

Breakthrough in the US and first order of new intercom system

SEK in millions	2018 Q4	2017 Q4	Δ %	2018 Full year	2017 Full year	Δ %
Revenue	95.6	118.1	-19	354.5	365.7	-3
Gross profit	47.4	71.1	-33	199.7	202.3	-1
Gross margin, %	49.5	60.2		56.4	55.3	
EBITDA	21.6	28.3	-24	67.7	82.9	-18
Operating profit/loss	20.6	27.3	-25	63.5	78.6	-19
Operating margin, %	21.5	23.1		17.9	21.5	
Profit/loss for the period	16.0	15.0	7	48.2	62.3	-23
Earnings per share, SEK	0.36	0.34	7	1.09	1.42	-23

“During the quarter we received the first order of our new intercom system. After the end of the quarter, we received an important contract in the US (GSA) which will make it easier for government customers to buy our products. Several major expected orders and associated deliveries in the second half of the year were postponed to the first half of 2019, affecting the outcome for the quarter and the full year 2018. This is a consequence of the typically long lead times in our industry. In 2018, INVISIO continued to work according to the established strategy and implemented the largest investments in the company's history in continued product development and organizational development, both within R&D and the sales organization. The investments will have an effect in 2019 through a number of new product launches that are expected to contribute to strengthening our competitiveness and our growth.”

Lars Højgård Hansen, CEO

IMPORTANT EVENTS IN THE FOURTH QUARTER

- First order of new intercom system.
- The order book at the close of the quarter was SEK 56.1 million (153.4).

IMPORTANT EVENTS AFTER THE YEAR END

- INVISIO awarded GSA status and contract in the US
- The Board of Directors proposes a dividend of SEK 0.70 per share (0.60).

Breakthrough in the US and first order of new intercom system

During the quarter we received the first order of our new intercom system. After the end of the quarter, we received an important contract in the US (GSA) which will make it easier for government customers to buy our products. Several major expected orders and associated deliveries in the second half of the year were postponed to the first half of 2019, affecting the outcome for the quarter and the full year 2018. This is a consequence of the typically long lead times in our industry.

In 2018, INVISIO continued to work according to the established strategy and implemented the largest investments in the company's history in continued product development and organizational development, both within R&D and the sales organization. The investments will have an effect in 2019 through a number of new product launches that are expected to contribute to strengthening our competitiveness and our growth.

Sales in the fourth quarter were the year's highest. For the full year 2018 sales decreased by 3 per cent. The gross margin for the full year was 56.4 per cent (55.3). In the fourth quarter the gross margin was impacted by a higher percentage of third-party products sold at a lower margin. In our opinion, the gross margin may continue to fluctuate between quarters, but the average should be more than 55 per cent.

The operating profit was SEK 63.5 million (78.6), corresponding to an operating margin of 17.9 per cent (21.5). The investments in growth, mainly in product development and sales, were at a historically high level during the year. These investments will depress operating profit in a short-term perspective. The cost increases are aimed at strengthening our position as the global leading supplier of advanced communication and hearing protection solutions to defense forces and authorities responsible for security.

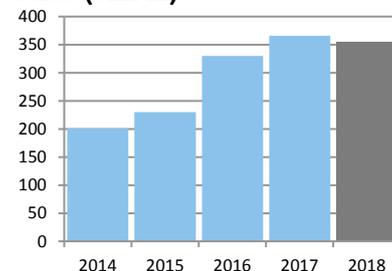
The order intake for the fourth quarter amounted to almost SEK 70 million through a series of small orders. The order book is considerably smaller than in recent quarters, but as we know, the order intake varies between quarters due to procurements at uneven intervals and long lead times. During the quarter we continued to build up inventories to ensure delivery of certain orders expected in the next quarter. At year-end, the order book totaled SEK 56.1 million (153.4).

