

# CORPORATE GOVERNANCE REPORT

## General

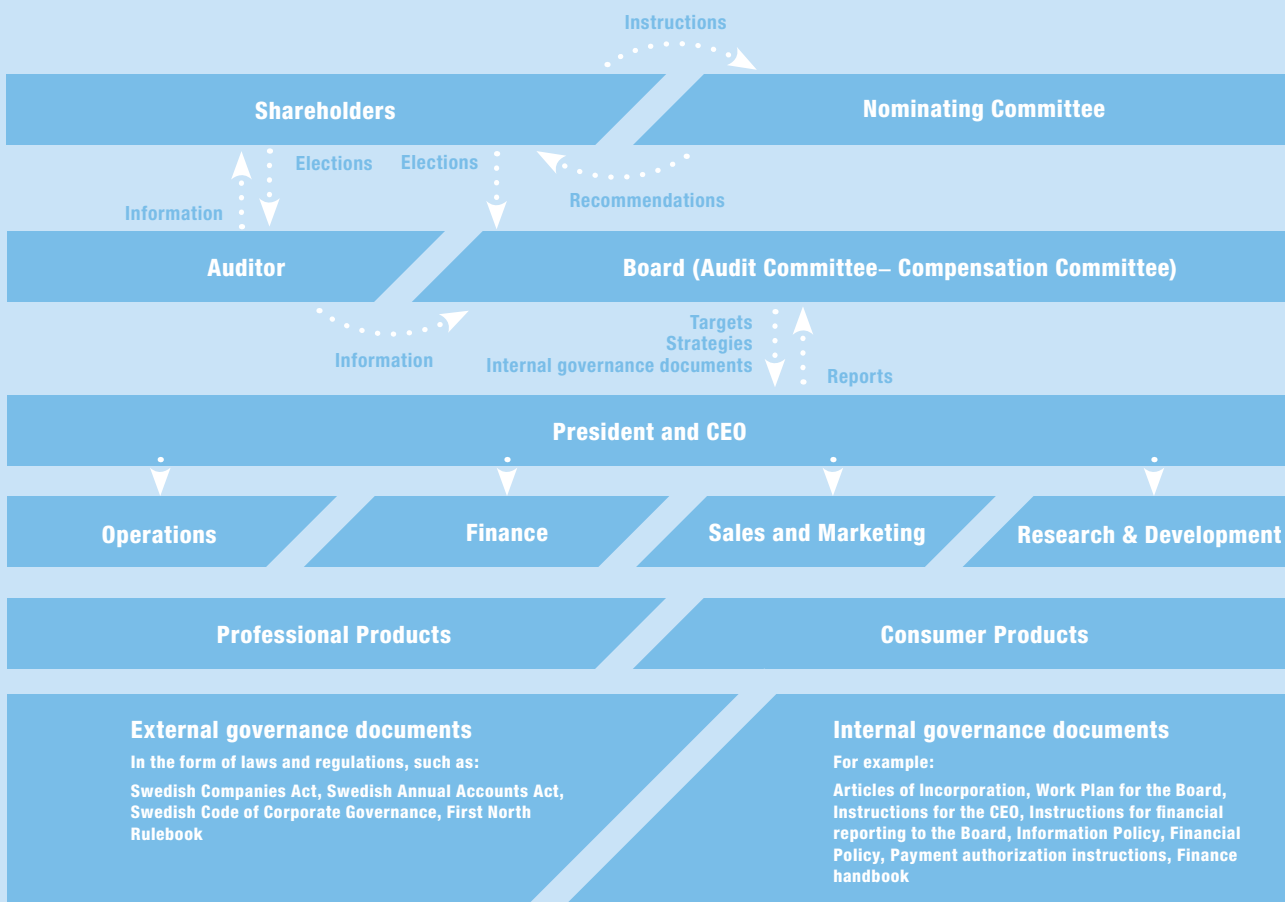
INVISIO Communications AB (publ.) (“INVISIO Communications” or the “Company”) is a Swedish limited liability company with its registered office in Stockholm, Sweden. The company is listed on First North Premier Segment Stockholm, an alternative marketplace (rather than a regulated market) for trading in equities and other securities that is operated by NASDAQ OMX Stockholm. The Swedish Code of Corporate Governance applies to Swedish limited liability companies whose shares are available for trading in a regulated market in Sweden, currently NASDAQ OMX Stockholm and NGM Equity. The rules of the Swedish Annual Accounts Act on corporate governance reporting also apply to companies whose shares are available for trading in a regulated market. Thus, INVISIO Communications is not formally bound to the Swedish Code of Corporate Governance or the rules of the Swedish Annual Accounts Act on corporate governance reporting. However, the basis of the corporate governance used by INVISIO Communications is the same as for companies listed on a regulated market and emanates from the Swedish Companies Act, Swedish Annual Accounts Act, the Swedish Code of Corporate Governance and other applica-

ble Swedish and foreign laws and rules. No departures from the Swedish Code of Corporate Governance have been noted. The document “Overview of INVISIO Communications’ application of the Swedish Code of Corporate Governance” (original title: “Översikt av INVISIO Communications tillämpning av Svensk kod för bolagsstyrning”) can be found on INVISIO Communications’ website [www.invisiocommunications.com](http://www.invisiocommunications.com). This corporate governance report, which has been prepared in accordance with Swedish Annual Accounts Act and the Swedish Code of Corporate Governance, has been audited by the Company’s auditor.

## Overview of corporate governance at INVISIO Communications

Governance and control of INVISIO Communications are divided among shareholders attending general meetings, the Board of Directors, and the CEO. An overview of the organization, governance, and control (including external and internal governance documents) of INVISIO Communications and the INVISIO Communications Group is provided below.

