

Interim report January-March 2016



Strong first quarter with good growth and high operating margin

January 1–March 31, 2015

- Net sales increased by 12 % to SEK 58.3 million (51.8).
- Operating profit was SEK 13.9 million (10.5).
- The operating margin was 23.9 % (20.2).
- Profit before tax was SEK 14.2 million (10.8).
- Earnings per share were SEK 0.42 (0.34)

CEO's comments

CellaVision's sales growth was sound in the first quarter of 2016. Sales were SEK 58.3 million, equivalent to growth of 12 percent. As in the first quarter of 2015, sales consist exclusively of analyzers for the human healthcare market. The quarter is our strongest first quarter ever and the favorable sales trend means that operating profit improved by 32 percent to SEK 13.9 million. The operating margin was 23.9 (20.2) per cent. Currency exchange rates impacted sales by four percent in the quarter.

CellaVision's two largest markets, the Americas and EMEA, showed positive growth in the year's first quarter, and it is particularly gratifying to be able to note that the Americas market has returned to growth after a weaker period. Sales in the quarter amounted to SEK 27.6 million, equivalent to growth of six percent.

We saw even stronger growth in EMEA, where sales increased by as much as 32 percent to SEK 25.6 million.

Sales in APAC are becoming established and are still progressing from relatively low levels. In the first quarter of 2016 sales decreased somewhat to SEK 5.1 million. Our assessment is that the decrease is of a temporary nature and we expect a good first half year in the region.

During the quarter CellaVision continued to work on activities targeting leading laboratory chains in veterinary medicine. Through the product launches implemented in 2015 we strengthened our offer to the veterinary market and we continue to see positive opportunities to achieve good sales over time in this market. However, the veterinary market is in an early phase of development, which means that

Significant events after the first quarter

- There are no significant post quarter events to report.

it is difficult to assess the pace of its development.

CellaVision will steadily become established in new markets in future, in accordance with our offensive geographical expansion strategy to ensure that we are involved in driving the transition from manual microscopy to digital blood analysis. As part of this strategy we opened a regional office in Dubai in the quarter. The focus of the new organization is the fast-growing healthcare market in the Middle East and surrounding geographical areas, which are new markets for CellaVision. There are about 800 hospitals in the region, many of which are premium hospitals. These are particularly interesting to us. We have also started work on establishing a market support organization in Korea, which we believe is a market with great potential for CellaVision.

Development of the new technology platform for small and mid-sized human and veterinary laboratories continued according to plan during the quarter. Launch of the new products is expected to be in the first quarter of 2018.

CellaVision has an ambitious global agenda with four areas of focus. We continually evaluate new geographical areas in close collaboration with our partners. We also regularly address new market segments, such as veterinary laboratories and small and mid-sized blood laboratories. Beyond this is a high rate of innovation a cornerstone for CellaVision that we will continue to invest substantially in. Finally, we endeavor to further improve collaboration with our production partner. The above is summarized in our scalable indirect sales business model, which has proved to work well and deliver great value to us.

Zlatko Rihter, President and Chief Executive Officer

Net Sales, Q1

+12 %

Operating profit, Q1

13.9 MSEK

Operating Margin, Q1

23.9 %

CellaVisions two largest markets, Americas and EMEA, had a positive development in the quarter



Key Ratios

(MSEK)	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales	58,3	51,8	239,4
Gross profit	40,9	36,3	174,2
Operating profit	13,9	10,5	65,5
Operating margin, %	23,9	20,2	27,3
Profit/loss before tax	14,2	10,8	65,6
Cash flow for the period	13,0	41,0	54,8
Equity ratio, %	83,0	76,0	83,0

Sales, earnings and investment

January 1–March 31

Net sales for the Group in the first quarter were SEK 58.3 million (51.8), an increase of 12 percent compared with the corresponding period in 2015. The increase compared with the previous year is mainly due to good sales in the European market.

CellaVision invoices more than 90 percent of its sales in euro or US dollars, which means that exchange rate fluctuations have a major impact on the company's reported sales and earnings. Adjusted for positive exchange rate effects of four percent, sales increased by eight percent compared with the corresponding quarter in 2015.

The gross margin was 70 percent (70) for the quarter. CellaVision usually has great variations in gross margins between individual quarters, which is due to the distribution of sales via distributors as against own sales companies, as well as the product mix.

Total operating expenses in the first quarter were SEK 27.0 million (25.8). The increase is partly due to increased sales and marketing costs linked to CellaVision's reinforced marketing organization.

CellaVision is running several development projects aimed at strengthening the company's product offer to customers in the area of hematology. Capitalized expenditure for development projects was SEK 1.2 million (1.9) for the quarter. CellaVision currently has several projects in the pre-study phase and they will not be capitalized before commercially oriented projects have started.