Good performance in existing markets, GSA-contract in the US

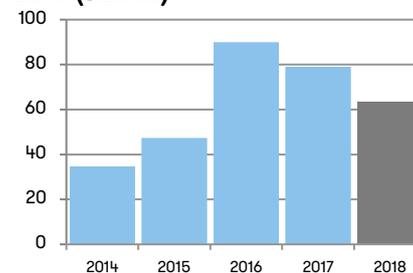
An important part of our growth strategy is to increase penetration of existing markets, both through our own sales offices in selected markets and through well-established partners. No new major contracts were signed in 2018.

After the end of the quarter, we were awarded GSA-status in the US, which allows federal, state and local government entities to quickly and efficiently purchase INVISIO equipment on pre-negotiated terms and conditions. The contract is valid for 5 years with potentially three five-year options to follow, which means the total contract length can be 20 years. We believe that the contract will have a major impact on our continued development in the US market.

Sales (SEK m)



EBIT (SEK m)



Improved gross margin for the full year

Historically high investments in growth during the year



Our own sales teams in the USA, France and Italy are developing well and continuing their establishment in their respective markets, with several orders from both existing and new customers during the year. In the USA we continued to deliver on the 2-year contract we won with the U.S. Department of Defense in 2017 and during the year we also received several new orders from the U.S. Army Security Force Assistance Brigades (SFAB). In the United Kingdom we delivered orders within the framework of the 5-year contract we won in 2017 through our partner MCL and the Danish army showed renewed confidence in INVISIO, resulting in a new 5-year framework agreement.

Expected breakthrough in new markets in 2019

Our focus is to further increase our shares in existing markets while we address new geographical markets through resellers in selected growth countries in Asia, the Middle East and South America. The work in new countries has been progressing for some time and is focused on the regions already being addressed by the major radio suppliers. During the year these efforts resulted in several small initial orders, which we believe may lead to larger orders in the longer term. Already now we can see the same pattern as in the western world, which is that only after we have received orders from special forces can we expect larger volume orders. We estimate that the first major order should arrive in the next quarters and be followed by more during the year.

Continued marketing in new countries has resulted in a series of small orders

First order of INVISIO's intercom system

The actual basis of our global competitiveness is our technical know-how, our understanding of the customer, our innovative capacity and the confidence in the market that we have built up over the past ten years. Through our innovations we contribute to the modernization of the defense and security industry and are gradually raising customers' requirements regarding performance, functionality and user experience.

Innovation initiatives for the future

Investments during the year in both existing and new product categories are the highest in the company's history and will lead to new product launches in 2019.

Development of INVISIO's new intercom system, which was produced for use together with INVISIO's personal communication equipment, is one such example. In the fourth quarter we received our first order for a small number of units from a defense force in Europe. Product development is in close cooperation with selected customers, which has led to increased functionality in the finished solution. Market penetration will be gradually intensified in 2019 and could lead to several orders in the later part of the year, but orders with larger volume are expected in future.

The new category broadens INVISIO's product offer to the defense and security industry and we consider that it has the potential to make a material contribution to the company's development.

I regard INVISIO's continued growth potential as very positive.

Lars Højgård Hansen, CEO

INVISIO in brief

INVISIO develops and sells advanced communication systems with hearing protection that enable professionals in noisy and mission critical environments to communicate and work effectively. The systems consist of headsets and control units that connect for example to an external group radio or a vehicle's intercom system.

The systems give operational advantages and increased safety for military and security personnel. They also contribute to reducing the costs of hearing loss for individuals and society.

Innovative product development

Product development in the Group is based on a good understanding of the users' and units' work environment and their specific needs. By combining different technologies and skills in acoustics, electronics, mechanics and software, INVISIO creates innovative and customized solutions that are better than traditional communication systems. Manufacturing is done mainly by contract manufacturers.

New product category for communication in vehicles

An intercom system for portable use or mounting in vehicles is currently being completed. The system has been developed for use together with INVISIO's existing communication systems and is intended to make communication simpler and more effective for users whose movements alternate between being inside and outside of vehicles. There is a more detailed description of the system on INVISIO's website and in the 2017 annual report.