### Overview of corporate governance at INVISIO Communications



## Shareholders

### SHAREHOLDERS' VOTING RIGHTS

INVISIO Communications has been listed on First North, Stockholm since mid-2006, and more specifically under the First North Premier Segment, Stockholm since July 9, 2009. The Company's share capital, at 31 December 2010, amounted to SEK 23.5 m (21.6), divided into 23,501,320 shares (21,565,126) (registered number), each with a quotient value of SEK 1.00.

All shares have equal voting rights and there is no limit to the number of votes our shareholders may use at a general meeting. The Company's market capitalization, based on the closing price at 30 December 2010, was approximately SEK 235 m (388).

### NUMBER OF SHAREHOLDERS

At year-end 2010, INVISIO Communications had 205 shareholders (203). Major shareholders are Intersettle AG, Zurich, on behalf of clients, with an ownership stake of 31.9 percent, Alecta Pensionsförsäkringar, with an ownership stake of 17.6 percent, and Lage Jonason (with family and companies), with an ownership stake of 15.7 percent. The ten largest shareholders account for an ownership stake of 88.3 percent.

### GENERAL MEETINGS OF SHAREHOLDERS

The shareholders' right to decide on INVISIO Communications' business activities is exercised at general meetings of shareholders. Shareholders who are registered in the shareholder register as per the record date and who have provided sufficient advance notice of their participation have the right to participate at general meetings and to vote on the basis of all their shares. Shareholders who are represented by proxy must issue a dated power of attorney for said proxy.

The Annual General Meeting (AGM) of INVISIO Communications shall be held within six months after the end of the financial year and is usually held in April, in Stockholm. At the AGM, resolutions are adopted concerning – among other things – adoption of the Company's income statement and balance sheet, the consolidated income statement and consolidated balance sheet, disposition of the Company's profit or loss, discharging the board members and CEO from liability to the Company, election of directors, the Chair of the Board, and auditors, the setting of directors' and auditors' fees, and other items of business that are incumbent upon the AGM pursuant to the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. Extraordinary general meetings are held when the Board finds reason for such pursuant to the Swedish Companies Act.

### 2010 ANNUAL GENERAL MEETING

The 2010 Annual General Meeting was held in Stockholm on April 27. A total of 6 shareholders or their proxies were present, representing 40.25 percent of the number of shares and votes. The minutes from the AGM can be found on INVISIO Communications' website [www.invisiocommunications.com](http://www.invisiocommunications.com). A number of the resolutions that were passed follow below.

Chair of the board Heléne Vibbleus Bergquist was elected to chair the AGM.

The AGM resolved to adopt the Company's income statement and balance sheet for 2009, to adopt the consolidated income statement and consolidated balance sheet for 2009, to distribute the Company's deficit in accordance with the recommendation of the Board and the CEO in the 2009 Board of Directors' report (that is, to carry it forward), and to discharge the board members and the CEO from liability for the 2009 financial year.

The AGM also resolved to authorize the Board, on one or more occasions before the next AGM, with or without deviation from the shareholders' pre-emption rights, to make decisions on the issue of new shares, stock options, and/or convertibles. The reason for deviating from the shareholders' pre-emption rights is to spread ownership in the Company through a listing of the Company's stock on NASDAQ OMX Stockholm or, should such a need

arise, to strengthen the Company's financial position. Decisions supported by said authorization shall comprise a maximum of 2,200,000 shares in new share issues, in the exercising of stock options, and/or the conversion of convertibles, corresponding to approximately 9.8 percent of the number of shares and votes outstanding at that time. Cash issues or set-off issues conducted with deviation from the shareholders' pre-emption rights may only be carried out at a price equal to the market value of the share, stock option, or convertible and on the basis of any altered terms the Board may deem necessary in order to complete the issue. In the case of issues invoking shareholders' pre-emption rights, the Board decides on the price. The authorization encompasses the right to decide on cash issues and set-off issues and otherwise in compliance with the conditions stipulated in Chapter 2, Section 5, Paragraph 2, Items 2, 3, and 5 of the Swedish Companies Act.

Heléne Vibbleus Bergquist, Anders Persson, Magnus Ruding and Mats Warstedt were re-elected as directors while Lars Röckert was elected as a new director. Heléne Vibbleus Bergquist was re-elected to serve as Chair of the Board. The AGM resolved that directors' fees shall be payable in the amount of SEK 250,000 to the Chair of the Board and SEK 100,000 to each of the other directors. The AGM also resolved that an additional fee of not more than SEK 500,000 shall be payable under special circumstances to a director who, pursuant to a Board decision, shall work with financial matters, matters regarding preparation for and listing on NASDAQ OMX Small Cap, contract negotiations, and other strategic matters. It shall be possible to share this additional fee between several directors and, in such cases, in relation to the time invested in the areas of responsibility. The AGM also resolved that fees shall be payable to the auditor in accordance with an approved invoice and decided on guidelines for compensation of the CEO and other senior executives.

Further, the AGM adopted a set of instructions for the Nominating Committee.

### 2011 ANNUAL GENERAL MEETING

The 2011 Annual General Meeting will be held at 9 a.m. on April 28, 2011, at the premises of Erik Penser Bankaktiebolag, Biblioteksgatan 9, Stockholm. Notice of the AGM can be found on INVISIO Communications' website [www.invisiocommunications.com](http://www.invisiocommunications.com).

### Nominating Committee

A nominating committee shall be appointed and shall work during the time until a new nominating committee has been appointed on the drafting and presentation of recommendations to the shareholders at the AGM regarding the number of directors, election of directors, the Chair of the Board and, where applicable, the auditor, as well as on the fees to be paid to the Board of Directors and auditor and other matters that may be incumbent upon a nominating committee pursuant to the Swedish Code of Corporate Governance.