Operating profit for the quarter increased to SEK 13.9 million (10.5) with an operating margin of 23.9 percent (20.2).

Seasonal variations

CellaVision has an unevenly distributed order flow over the year, historically with a strong fourth quarter. This is due to the distributors' sales, inventory levels and contracted volumes. The variation in order volume in individual quarters may be great in the different geographical regions.

Net sales, Q1

58.3 MSEK

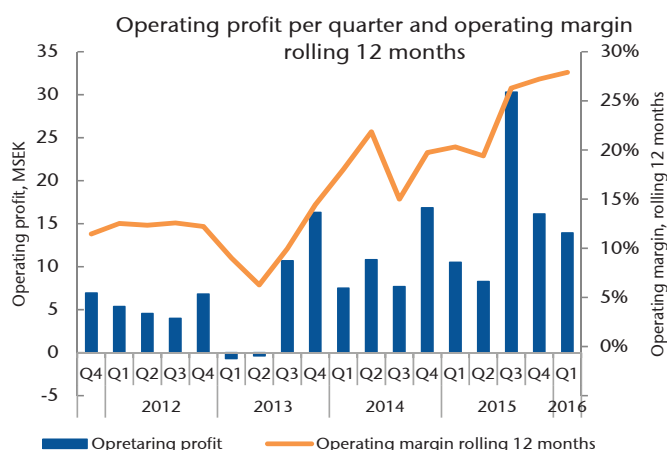
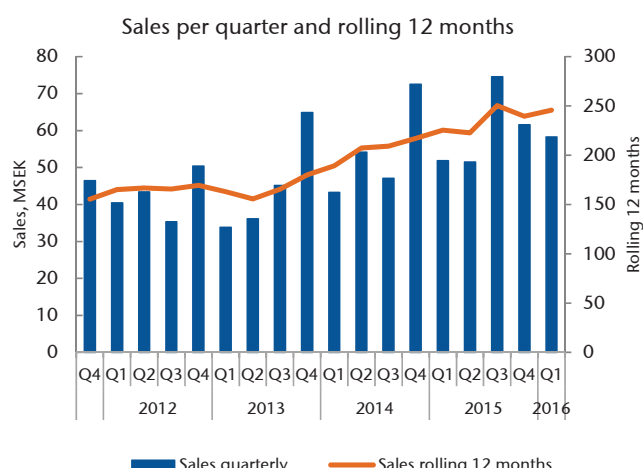
Operating margin, Q1