Growing niche market

INVISIO's current customers are primarily in defense and police forces. At present more than 90 per cent of INVISIO's income is from military customers. Industry statistics show that globally there are about 50 million soldiers, of which about 20 million are deemed to be active. The largest number of soldiers are in countries in Asia, but their defense forces do not yet invest in advanced communication and hearing protection systems.²

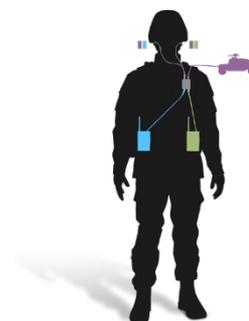
Technologically mature countries with awareness of hearing protection issues, and whose soldiers have access to advanced radio communication in operations constitute INVISIO's primary target group. About two million potential users are serving in these countries' defense forces.³

The percentage of radio users is growing continually and is mainly driven by the increased operational capacity, safety and efficiency requirements of defense forces. In addition, INVISIO drives growth by developing new, innovative solutions that gradually raise the industry's performance, functionality and user experience requirements.

¹Researchers evaluate true effects of hearing loss for soldiers, United States Army website, Dec 2015. | The 2016 Annual Benefits Report, US Department of Veteran Affairs, Veteran Benefits Administration.

²The Military Balance, the International Institute for Strategic Studies. 2017.

³Countries Ranked by Military Strength (2017). Global Firepower. 2017. | The Global Information Technology Report 2015, World Economic Forum. | Democracy Index 2016, The Economist Intelligence Unit.



INVISIO's solution reduces harmful noise while amplifying weak sounds and retaining the user's ability to perceive sound direction.

Users retain situational awareness and can act according to what is going on around them.



Hearing loss is a common problem for employees of the armed forces. Soldiers in war-torn areas are particularly affected.

Statistics show that the problems cost the American defense forces billions every year (USD).¹

Current target market

Defense customers normally invest in INVISIO's systems when they modernize their communication equipment. The value of the global market for INVISIO's current products is estimated to be about SEK 20 billion. As a rule, our customers carry out procurements at four-year intervals, which means that the average annual target market for INVISIO's products is about SEK 5 billion. Consequently, there is great potential for continued growth in the target market.

The current target market does not include the coming product category for communication in vehicles. The new category broadens INVISIO's product offer to the defense and security industry and the company considers that it has the potential to make a material contribution to the company's future development. The company considers that the market for the new intercom system in the long term can be at least as great as the markets we have addressed to date with existing products.

Sales

Sales are primarily via a global network of partners and resellers, as well as from the headquarters in Copenhagen and our own sales offices in the USA, France and Italy. The business is normally conducted via procurements. The Group has long-term framework contracts with defense authorities in the USA, the UK, Canada, Australia and Denmark, among others.

Uneven order flow and sales over the year

INVISIO's market is characterized by large procurements at irregular intervals. Lead times are often long due to extensive processes with customer tests both in laboratories and among end users. This means that the order intake and sales for individual quarters may vary and influence the full year figures.

Financial targets and strategies

The company's sales are to increase on average by 20 per cent per year. The operating margin must be at least 15 per cent. To achieve the financial targets INVISIO uses the following strategies:

- Increase market share in existing markets in Europe, North America and Oceania.
- Geographical expansion to emerging markets with long-term potential, including Asia and parts of the Middle East and South America.
- Product development referring to both new and further developed products for current target groups.
- Cost effectiveness in the company and in manufacturing.



Hearing and communication equipment are important components of critical operations and have been subject to modernization for a number of years, mainly in the defense forces but also in police services.

Sales and profit

Full year 2018

Sales for 2018 were SEK 354.5 million (365.7), a decrease of three per cent. In comparable currencies sales decreased by seven per cent.

Sales on international markets are mainly in USD, EUR and GBP. INVISIO hedges large orders to offset currency fluctuations in the short term.

At the close of the period the order book amounted to SEK 56.1 million (153.4). INVISIO's market is characterized by large procurements at irregular intervals. Lead times are often long due to extensive processes with customer tests both in laboratories and among end users. This means that the order intake and sales for individual quarters may vary and influence the full year figures.

Gross profit was SEK 199.7 million (202.3) and the gross margin was 56.4 per cent (55.3).