The Nominating Committee shall consist of four members, who shall be appointed as follows:

Before the end of the third quarter, the Chair of the Board shall contact the three largest shareholders of the Company, who then each appoint one member – who should not be a director on the Board – to serve on the Nominating Committee. One of these shall be appointed to serve as committee chair. If any of the three largest shareholders refrain from appointing a nominating committee member, the Chair of the Board shall urge another major owner to appoint a member. Shareholders who have appointed a member have the right at any time to replace their designated member with another representative. In addition, the Chair of the Board shall be a member of the Nominating Committee, but shall not be appointed as committee chair. As part of the Nominating Committee's work, the Chair of the Board shall report to the committee on the circumstances surrounding the Board's work, and the need for special expertise, etc., that may be important to the work of appointing a board.

Individual shareholders of the Company shall be able to submit nominations for board members to the committee for further evaluation within the framework of the committee's work.

Information on the Nominating Committee's composition shall be made public no later than six months before the Annual General Meeting and in the Company's interim report for the first nine months of the year. The Nominating Committee shall have the right to charge the Company the costs for engaging recruitment consultants, if such consultants are deemed necessary to obtain a suitable selection of candidates for the Board. The Nominating Committee shall report its work at the Annual General Meeting.

The Nominating Committee prior to the 2011 AGM comprised Lage Jonason, who also acted as Committee Chair and represented himself and his family and companies, Ramsay Brufer, representing Alecta Pensionsförsäkringar, Greger Franzon, representing Swedbank Robur fonder, and Chair of the Board Heléne Vibbleus Bergquist.

The Nominating Committee has advised the Board that it will present its proposals for shareholders at the 2011 AGM regarding number of board members, election of board members etc in good time before the AGM.

## Board

### RESPONSIBILITIES, DUTIES AND DELEGATION OF DUTIES

As prescribed by the Swedish Companies Act, INVISIO Communications' board is responsible for the Company's organization and the administration of the Company's affairs. The Board shall continuously assess the economic situation of both the Company and the Group. The Board shall also ensure that the Company's organization is designed in such a manner that the bookkeeping, asset management, and the Company's economic situation in general are controlled in a reassuring manner.

Each year, in connection with the board meeting following the election of the Board, and in conjunction with other board meetings if necessary, the Board of INVISIO Communications adopts a work plan (the Work Plan for the Board of Directors of INVISIO Communications). According to this work plan, the Board's duties include setting targets and strategies, adopting internal governance documents, approving important agreements, approving investments according to certain criteria, approving capital expenditures (including acquisitions of operations, shares in companies, real property, and intangible rights), approving sales of operations, shares in companies, real property, and intangible rights, approving loans raised according to pre-determined criteria, approving important surety and guarantee obligations, evaluating the CEO and other members of management and ensuring succession planning, overseeing the CEO's work through continuous monitoring of operations, and evaluating the work of the Board.

In addition to the Board's duties as outlined above, the Board's Work Plan also clarifies the Board's and its committees' internal divisions of responsibility, including the Chair's role, board meeting structure, the minimum number of board meetings, procedures for issuing summonses to board meetings, the Board's meeting plan, items of business to be discussed at board meetings, quorums of the Board, procedures for recording the minutes of board meetings, and procedures for providing material for decision-making to the Board.

The Chair of the Board shall lead the Board's work and conduct oversight to ensure that the Board fulfills its duties pursuant to the Swedish Companies Act and other obligations, as well as ensure that the Board's work is conducted effectively. In particular, the Chair shall organize and lead the Board's work on creating the best possible conditions for the Board's work, ensure that new board members are provided necessary orientation training and other training that the Chair and such member both consider suitable, ensure that the Board continuously updates and deepens its knowledge about the Company, assume responsibility for contacts with the owners on owner matters and convey views from the

owners to the Board, ensure that the Board receives satisfactory information and material for decision-making and its work, set a proposed agenda for board meetings in consultation with the CEO, check whether Board decisions are implemented, and ensure that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work methods and effectiveness.

The Board has established two working committees, the Audit Committee and the Compensation Committee.

### AUDIT COMMITTEE

The Board is responsible for ensuring that the Company has good internal control and formalized routines that ensure compliance with established principles for financial reporting and internal control and that the Company's financial reporting is prepared in compliance with law, applicable accounting standards, and other requirements placed on the Company.

The Audit Committee's duties and responsibilities include:

- Monitoring the Company's financial reporting;
- Regarding the financial reporting, monitoring the effectiveness of the Company's internal control and risk management;
- Staying informed about the audits of the annual accounts and the consolidated accounts;
- Examining and monitoring the external auditor's impartiality and independence and therewith paying particular attention to whether the external auditor provides the Company with services other than auditing; and
- Assisting with the preparation of proposals for the AGM on decisions regarding the choice of auditor.

Monitoring of the Company's financial reporting is normally conducted in such a way that the Audit Committee reviews all critical accounting issues and the financial reports issued by the Company. The Audit Committee is tasked with, among other things, considering matters such as internal control, regulatory compliance, significant uncertainties in reported values, uncorrected errors, post-balance sheet events, changes in estimations and assumptions, any confirmed improprieties, and other circumstances that may affect the quality of the financial reporting.

The Audit Committee consists of all of the board members and is chaired by the Chair of the Board. Minutes from Audit Committee meetings are included in the minutes from board meetings.

At board meetings, the Audit Committee discussed the interim report for January–March 2010, the half-year report for January–June 2010, the interim report for January–September 2010, the year-end report for January–December 2010 and the 2010 Annual Report. At board meetings, the Audit Committee met with the Company's auditor to receive information on the audit plan and the result of the auditor's audit and to examine the auditor's written plans and reports.