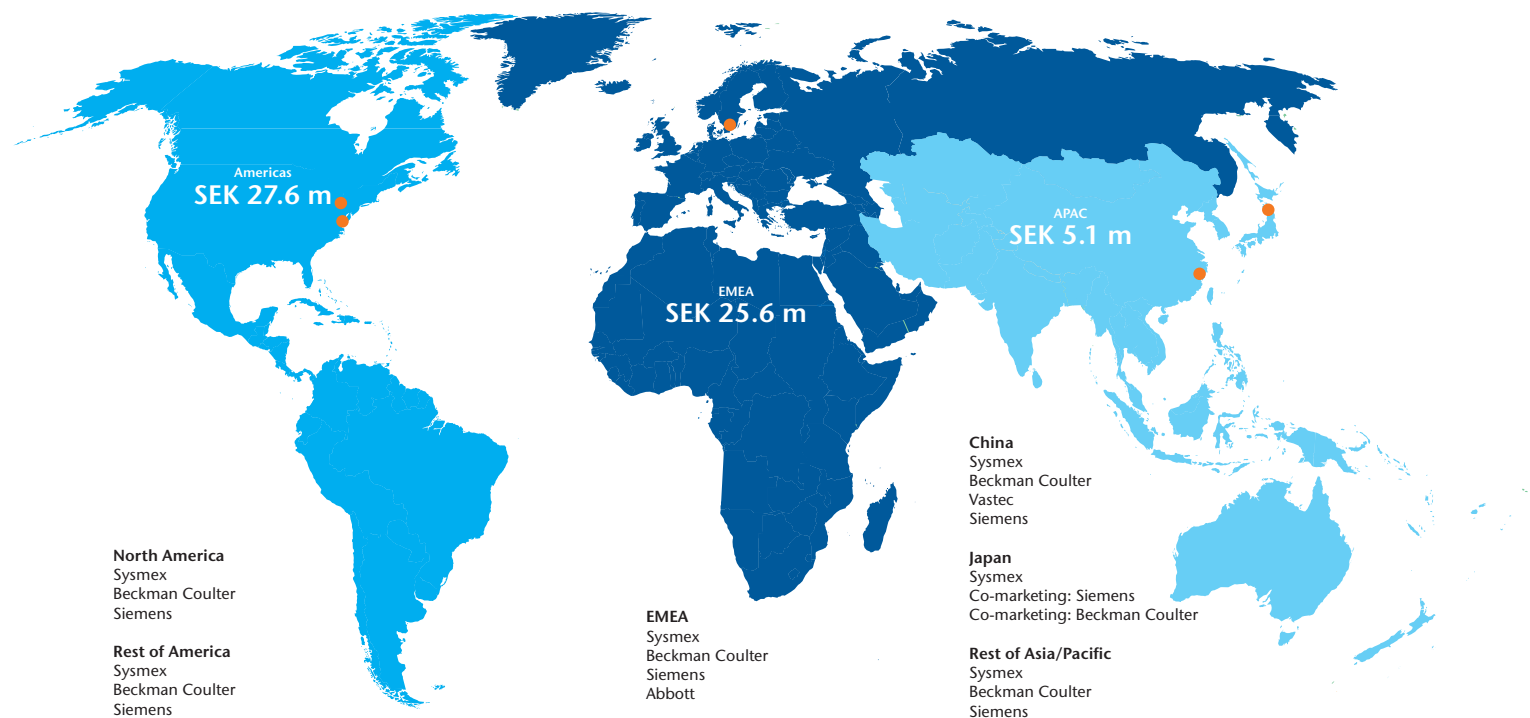
23.9 %

Financial targets

Our objective is to create a global standard for digital microscopy in the sub-field hematology, aiming in the long term to be a world leading supplier in several sub-fields of laboratory medicine. The objective is broken down into important financial targets.

- **Sales growth $\geq 15\%$**
Increase sales over an economic cycle by an average of at least 15 percent per year.
- **Operating margin $> 20\%$**
The operating margin is to exceed 20 percent over an economic cycle.





CellaVision's regions and distribution partners

● CellaVision's sales and business support offices

Development in geographical markets

Americas

Sales in the Americas increased in the first quarter by six per cent to SEK 27.6 million (26.0). The increase is explained by growing sales to the important human healthcare market after a slower period. During the quarter the company developed a new strategy aimed at increasing sales in the states in which CellaVision has relatively low penetration. Market penetration will be achieved by CellaVision's local organization for market support in close collaboration with the company's distribution partners.

The work of creating interest in CellaVision's solutions in the veterinary market continues and during the quarter the company exhibited its analyzers at three veterinary congresses and met with a positive response. CellaVision has also started collaboration with a well-reputed veterinary university that plans to implement a study using CellaVision's analyzers.

CellaVision's strategy is to work with an indirect sales model with distribution partners throughout the world. In Canada, where the company previously sold directly, the same indirect sales model as in the rest of the world was introduced during the quarter.

EMEA

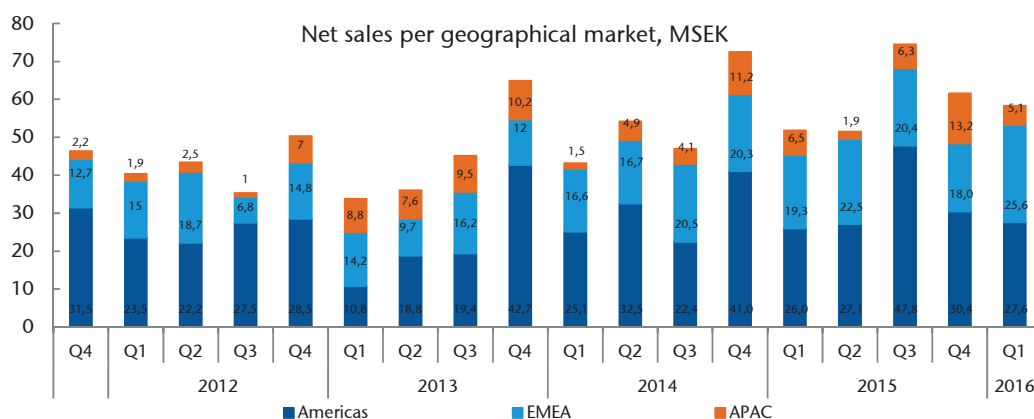
Sales in EMEA increased by 32 percent to SEK 25.6 million (19.3) thanks to continued growth in demand for CellaVision's products from the human healthcare market in Europe. The CellaVision® Advanced RBC Application, which was launched in the latter part of 2014, contributed to the sales growth during the quarter. During the quarter CellaVision continued to work on activities targeting leading laboratory chains in veterinary medicine.

The company's newly established regional office in Dubai opened according to plan during the quarter. The Middle East is a region where CellaVision sees good growth potential. The news of CellaVision's presence in Dubai and the surrounding area has been well received by both distribution partners and end users.

During the quarter CellaVision started work on a new sales strategy for Western Europe, centering on a number of large countries with good growth potential. CellaVision is planning to establish a local market support organization in Western Europe to provide market support more effectively and in the local language to the company's distribution partners. The organization is estimated to be in place in late 2016.