Operating expenses for the period were SEK 136.3 million (123.7). The increase refers to a larger organization and increased R&D and Marketing activities in accordance with INVISIO's growth strategy. Since last year the company has recruited nine new employees in R&D and Marketing/Sales.

During the period development costs of SEK 23.4 million (12.6) were capitalized. Operating expenses include depreciation of capitalized development costs of SEK 2.5 million (3.1).

Operating profit for the period was SEK 63.5 million (78.6) and the operating margin was 17.9 per cent (21.5).

Net financial income was SEK 0.7 million (-5.1).

Profit before tax amounted to SEK 64.2 million (73.5) and profit for the period was SEK 48.2 million (62.3). Earnings per share were SEK 1.09 (1.42).

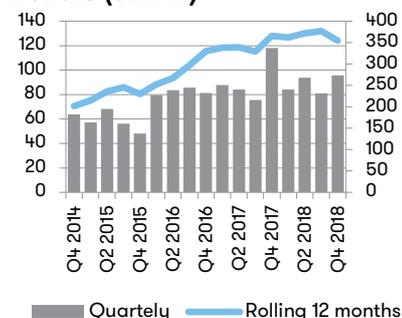
Fourth quarter 2018

Sales in the period October–December 2018 amounted to SEK 95.6 million (118.1), a decrease of nineteen per cent. In comparable currencies sales decreased by 23 per cent. The fourth quarter of 2017 was the strongest quarter yet in terms of sales.

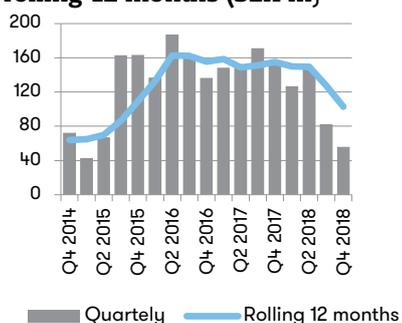
Gross profit was SEK 47.4 million (71.1) and the gross margin was 49.5 per cent (60.2). Gross margin may vary between quarters depending on the product mix and the share of direct sales to end-customers. The percentage of third-party products sold during the quarter is high and has had a negative impact on the gross margin for the quarter.

Operating expenses for the quarter were SEK 26.8 million (43.8). The increase refers to a larger organization and increased R&D and Marketing activities in accordance with INVISIO's growth strategy. In the same period in the previous year there was a non-recurring cost of SEK 11.7 million referring to the discontinuation of the relationship with a main distributor in the USA. Staff variable benefits decreased

Sales per quarter and rolling 12 months (SEK m)



Order book per quarter and rolling 12 months (SEK m)



during the period, making total operating expenses lower than in the same period last year.

During the quarter development costs of SEK 9.1 million (3.2) were capitalized. Operating expenses include depreciation of capitalized development costs of SEK 0.6 million (0.6).

Operating profit for the quarter was SEK 20.6 million (27.3) and the operating margin was 21.5 per cent (23.1).

Net financial income was SEK 0.5 million (-2.4).

Profit before tax amounted to SEK 21.1 million (24.9) and profit for the period was SEK 16.0 million (15.0). Earnings per share were SEK 0.36 (0.34).

Cash flow, investments and financial position

Cash flow and investments

The Group's cash flow for 2018 was SEK -54.6 million (-22.5), of which cash flow from operating activities was SEK -3.0 million (10.9) and cash flow from investing activities was SEK -25.1 million (-15.0). Cash flow from financing activities was SEK -26.5 million (-18.3), of which SEK 26.5 million (21.7) was dividend paid.

During the period the Group's investments amounted to SEK 25.1 million (15.0), of which SEK 23.4 million (12.6) was capitalized development costs and SEK 1.6 million (2.4) was net investment in property, plant and equipment.

The short-term increase in inventory value started in the previous quarter continued during the period. During the period the inventory value increased to SEK 101.3 million (36.3). The build-up of inventories took place to ensure deliveries of expected orders.

Cash and cash equivalents and financial position

The Group's cash and cash equivalents at the close of the period amounted to SEK 62.2 million (113.2). INVISIO has sound financial strength and the Group had no loans at the close of the period.