### COMPENSATION COMMITTEE

The Compensation Committee's duties and responsibilities include preparing matters for board decisions on issues related to compensation principles, compensation and other terms of employment for company management, and following and evaluating programs (both current and those completed during the year) for variable compensation for company management, as well as following and evaluating the application of the guidelines for compensation of senior executives (which in accordance with the law shall be determined by the AGM) and of compensation structures and compensation levels at the Company.

The Compensation Committee consists of all board members and is chaired by the Chair of the Board. Minutes from Compensation Committee meetings are included in the minutes from board meetings.

At board meetings, the Compensation Committee discussed matters that are incumbent upon the Compensation Committee.

## COMPOSITION OF THE BOARD

2010	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Heléne Vibbleus Bergquist	1958	Chair	2008	yes	Chair	Chair
Anders Persson	1957	Member	2009	yes	Member	Member
Magnus Ruding	1956	Member	2008	yes	Member	Member
Lars Röckert	1950	Member <sup>1</sup>	2010	yes	Member	Member
Mats Warstedt	1962	Member	2008	yes	Member	Member

<sup>1</sup>Member as of 2010 AGM

2009	Born	Position	Elected	Independent	Audit Committee	Compensation Committee
Heléne Vibbleus Bergquist	1958	Chair	2008	yes	Chair	Chair
Christian Paulsson	1975	Member <sup>2</sup>	2005	no <sup>3</sup>	Member	Member
Anders Persson	1957	Member <sup>1</sup>	2009	yes	Member	Member
Magnus Ruding	1956	Member	2008	yes	Member	Member
Fredrik Sandelin	1962	Member <sup>2</sup>	2006	yes	Member	Member
Mats Warstedt	1962	Member	2008	yes	Member	Member
Jan Werne	1952	Member <sup>2</sup>	2004	yes	Member	Member

<sup>1</sup>Member as of 2009 AGM

<sup>2</sup>Member until 2009 AGM

<sup>3</sup>Non-independent in relation to Lage Jonason, a major shareholder of the Company

## COMPOSITION OF THE BOARD AND ITS COMMITTEES AND DIRECTORS' INDEPENDENCE

According to the Articles of Incorporation, the Board of INVISIO Communications shall consist of a minimum of three and maximum of eight directors. The Board currently consists of five directors, who were elected for terms extending until the 2011 Annual General Meeting. These directors are Heléne Vibbleus Bergquist, Anders Persson, Magnus Ruding, Lars Röckert and Mats Warstedt. The composition of the Board's Audit Committee and Compensation Committee is shown in the table "Composition of the Board 2010" above. The same table also shows the Board's assessments of directors' independence in relation to the Company and company management and the Company's largest shareholders. The table also shows that INVISIO Communications complies with the requirement of the Swedish Code of Corporate Governance from July 1, 2008 that a majority of directors shall be independent in relation to the Company and company management and that at least two of these shall also be independent in relation to the Company's major shareholders. The Board's assessments of directors' independence is the same even in relation to the

requirements in the Swedish Code of Corporate Governance from February 1, 2010 that are applied only to directors elected after July 1, 2010.

## THE WORK OF THE BOARD

According to the Articles of Incorporation, INVISIO Communications' board shall meet at least eight times each year, excluding the board meeting following the election of the Board. In 2010, the Board held 21 meetings. The attendance of board members at board meetings is shown in the table "Directors' attendance 2010" below.

The main issues covered at board meetings in 2010 were:

- Year-end report 2009
- Annual report 2009
- Internal governance documents
- Evaluating the CEO and other members of management and ensuring succession planning
- Compensation of CEO and other senior executives
- Evaluating the work of the Board

## BOARD MEMBERS' ATTENDANCE

2010	Position	Board meetings
Heléne Vibbleus Bergquist	Chair	20 of 20
Anders Persson	Member	20 of 20
Magnus Ruding	Member	20 of 20
Lars Röckert	Member <sup>1</sup>	14 of 14
Mats Warstedt	Member	20 of 20

<sup>1</sup>Member as of 2010 AGM

2009	Position	Board meetings
Heléne Vibbleus Bergquist	Chair	19 of 19
Christian Paulsson	Member <sup>2</sup>	6 of 6
Anders Persson	Member <sup>1</sup>	12 of 13
Magnus Ruding	Member	19 of 19
Fredrik Sandelin	Member <sup>2</sup>	5 of 6
Mats Warstedt	Member	18 of 19
Jan Werne	Member <sup>2</sup>	5 of 6

<sup>1</sup>Member as of 2009 AGM

<sup>2</sup>Member until 2009 AGM

- Sales processes and sales activities
- Production matters
- The collaboration with Motorola
- Follow up on goals and strategies
- Financial accounting and reporting
- Internal prognoses regarding sales, profits and liquidity
- Liquidity and financing matters, including raising external loans and new share issues
- plan listing the Company's stock on NASDAQ OMX Small Cap Stockholm,
- Interim report January–March 2010
- Goals and strategies
- The auditor's audit plan
- Half-year report January–June 2010
- Interim report January–September 2010
- Prospectus for new share issue
- Budget 2011
- The CEO's report and business follow-up
- The outcome of the auditor's assignment

The secretary at the Board's meetings was most often an external attorney.

#### EVALUATING THE WORK OF THE BOARD

According to the Board's Work Plan, the Chair of the Board is responsible for ensuring that the Board's work is evaluated each year in a systematic and structured process designed to develop the Board's work forms and effectiveness. In 2010 the evaluation has been made by each board member completing a written questionnaire, which are then compiled by the chair to form the basis for subsequent reporting to and discussion in the whole board.

