the new issues.

SHAREHOLDERS' EQUITY

The Group's reported shareholders' equity at the end of the period amounted to SEK 3.9 m (-1.8), which resulted in a solvency of 7 percent (negative).

Parent Company

Net income for the Parent Company during the period January – December amounted to SEK 60,000 (60,000). Operating result amounted to SEK -5.8 m (-5.8). The result after tax was SEK -14.5 m (-34.2), of which SEK 7 m (26) is attributable to shareholder contribution to the subsidiary.

At the end of the period January – December, cash and cash equivalents held by the Parent Company amounted to SEK 5.4 m (0.2) and shareholders' equity to SEK 63.8 m (62.7), which resulted in a solvency of 68.6 percent (75.7). The Parent Company had 1 employee (1).

Outlook for 2014: Continued growth and profitability

Ever since INVISIO changed its strategy in 2008, sales have increased every year. With current gross margin and cost structure the Company needs an annual turnover around SEK 110-115 m to show profit. INVISIO enters 2014 with an order book of SEK 50 m and expect continued sales growth during the year. Numerous customer tests are ongoing and INVISIO is awaiting response on outstanding larger quotes, but it is difficult for INVISIO to know when a new order is received. Though, nothing that is known to us today contradicts that INVISIO as of 2014 will show profit: The backlog has never been larger, our customer relations are working well, we can uphold our gross margin with higher volumes, costs are under control and the customers that have purchased and are using our products are very satisfied and are placing follow-up orders.

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 2012 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 (including legislation and political decisions, global economic situation, competition, technological risks and market acceptance of new products and dependency of suppliers), operational (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 42-44 and 57-58 in the Annual Report for 2012.

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 earn-

ings, liquidity and financial position. After the strengthening of borrowing and the two directed share issues, it is the Management and Board's view that INVISIO currently has a balanced financing.

Related Party Transactions

Lage Jonason with related parties is one of the Company's largest individual shareholders. Lage Jonason has personally stood surety for some of the Company's undertakings vis-à-vis suppliers. Lage Jonason has the right to 1.5 percent annual reimbursement concerning his surety. Yggdrasil AB provides security to the Company's loan and overdraft of SEK 20 m against a guarantee commission of approximately 3.9 percent.

Future Events And Reporting Dates

Annual General Meeting 2014: 7 May in Stockholm

- Interim report January – March 2014: 7 May
- Interim report April – June 2014: 14 August
- Interim report July – September 2014: 6 November
- Interim report October – December 2014: 19 February

This Year-End Report has not been reviewed by the Company's auditor.

Stockholm 18 February 2014

Lars Højgård Hansen
CEO

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Financial Reports

Consolidated Income Statement

SEK 000s	Q4 2013	Q4 2012	Full year 2013	Full year 2012
Sales	24 790	17 939	85 254	43 031
Cost of goods sold	-15 524	-10 560	-48 205	-24 914
Gross Profit	9 266	7 379	37 049	18 117
Operating expenses*	-13 763	-13 734	-47 529	-43 930
Operating profit/loss	-4 497	-6 355	-10 480	-25 813
Net financial items	-1 421	-1 522	-2 880	-3 678
Profit/loss before tax	-5 918	-7 877	-13 360	-29 491
Income tax	2 900	-	2 900	-
Profit/loss for the period	-3 018	-7 877	-10 460	-29 491
Other comprehensive income				
Translation differences	347	406	485	-641
Comprehensive income for the period (Entirely attributable to equity holders of the parent)	-2 671	-7 471	-9 975	-30 132
*Depreciation incl. in operating expenses	-694	-1 732	-5 218	-5 226

Per-share data	Q4 2013	Q4 2012	Full year 2013	Full year 2012
Earnings per share, SEK	-0,08	-0,22	-0,27	-0,83
Earnings per share after dilution, SEK	-0,08	-0,22	-0,27	-0,83
Shareholders' equity per share, SEK	0,09	neg.	0,09	neg.
Shareholders' equity per share after dilution, SEK	0,09	neg.	0,09	neg.
Equity ratio	7%	neg.	7%	neg.
Number of shares, thousand	42 240	38 440	42 240	38 440
Average number of shares, thousand	40 081	36 470	38 850	35 345
Number of shares after dilution, thousand	38 850	38 440	38 850	38 440
Share price, SEK	5,05	5,00	5,05	5,00