Group equity at the close of the period amounted to SEK 292.0 million (259.9), which gave an equity/assets ratio of 82 per cent (76).

Parent company

Net income for the parent company for the full year 2018 amounted to SEK 0.1 million (0.1). The operating result was SEK -7.6 million (-5.4). Profit for the period amounted to SEK -6.1 million (88.9), of which dividends from subsidiaries amounted to SEK 0.0 million (95.0).

At the close of the period the parent company's cash and bank balances amounted to SEK 25.6 million (28.3). Equity amounted to SEK 150.8 million (182.9), which gave an equity/assets ratio of 97 per cent (97). The number of employees in the parent company was 1 (1).

Employees

The number of employees in the Group, restated as full-time equivalents, was 82 (73) at the close of the period. Of the employees, 65 were men (58) and 17 women (15).

Other information

Material risks and uncertainties

INVISIO's business and earnings are affected by a number of external and internal factors. A continuous process is conducted to identify all anticipated risks and to assess how each respective risk is to be managed. Risks can be divided into market, operational, and financial risks. For a more detailed description of these risks, please refer to pages 39–40 in INVISIO's annual report for 2017.

Financial key figures, alternative performance measures and other definitions

INVISIO's financial statements include both financial key figures that are specified in current financial reporting rules, alternative performance measures ("APMs") in accordance with ESMA's definition and other key figures related to the business. The APMs are regarded as relevant for an investor who wants to understand the company's results and financial position better. Definitions and reconciliation of the APMs that are not directly reconcilable with the financial statements can be found on the company's website: www.invisio.com/IR under Financial Reports. Reconciliation is against the closest comparable IFRS financial measure.

Financial instruments

The fair value of the Group's financial assets and liabilities is estimated to be equal to the book value.

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 0.70 per share be distributed for 2018 (0.60).

Review

This interim report has not been reviewed by the company's auditor.

Annual General Meeting 2019

INVISIO's Annual General Meeting in 2019 will be held on May 2, 2019 at 14.00 in IVA's premises at Grev Turegatan 16 in Stockholm.

Shareholders wishing to have a matter considered at the Annual General Meeting can send a written request by email to ir@invisio.com or by ordinary mail addressed to: The Board of Directors, INVISIO Communications AB, P O Box 151, SE 201 21 Malmö. Any request must have been received at least seven weeks before the Meeting in order to be included in the notice to attend and thus the agenda of the Annual General Meeting.

Financial calendar

Interim report January - March 2019	May 2, 2019
Annual General Meeting 2019	May 2, 2019
Interim report January - June 2019	August 16, 2019
Interim report January - September 2019	October 25, 2019
Year-end report 2019	February 13, 2020

Interim reports and annual reports are available at www.invisio.com. The annual report for 2018 will be available on the website in week 14 (April 1-7).

Stockholm, February 15, 2019

Lars Højgård Hansen
CEO

For further information, please contact

Lars Højgård Hansen, CEO
+45 5372 7722 | lh@invisio.com

Thomas Larsson, CFO
+45 5372 7735 | thl@invisio.com

Publication

This information is information that INVISIO Communications AB (publ) is obliged to disclose under the EU Market Abuse Regulation and the Securities Market Act. The information was released for public disclosure, through the agency of the President/CEO, on February 15, 2019, at 08.30 CET.

Address

INVISIO Communications AB | P O Box 151 | SE 201 21 Malmö

INVISIO Communications AB is a Swedish limited company listed on Nasdaq Stockholm. The company's share is traded under the ticker name IVSO and the ISIN code is SE0001200015.