#### Auditor

INVISIO Communications' auditor audits the annual accounts, the consolidated accounts, and the bookkeeping, as well as the administration of the Board and the CEO. In addition, for a company whose shares are available for trading in a regulated market, the auditor also audits the corporate governance report. The auditor works according to an audit plan and reports any observations to the Audit Committee at board meetings. The auditor participates at the Annual General Meeting in order to present the audit report, which describes the audit work and the auditor's conclusions.

At the Board's request, the auditor also conducted a review of the interim reports for January–March 2010 and January–September 2010.

At the 2008 AGM, the certified public accounting firm PricewaterhouseCoopers AB was elected to serve as auditor for the time extending through the end of the Annual General Meeting held in the fourth financial year following the financial year in which the auditor was elected. The auditor-in-charge is Michael Bengtsson, Certified Public Accountant.

#### CEO, management, departments, and employees

According to the Swedish Companies Act, the CEO shall be responsible for the day-to-day administration in accordance with the Board's guidelines and instructions. Each year, in connection with the board meeting following the election of the Board, the Board of INVISIO Communications adopts a set of instructions for the CEO. According to these instructions, the CEO shall, in consultation with the Chair of the Board, ensure that matters are properly prepared for ahead of board meetings and that satisfactory written documentation for decision-making, characterized by objectively presented facts, thoroughness, and relevance, is provided to the Board. At board meetings, the CEO shall make presentations and suggest recommendations on matters prepared by management. The CEO's report on the business situation, future outlook, and financial reporting is a standing agenda item at regular board meetings.

INVISIO Communications' operations are organized in two business areas, Professional Products and Consumer Products, and in four departments, Operations, Finance, Sales & Marketing and Research & Development. INVISIO Communications' headquarters are in Copenhagen, Denmark, which is where management and administration, business operations, some manufacturing, sales and marketing and research and development are conducted. Most manufacturing is outsourced to subcontractors. The CEO heads operations and makes decisions in consultation with the other members of management, who consist of the managers of the four business areas. The Company had 27 (29) employees as per 31 December 2010 and 14 (14) of those employed worked in Research & Development.

# BOARD OF DIRECTORS

## ■ HELÉNE VIBBLEUS BERGQUIST (BORN 1958)

*Member of the board and chair since April 2008*

M.Sc. Econ. from Linköping University, management consultant. Vibbleus Bergquist is a member of the boards of Renewable Energy Corporation ASA, Trelleborg AB (publ.), TradeDoubler AB (publ.), Tyréns AB, Nordic Growth Market NGM AB, Sida and Pertendo AB, in which she also has a considerable shareholding. Former Senior Vice President, Group Controller, AB Electrolux, Certified Public Accountant, partner and director on the board of PricewaterhouseCooper in Sweden.

Vibbleus Bergquist owns 47,547 shares in INVISIO Communications.

## ■ LARS RÖCKERT (BORN 1950)

*Member of the board since April 2010*

Röckert trained as an officer at Karlberg Military College 1973-74 and the Military College Higher Course 1982-1984, which corresponds to a higher academic exam. Röckert has been a board member of BHIC Bofors Asia Sdn Bhd since 2004. Röckert is also employed as marketing manager of BAE Systems AB. Former board member and chair of H-B Utveckling AB and marketing and sales manager of BAE Systems Bofors AB.

Röckert owns 2,502 shares in INVISIO Communications.

## ■ MATS WARSTEDT (BORN 1962)

*Member of the board since December 2008*

M.Sc. Eng in aviation technology from Stockholm's Royal Institute of Technology (KTH) and M.Sc. Econ from Stockholm School of Economics. Warstedt is CEO of Innovativ Vision AB – WoodEye, and is also active in his own consultancy firm. Former marketing director of SAAB AB (publ.) and CEO of Saab Barracuda AB, as well as chair of Saab International USA LLC, Barracuda Camouflage (Pvt.) Ltd and Saab Barracuda LLC and Barracuda Camouflage Corp.

Warstedt owns 3,272 shares in INVISIO Communications.

## ■ ANDERS PERSSON (BORN 1957)

*Member of the board since April 2009*

M.Sc. Eng in Engineering Physics from Chalmers University of Technology, Gothenburg. Persson is chair of Net Insight Consulting AB and deputy board member of Ten Tech AB, and works as deputy CEO and development manager of Net Insight AB. Persson has many years of experience from the Ericsson Group, where he was most recently General Manager for Network Design and Performance Improvement. He has also held a number of other executive positions at Ericsson.

Persson owns 2,502 shares in INVISIO Communications.

## ■ MAGNUS RUDING (BORN 1956)

*Member of the board since December 2008*

M.Sc. Eng. in mechanical technology and doctorate in production technology from Stockholm's Royal Institute of Technology (KTH). Ruding is a major in the Defence Forces reserve and is Head of Method and Design Support and R&D, Swedish Defense Materiel Administration. He is also a Fellow of the Royal Swedish Academy of War Sciences. Ruding has previously been active in Swedish manufacturing industry in Fläkt AB, as a management consultant and as deputy CEO of Svensk-Norsk Industrifond. Ruding is a major shareholder and board member of Serment AB.

Ruding owns 500 shares in INVISIO Communications.



**From left:** Lars Röckert, Mats Warstedt, Heléne Vibbleus Bergquist, Anders Persson, Magnus Ruding

## SENIOR EXECUTIVES

Below we present the senior executives of INVISIO Communications, with their backgrounds, positions, and years of service.