Consolidated Balance Sheet

SEK 000s

Assets	2013-12-31	2012-12-31
Intangible assets	17 489	16 832
Property, plant and equipment	83	139
Financial assets	692	670
Inventories	10 098	3 240
Accounts receivable - trade	16 137	17 362
Other receivables	4 741	1 488
Cash and bank balances	9 126	4 240
Total assets	58 366	43 971
Shareholders' equity and liabilities	2013-12-31	2012-12-31
Shareholders' equity	3 895	-1 814
Liabilities to credit institutions	33 548	31 245
Accounts payable - trade	12 439	8 840
Other liabilities	8 484	5 700
Total shareholders' equity and liabilities	58 366	43 971

Changes in shareholders' equity	2013-12-31	2012-12-31
Opening balance	-1 814	11 287
New issues	15 239	17 031
Employee stock option program	445	-
Comprehensive income for the period	-9 975	-30 132
Closing balance	3 895	-1 814

Statement of cash flows – Group

SEK 000s

Cash flow	Q4 2013	Q4 2012	Full year 2013	Full year 2012
Operating activities				
Profit/loss before tax	-5 918	-7 877	-13 360	-29 491
Adjustments for non-cash items	472	1 770	5 202	5 312
Taxes	2 900	-	2 900	-
Cash flow from operating activities before changes in working capital	-2 546	-6 107	-5 258	-24 179
Cash flow from changes in working capital	4 118	-8 404	-2 079	-2 644
Cash flow from operating activities	1 572	-14 511	-7 337	-26 823
Investing activities				
Capitalization of non-current assets	-1 246	-1 360	-5 167	-6 797
Acquisition of property, plant and equipment	-1	-43	-14	-145
Cash flow from investing activities	-1 247	-1 403	-5 181	-6 942
Financing activities				
New issues	15 239	9 444	15 239	17 031
Change in financial assets	-6 706	10 073	2 027	3 795
Cash flow from financing activities	8 533	19 517	17 266	20 826
Cash flow for the period	8 858	3 603	4 748	-12 939
Cash and bank balances at start of period	116	690	4 240	17 305
Translation differences in cash and bank balances	152	-53	138	-126
Cash and bank balances at end of period	9 126	4 240	9 126	4 240

Parent Company Income Statement

<i>SEK 000s</i>	Q4 2013	Q4 2012	Full year 2013	Full year 2012
Operating income	15	15	60	60
Operating expenses	-1 754	-1 424	-5 822	-5 907
Operating loss	-1 739	-1 409	-5 762	-5 847
Net financial items**	-731	-12 096	-8 775	-28 346
Loss before tax	-2 470	-13 505	-14 537	-34 193
Income tax	-	-	-	-
Loss for the period	-2 470	-13 505	-14 537	-34 193
**Of which, shareholder contribution to subsidiaries	-	-11 000	-7 000	-26 000

Parent Company Balance Sheet

SEK 000s

Assets	2013-12-31	2012-12-31
Financial assets/shares in subsidiaries	81 957	81 512
Receivables from Group companies	5 195	825
Other receivables	250	254
Cash and bank balances	5 364	205
Total assets	92 766	82 796
Shareholders' equity and liabilities	2013-12-31	2012-12-31
Shareholders' equity	63 837	62 690
Liabilities to credit institutions	26 696	17 800
Accounts payable - trade	177	523
Liabilities to Group companies	111	111
Other liabilities	1 945	1 672
Total shareholders' equity and liabilities	92 766	82 796
Changes in shareholders' equity	2013-12-31	2012-12-31
Opening balance	62 690	79 852
New issues	15 239	17 031
Employee stock option program	445	-
Loss for the period**	-14 537	-34 193
Closing balance	63 837	62 690
**Of which, shareholder contribution to subsidiaries	-7 000	-26 000