Condensed consolidated income statement and consolidated statement of comprehensive income

SEK in millions	Note	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Revenue	2	95.6	118.1	354.5	365.7
Cost of goods sold		-48.3	-47.0	-154.7	-163.4
Gross profit		47.4	71.1	199.7	202.3
Operating expenses*		-26.8	-43.8	-136.3	-123.7
Operating profit/loss		20.6	27.3	63.5	78.6
Net financial items		0.5	-2.4	0.7	-5.1
Profit/loss before tax		21.1	24.9	64.2	73.5
Income tax	3	-5.1	-10.0	-16.0	-11.2
Profit/loss for the period		16.0	15.0	48.2	62.3
OTHER COMPREHENSIVE INCOME					
<i>Items that may subsequently be reclassified to profit and loss</i>					
Translation differences		-0.7	6.4	9.9	6.3
Comprehensive income for the period		15.3	21.3	58.1	68.6
<i>(Profit/loss attributable to equity holders of the parent company.)</i>					
*Depreciation incl. in operating expenses		-1.1	-1.0	-4.3	-4.4

	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Per-share data				
Earnings per share, SEK	0.36	0.34	1.09	1.42
Earnings per share after dilution, SEK	0.36	0.34	1.09	1.41
Shareholders' equity per share, SEK	6.62	5.89	6.62	5.89
Shareholders' equity per share after dilution, SEK	6.62	5.89	6.62	5.89
Equity ratio, %	82	76	82	76
Number of shares, thousand	44,098	44,098	44,098	44,098
Average number of outstanding shares, thousand	44,098	44,098	44,098	43,881
Average number of outstanding shares after dilution, thousand	44,098	44,098	44,554	44,098
Share price at year-end, SEK	56.90	79.25	56.90	79.25

Condensed consolidated statement of financial position

SEK in millions

Assets	Note	31/12/2018	31/12/2017
Capitalized development costs		49.7	27.7
Equipment		4.4	4.5
Deposits for rent, long-term		1.7	1.5
Deferred tax assets	3	15.6	25.9
Inventories		101.3	36.3
Trade receivables		104.6	121.1
Other short-term receivables		16.2	12.1
Cash and cash equivalents		62.2	113.2
Total assets		355.7	342.2

Shareholders' equity and liabilities

Shareholders' equity		292.0	259.9
Trade payables		39.6	49.7
Other short-term liabilities		24.1	32.7
Total shareholders' equity and liabilities		355.7	342.2

Condensed consolidated statement of changes in equity

	2018	2017
	Full year	Full year
Opening balance	259.9	209.5
New issue through exercising employee stock options	-	3.4
Employee stock option program	0.5	0.1
Dividend	-26.5	-21.7
Comprehensive income for the period	58.1	68.6
Closing balance	292.0	259.9

Condensed consolidated statement of cash flow

SEK in millions	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Operating activities				
Profit/loss before tax	21.1	24.9	64.2	73.5
Adjustments for non-cash items	-0.1	3.3	2.0	7.3
Income tax paid	-0.1	-2.1	-4.8	-2.7
Cash flow from operating activities before changes in working capital	20.9	26.1	61.4	78.1
Changes in inventories	-11.0	-7.5	-63.3	-9.5
Changes in operating receivables	-23.1	-35.4	19.7	-86.4
Changes in operating liabilities	-11.6	30.3	-20.8	28.7
<i>Cash flow from changes in working capital</i>	<i>-45.7</i>	<i>-12.5</i>	<i>-64.3</i>	<i>-67.2</i>
Cash flow from operating activities	-24.9	13.7	-3.0	10.9
Investing activities				
Capitalization of development costs	-9.1	-3.2	-23.4	-12.6
Acquisition of property, plant, and equipment	-1.0	-0.6	-1.6	-2.4
Acquisition of financial assets	0.0	0.0	-0.1	0.0
Cash flow from investing activities	-10.1	-3.8	-25.1	-15.0
Financing activities				
New issues through exercising employee stock options	-	-	-	3.4
Dividend	-	-	-26.5	-21.7
Cash flow from financing activities	-	-	-26.5	-18.3
CASH FLOW FOR THE PERIOD	-34.9	9.8	-54.6	-22.5
Cash and cash equivalents at start of period	97.1	100.7	113.2	133.2
Translation differences in cash and cash equivalents	0.0	2.7	3.6	2.4
Cash and cash equivalents at end of period	62.2	113.2	62.2	113.2