### ■ LARS HØJGÅRD HANSEN (BORN 1963)

CEO since July 2007, prior to which he was acting CEO for the period February–June 2007

Lars Højgård Hansen has a Graduate Diploma (HD) from Copenhagen Business School and an Executive MBA from Lund University, School of Economics. Højgård Hansen has been employed at INVISIO Communications since 2006. Prior to joining INVISIO Communications, Højgård Hansen has a long record of experience from executive positions in the telecom industry, including Vice President Marketing for GN Netcom A/S and Sales and Marketing Director for mobile phone accessories in Europe, the Middle East, and Africa for Ericsson Mobile Communications AB and SonyEricsson Mobile Communications AB.

Højgård Hansen has no significant assignments outside the Company and no shareholdings or partnerships in companies with which the Company has significant business dealings.

Højgård Hansen owns 128,332 shares in INVISIO Communications and also participates in the company's synthetic option program.

### ■ BENGT NILSSON (BORN 1951)

CFO since 2007

Nilsson has an economics degree from Stockholm University. Nilsson has been with INVISIO Communications since 2007, prior to which he has a long record of experience from executive positions, including Finance Director and Administrative Director for Shurgard Scandinavia, Finance Manager of WASA Försäkring and CFO of Vattenfall Division Sales, Sweden. He has also worked as an independent consultant with assignments for companies such as Diligentia AB, where he was CFO/controller, and Carnegie Holding AB.

Nilsson owns 500 shares in INVISIO Communications and also participates in the company's synthetic option program.

### ■ JAN LARSEN (BORN 1962)

Vice President Research & Development since May 2007 and also Head of Operations since March 2010

Larsen has a degree in Electrical Engineering (B.Sc. EE) from the Technical University of Denmark and a Graduate Diploma (HD-O) from Copenhagen Business School. Larsen has been with INVISIO Communications since 2007, prior to which he has a long record of experience from executive positions in product development for various types of hearing and acoustics applications, including Vice President R&D for GN Netcom A/S and UnoMedical A/S and various positions at Oticon A/S.

Larsen owns 500 shares in INVISIO Communications and also participates in the company's synthetic option program.

### ■ CARSTEN AAGESEN (BORN 1968)

Vice President Sales since May 2008 and Vice President Sales and Marketing since January 2011

He has an M.Sc. Econ., with a major in Marketing and Strategic Management from Copenhagen Business School. Aagesen has been with INVISIO Communications since May 2007, prior to which he had many years executive experience in international sales and marketing, including Sales & Marketing Manager and Marketing Manager, Nordic Region and Benelux for Apple Inc, Director Global Marketing for GN Great Nordic A/S/ GN Netcom A/S and Director Sales & Product Sourcing for F Group A/S.

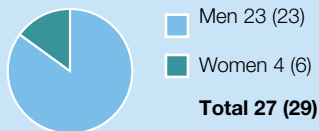
Aagesen owns 500 shares in INVISIO Communications and also participates in the company's synthetic option program.



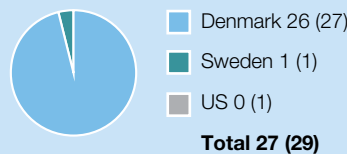
From left: Lars Højgård Hansen, Jan Larsen, Carsten Aagesen, Bengt Nilsson

# EMPLOYEES AND ORGANIZATION

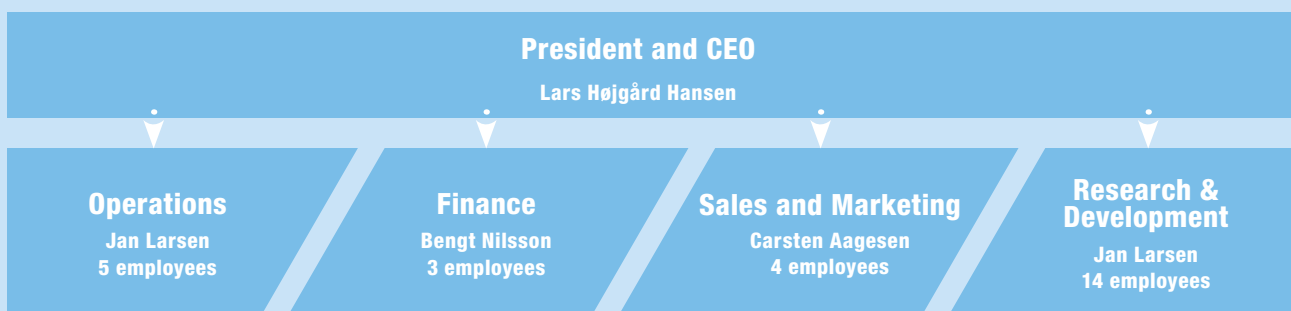
## GENDER DISTRIBUTION AS PER 31 DECEMBER 2010



## GEOGRAPHIC DISTRIBUTION AS PER 31 DECEMBER 2010



## ORGANIZATIONAL STRUCTURE



## Compensation of the Board, auditor, CEO, and other senior executives

### DIRECTORS' FEES

Directors' fees are determined by the shareholders at general meetings. The 2010 AGM resolved that directors' fees shall be payable in the amount of SEK 250,000 to the Chair of the Board and SEK 100,000 to each of the other directors. The AGM also resolved that an additional fee of not more than SEK 500,000 shall be payable under special circumstances to a director who, pursuant to a Board decision, shall work with financial matters, matters regarding preparation for and listing on NASDAQ OMX Small Cap, contract negotiations, and other strategic matters. The Board decided in favor of an additional fee of SEK 150,000 for the Chair of the Board for work at the beginning of 2010 in accordance with the decision of the 2009 AGM on additional fees. The Board has also decided on an additional fee for the Chair and one other member of the Board for subsequent work of SEK 256,000 in accordance with the decision of the 2010 AGM on additional fees. No additional fees are payable to members of the Audit Committee or the Compensation Committee.