Condensed parent company income statement

SEK in millions	2018 Q4	2017 Q4	2018 Full year	2017 Full year
Revenue	0.0	0.0	0.1	0.1
Operating expenses	-1.5	-1.6	-7.6	-5.4
Operating profit/loss	-1.5	-1.6	-7.6	-5.4
Net financial items**	0.0	94.5	1.4	94.3
Profit/loss before tax	-1.5	92.9	-6.1	88.9
Income tax	-	-	-	-
Profit/loss for the period	-1.5	92.9	-6.1	88.9
**Of which, dividend from subsidiaries	-	95.0	-	95.0

Condensed parent company balance sheet

SEK in millions

Assets	31/12/2018	31/12/2017
Participations in Group companies	83.9	83.4
Receivables from Group companies	45.0	75.3
Other short-term receivables	0.7	0.5
Cash	25.6	28.3
Total assets	155.2	187.6
Shareholders' equity and liabilities		
Restricted shareholders' equity	65.7	65.7
Non-restricted shareholders' equity	85.1	117.2
Trade payables	0.3	0.1
Liabilities to Group companies	2.8	2.8
Other short-term liabilities	1.4	1.8
Total shareholders' equity and liabilities	155.2	187.6
Parent company changes in shareholders' equity	2018 Full year	2017 Full year
Opening balance	182.9	112.3
New issues through exercising employee stock options	-	3.4
Employee stock option program	0.5	0.1
Dividend	-26.5	-21.7
Profit/loss for the period**	-6.1	88.9
Closing balance	150.8	182.9
**Of which, dividend from subsidiaries	-	95.0

Notes

Note 1. Accounting policies and valuation principles

The interim report for the Group was prepared in accordance with IAS 34, the Swedish Financial Reporting Board's Recommendation RFR 1, Supplementary Accounting Rules for Groups, and the Annual Accounts Act. The parent company's accounts were prepared in accordance with RFR2, Accounting for Legal Entities and the Swedish Annual Accounts Act. The accounting policies applied are consistent with the policies described in INVISIO's annual report for 2017 with the exception of the new standards applied from January 1, 2018.

New standards

Two new standards came into force on January 1, 2018: IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. Implementation of the new standards has not had any material impact on the Group's financial statements but has resulted in new disclosures.

IFRS 9 Financial Instruments

IFRS 9 Financial instruments replaces IAS 39 Financial instruments: Recognition and measurement. The new standard brings together all aspects of financial instrument recognition (with the exception of macro hedging); classification, measurement, impairment and hedge accounting. The categories of classification of financial assets in IAS 39 are replaced by three categories, in which measurement is at fair value or amortized cost. The impairment model which in IAS 39 was based on incurred losses, is based in IFRS 9 on expected losses, which requires more timely recognition of credit losses. Hedge accounting has been improved in IFRS 9 so that the effect of how a company manages financial instrument risks is more clearly reflected in the financial statements.

The Group applies IFRS 9 retroactively as of January 1, 2018 using the practical relaxation rules specified in the standard (prospective transition method) and as the Group deems applicable. The comparative figures for 2017 have not been restated.

The transition to IFRS 9 has not impacted the valuation of the Group's financial instruments. The new impairment model means that provision for credit losses mainly referring to trade receivables will be brought forward. Provision is made for all these receivables equivalent to the credit losses expected to arise during the remaining maturity and not just for the receivables that have given objective proof of impairment loss. Credit loss reserves have not been impacted as at January 1, 2018. The financial impact of the implementation of IFRS 9 was SEK 0.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers is a comprehensive principles-based standard for revenue recognition, regardless of the type of transaction or industry, which replaces all previously issued standards and interpretations that deal with revenue recognition.

In 2017 the Group carried out an analysis of the effects of IFRS 15 for material revenue streams. No revenue streams were identified where IFRS 15 has any effect on INVISIO's financial statements. The transition to IFRS 15 was made using a retrospective approach. Implementation has not entailed any transition effects on the opening balances as at January 1, 2018, nor on the closing balance as at December 31, 2017, and therefore presentation of revised comparative periods in the report is not applicable. Thus the financial impact is SEK 0.

New standards not yet applied

New standards that are compulsory for financial years starting later than January 1, 2018, are adopted by the EU and deemed relevant to the Group are set out below.

IFRS 16 Leases

In January 2016 the IASB published a new standard on leases that replaces IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities referring to all leasing agreements, with some exceptions, be recognized in the balance sheet. This accounting is based on the view that the lessee has the right to use an asset for a specific period of time and at the same time an obligation to pay for this right. The accounting for the lessor will be unchanged in all material respects. The standard was adopted by the EU in October 2017 and is applicable to financial years starting on or after January 1, 2019. Early application is permitted. INVISIO will apply a simplified transition approach, which means that the comparative figures are not restated. The implementation will increase INVISIO's balance sheet total by SEK 30 million, mainly as a consequence of the Group's office lease contracts. Equity will not be affected. Since implementation of the standard means that lease payments will be reported instead as depreciation and interest expense, it is estimated that there will be a positive impact on EBITDA of 6-7 percentage points (compared to EBITDA full year 2018). The effect on EBIT and profit for the year is not material. For more details on current rental and leasing agreements, see Note 7 in INVISIO's annual report for 2017.

Note 2. Revenue by geographical area

	2018	2017	2018	2017
SEK in millions	Q4	Q4	Full year	Full year
Sweden	1.5	3.0	6.7	5.7
Europe	68.9	17.9	174.5	120.4
North America	23.7	95.7	164.5	231.9
Rest of the world	1.5	1.5	8.8	7.8
Total	95.6	118.1	354.5	365.7

Note 3. Taxes

Deferred tax assets in the balance sheet, disclosed net, are SEK 15.6 million, of which SEK 25.4 million is attributable to tax loss carry forwards in the Danish subsidiary. Deferred tax assets referring to tax loss carry forwards are recognized to the extent that it is probable that they can be applied against future taxable profit. An individual assessment is made of each company with reference to historical performance and possibilities of utilizing the loss carry-forwards. Danish legislation limits the yearly utilization of loss carry-forwards, which means that the Danish subsidiary will pay tax in 2018. The Group's total loss carry-forwards as at December 31, 2018 were SEK 223.6 million, of which SEK 115.2 million are capitalized. The remaining unutilized loss carry-forwards amounted to SEK 108.4 million and refer to other companies and cannot be capitalized at present. All loss carry-forwards have an unlimited life.

Overview - past eight quarters

	2017	2017	2017	2017	2018	2018	2018	2018
SEK in millions	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	87.9	84.2	75.5	118.1	84.2	93.8	80.9	95.6
Cost of goods sold	-39.7	-43.7	-33.1	-47.0	-34.0	-38.5	-33.9	-48.3
Gross profit	48.2	40.5	42.4	71.1	50.1	55.3	47.0	47.4
Operating expenses	-25.5	-26.2	-28.2	-43.8	-31.6	-42.4	-35.4	-26.8
Operating profit/loss	22.7	14.3	14.3	27.3	18.5	12.8	11.6	20.6
Net financial items	0.0	-2.7	0.0	-2.4	-0.5	0.6	0.0	0.5
Profit/loss before tax	22.7	11.6	14.3	24.9	18.0	13.4	11.6	21.1
Income tax	-	-	-1.2	-10.0	-4.2	-3.5	-3.1	-5.1
Profit/loss for the period	22.7	11.6	13.1	15.0	13.8	9.9	8.4	16.0
Cash flow from operating activities	24.7	-4.7	-22.8	13.7	41.2	11.9	-31.2	-24.9
Gross margin, %	54.9	48.1	56.2	60.2	59.6	58.9	58.1	49.5
Operating margin, %	25.8	17.0	18.9	23.1	22.0	13.7	14.3	21.5
Profit margin %	25.8	13.8	17.3	12.7	16.5	10.6	10.4	16.7
Equity ratio, %	86	81	82	76	82	77	79	82
Earnings per share, SEK*	0.52	0.26	0.30	0.34	0.31	0.23	0.19	0.36
Shareholders' equity per share, SEK*	5.33	5.16	5.41	5.89	6.38	6.14	6.27	6.62

* Before dilution