Directors' fees are described in more detail in Note 11 of the 2010 Annual Report.

### AUDITOR'S COMPENSATION

The auditor's fees are decided on by the shareholders at the annual general meeting. The 2010 Annual General Meeting resolved that fees shall be payable to the auditor in accordance with an approved invoice. Auditor's fees are shown in the table below. Other services pertain primarily to consulting on accounting matters and other services, such as prospectus auditing and costs relating to the planned listing of the Company's shares on NASDAQ OMX Small Cap.

SEK 000s	2010	2009
<b>PwC</b>		
Auditing assignments	675	662
Auditing activities in addition to auditing assignments	362	-
Tax consultancy	144	-
Other services	743	117
<i>Total</i>	<i>1,924</i>	<i>779</i>
<b>MCG LLP</b>		
Auditing assignments	65	115
Auditing activities in addition to auditing assignments	-	-
Tax consultancy	-	-
Other services	64	61
<i>Total</i>	<i>129</i>	<i>176</i>
<b>GROUP TOTAL</b>	<b>2,053</b>	<b>955</b>

Auditor's fees are described in more detail in Note 7 of the 2010 Annual Report.



## COMPENSATION TO CEO AND OTHER SENIOR EXECUTIVES

The Company shall offer market terms for the countries in which they work to the CEO and other senior executives and thereby enable the Company to recruit, develop, and retain senior executives. The Company gathers and evaluates information on current compensation levels for executives in relevant industries and countries. The individual remuneration shall be based on the executive's experience, expertise, responsibilities and performance. A combined gross level of compensation shall be set for each executive, and within this framework the concerned employee can influence the allocation among fixed salary, pension, and other benefits. Any pension benefits shall be decided by charges. Any other benefits shall have a limited value in relation to the total fixed gross salary. In addition, a variable salary based on clear and quantifiable targets set by the Board can be offered. Variable salary shall not exceed 50 percent of the fixed salary.

Neither the Parent Company nor the subsidiaries have any defined benefit pension plans for their employees. Under his employment contract, the CEO has a defined contribution pension entitlement in which the premium is calculated at 30 percent of approximately 70 percent of his fixed salary. Certain other senior executives also have a defined contribution pension entitlement in which the premium is calculated at 10–25 percent of fixed salary.

Compensation of the CEO and other senior executives is shown in the following table.

2010 SEK 000s	Salary	Pension	Other remuneration	Total
<b>Management</b>				
Lars H. Hansen, CEO	2,234	123	74	2,431
Other executives	4,145	410	-	4,555
<i>Total</i>	6,379	533	74	6,986

2009 SEK 000s	Salary	Pension	Other remuneration	Total
<b>Management</b>				
Lars H. Hansen, CEO	2,096	462	73	2,631
Other executives	5,166	488	-	5,654
<i>Total</i>	7,262	950	73	8,285

Compensation of the CEO and other senior executives is described in more detail in Notes 10 and 11 of the 2010 Annual Report.

### Long-term incentive program

In 2007, the Board established a synthetic option program for all Group employees. During the term of the program, participants will be granted employment-related options and performance-related options.

The options are granted free of charge and encompass a total of 700,000 options, of which 350,000 are employment-related options and 350,000 are performance-related options. Exercise of employment-related options requires, in principle, that the employment relationship exists at the time of exercise. In addition, exercise of performance-related options requires the achievement of certain financial targets set by the Board.

The option program has a duration of approximately four years from the time of allocation and expires on June 30, 2011. The growth in value of granted options is maximized at three times the share price at the time of the launch which amounted to SEK 19 as at July 9, 2007.

In 2010, SEK 1,035 thousand (2,391) was reserved for the program, of which SEK 1,035 thousand was for performance-related options granted for 2009 (423 for those granted for 2008), corresponding to 87 percent (41) of maximum outcome. Nothing has been reserved in respect of employment-related options, since the

opportunity of receiving employment-related options expired at the end of 2009.

Nothing has been reserved in respect of performance-related options for 2010, since performance targets were not met.

In 2010 dissolution of SEK 2,329 thousand occurred of the reserve for the Company's synthetic option program as a result of the Company's share price having fallen. The final closing price as per 30 December 2010 was SEK 10.00 (18.00).

### Notice period

According to his employment contract, the CEO has a 12-month notice period in the event the Company serves notice. In the event the CEO leaves of his own accord, the notice period is eight months.

According to their respective employment contracts, other senior executives have a six-month notice period in the event the Company serves notice. In the event the other senior executives leave on their own accord, the notice period is three months.

## Board's report on internal control and risk management pertaining to financial reporting

The Board's responsibility for internal control and risk management is regulated in the Swedish Companies Act and, for Swedish limited liability companies whose shares are available for trading on a regulated market in Sweden (currently NASDAQ OMX Stockholm and NGM Equity), also in the Swedish Code of Corporate Governance. In addition to the rules in the Swedish Code of Corporate Governance regarding information about corporate governance, the rules of the Swedish Annual Accounts Act on corporate governance reporting also apply to companies whose shares are available for trading in a regulated market. Thus, INVISIO Communications is not formally bound to the Swedish Code of Corporate Governance or the rules of the Swedish Annual Accounts Act on corporate governance reporting, since the Company's shares are not available for trading on a regulated market, although the Code serves as an important reference for corporate governance within the Company. According to the Swedish Annual Accounts Act, the corporate governance report shall include information about the most important features of the Company's systems for internal control and risk management with respect to financial reporting.

Internal control and risk management with respect to financial reporting are part of INVISIO Communications' overall internal control and risk management and comprise a central component of the Company's corporate governance. INVISIO Communications defines internal control and risk management as a process that is influenced by the Board, the Audit Committee, the CEO, other Company management, and other employees and that is designed so as to provide reasonable assurance that INVISIO Communications' goals are achieved with respect to suitable and effective operations, reliable reporting, and compliance with applicable laws and statutes. This process is based on a control environment that fosters discipline and structure for the other four components of the process – risk assessment, control structures, information and communication, and follow-up. The process is based on the framework for internal control issued by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO), [www.coso.org](http://www.coso.org).

Board's report on internal control and risk management pertaining to financial reporting can be found below and gives information about the most important features of the Company's systems for internal control and risk management with respect to financial reporting. This report has been audited by the Company's auditor.

Internal control and risk management with respect to financial reporting are aimed at providing reasonable assurance regarding the reliability of the external financial reporting in the form of interim reports, annual reports, and year-end reports and ensuring that the external financial reporting is prepared in accordance with law, applicable accounting standards, and other requirements on listed companies.

## CONTROL ENVIRONMENT

The control environment encompasses the values and the ethics that the Board, the Audit Committee, the CEO, and other members of management communicate and adhere to, as well as the organizational structure, leadership, decision-making channels, authority, responsibilities, and competence held by the employees. An overview of the Company's organization, governance, and control – including external and internal governance documents that are important aspects of INVISIO Communications' control environment – is provided on page 34 in the Corporate Governance Report. INVISIO Communications is characterized by a comparatively lean and decentralized organization with clear responsibility for the respective business area managers who, together with the CEO, comprise company management.

The Board has overarching responsibility for internal control and risk management with respect to financial reporting. The Board has adopted a Work Plan for the Board of INVISIO Communications that forms an internal governance document. This document stipulates the Board's responsibility and regulates the internal division of duties among the Board, its committees, and its members.

The Board has appointed an Audit Committee, comprised of all board members, tasked with and responsible for monitoring the Company's financial reporting and, in this context, also monitoring the effectiveness of the Company's internal control and risk management. The Audit Committee shall also stay informed about the audits of the annual accounts and the consolidated accounts, examine and monitor the external auditor's impartiality and independence and therewith pay particular attention to whether the external auditor provides the Company with services other than auditing, and assist with the preparation of proposals for the AGM on decisions regarding the choice of auditor.

The Board has also established internal governance documents in the shape of a set of instructions for the CEO of INVISIO Communications, as well as instructions for financial reporting to the Board of INVISIO Communications.

As regards financial reporting, responsibility for maintaining an effective control environment and for the ongoing work on internal control and risk management is delegated to the CEO. The Company's CFO works under the direction of the CEO on continuously developing and improving the internal control and risk management with respect to financial reporting – on the one hand proactively with a focus on the internal control environment, on the other hand by quality assuring the external financial reporting. In 2010, INVISIO Communications continued the review of internal governance documents begun in 2008 and 2009 in order to ensure that they meet the Company's current needs and are in compliance with laws, applicable accounting standards, and other requirements on listed companies. As a result of this review, several internal governance documents have been updated. In addition to this, the focus in 2010, as in 2009, was on effective financial governance and control in the form of follow-ups of targets and plans and clear divisions of responsibility for income and expenses.

## RISK ASSESSMENT

As regards financial reporting, INVISIO Communications' risk assessment is designed to identify and evaluate the most significant risks affecting internal control with respect to financial reporting. Risk assessment provides a foundation for decisions on how risks are to be managed using various control structures, with the aim of ensuring that the basic requirements of financial reporting are fulfilled. The risk assessment that has been performed shows that the most significant risks for errors in the financial reporting pertain primarily to the fair valuation of intangible assets in the form of capitalized development costs, inventories, and trade accounts receivable. As per 31 December 2010, the assessment is that the carrying amount of these items corresponds to their fair value.

The Company's risk management is described further in the Board of Directors' Report and in Note 2 of the 2010 Annual Report.

## CONTROL STRUCTURES

The most significant risks identified with respect to the financial reporting are managed using various control structures to ensure that the basic requirements of the external financial reporting are fulfilled. These control structures include both overarching and more detailed controls designed to prevent, discover, and correct errors and deviations, and which can be both formal and informal in nature. Areas covered by the controls include authorized approval of business transactions, the reliability of business systems, compliance with laws, applicable accounting standards, and other requirements placed on listed companies, and areas that contain significant elements of estimation.

## INFORMATION AND COMMUNICATION

As regards financial reporting, information and communication about internal governance documents are available to the Company's employees in INVISIO Communications' document management system, High Stage. High Stage is a web-based tool for managing business documents in a central database and features automatic version management as well as control of authorization, reviews, and approval. Information and communication on internal governance documents are also provided in connection with staff meetings.

As regards financial reporting, the CEO and the Company's CFO report the results of their work on internal control and risk management at Audit Committee meetings.

External financial reporting is conducted in accordance with laws, applicable accounting standards, and other requirements on listed companies, as well as in accordance with relevant internal governance documents, such as the Finance Handbook, instructions for financial reporting to the board, and the Information Policy.

## FOLLOW-UP

Follow-ups to ensure the effectiveness of internal control and risk management with respect to financial reporting are conducted by the Board, the Audit Committee, the CEO, and other management. This includes follow-ups of the CEO's weekly business reports to the Board, of monthly financial reports against budgets and targets, of any reports from the CEO and the Company's CFO concerning identified shortcomings in internal control with respect to the financial reporting, and of reports from the Company's auditor.

INVISIO Communications does not have a dedicated internal audit function. The Board has evaluated the need for such a function and has concluded that the organization's size and the scope of operations do not warrant such a function.