Sales in the important human market in Americas increased in the quarter

EMEA continues to deliver strong sales and increased 32% in the quarter



The veterinary market also offers long term interesting growth opportunities in EMEA, mainly in Western Europe. An analysis is in progress of the test installations and evaluations carried out in the past six months. Since the veterinary market is still a relatively new market for the company, it is difficult to assess the pace of its development.

APAC

Sales in APAC decreased in the quarter to SEK 5.1 million (6.5), above all due to fewer orders from Japan and South East Asia. However, CellaVision assesses this to be a temporary decline and that the outlook for the full year is good. CellaVision's relatively low sales volume in APAC, selling to a small number of markets, means that large differences in sales can occur between individual quarters. Sales of software reported good growth in the quarter, including strong growth for the recently launched CellaVision® Advanced RBC Application.

During the quarter CellaVision won a prestigious order for China's second largest hospital, located in Chengdu. This is an important milestone and a good future reference. In addition, the company implemented training programs in Singapore during the quarter for distribution partners in South East Asia.

The company plans to increase market support functions in Shenzhen, China and in Seoul, South Korea in 2016.

Research and Development

CellaVision is continually conducting a number of development projects, aimed at strengthening the offer to the company's customers in the field of hematology. The development of a technology platform for small and mid-size laboratories is continuing according to plan. The project is extensive and is expected to continue over the coming years, with a planned launch in 2018.

In the quarter the work concerning several different patent families continued, to give both increased protection and increased geographical scope, and CellaVision was granted a new patent. The patent is an American patent for CellaVision's in-house developed microscope which is currently used in all systems to take the high-quality pictures that CellaVision is known for. CellaVision's patent portfolio today consists of 23 patent families covering 58 registered patents.

The company continuously capitalizes expenditure on new development. Capitalized expenditure for development projects was SEK 1.2 million (1.9) for the quarter.

Cash flow

The Group's cash and cash equivalents at the close of the quarter amounted to SEK 119.7 million (93.0).

Cash flow from operating activities for the quarter was SEK 14.4 million (43.1).

Total cash flow for the quarter was SEK 13.0 million (41.0). The sound cash flow from the first quarter in the previous year was mainly due to lower trade receivables linked to good sales in December 2014.

Parent company

Parent company sales in the quarter were SEK 56.1 million (49.2). Profit before tax was SEK 18.6 million (10.3).

The parent company's investments in property, plant and equipment and intangible assets during the quarter amounted to SEK 1.3 million (2.1) and the cash flow to SEK 11.6 million (45.3). In other respects, please refer to the information for the Group.

Personnel

The number of employees of the Group, restated as full-time equivalents, was 73 (73) at the close of the period. Of these, 49 were men (48) and 24 women (25).

Information concerning risks and uncertainties

Reduced demand and changes in exchange rates constitute uncertainties but not material risks.

For a more detailed description of the risks and uncertainties facing CellaVision, please refer to the risk analysis in the annual report for 2015.

Significant events after the first quarter

There are no significant post quarter events to report.

Other information

Group

On March 31, 2016 the Group consisted of the parent company and the wholly-owned subsidiaries CellaVision Inc. (USA), CellaVision Canada Inc. (Canada), CellaVision Japan K.K. (Japan) and CellaVision International AB.

Dividend

The Board of Directors proposes to the annual general meeting an increased dividend of SEK 1.50 per share for 2015 (1.00). A decision on share dividend will be made from year to year, based on the company's development and capital requirements for financing the company's intended growth.

Accounting policies

The Group applies International Financial Reporting Standards (IFRS), as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Annual Accounts Act and the Nasdaq OMX Stockholm Rule Book for Issuers. The parent company applies the Annual Accounts Act

Prestigious orders to China's second largest hospital

Growth in sales of eg CellaVision® Advanced RBC Application in APAC

Number of employees
73

Disposable funds
SEK 119.7 million

Cash flow from operation activities
SEK 14.4 million

Total cash flow for the quarter amounted to SEK 13.0 million

and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. The accounting policies and calculation methods applied are consistent with those described in the annual report for 2015. New standards and interpretations that came into force on January 1, 2016 have not had any impact on CellaVision's financial reporting for the interim report period.

Disclosures under IAS 34 Interim Financial Reporting are presented in the financial information on page five.

Financial instruments

Derivatives held for foreign currency hedging are valued at level 2, financial instruments where fair value is determined on the basis of valuation models based on other observable data for the asset or liability than listed prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Currency forwards are valued on the basis of observable information referring to exchange rates on the balance sheet date and market rates for remaining maturities.

The net value of currency forwards is recorded as Other receivables on the Group's balance sheet. The net value of CellaVision's derivatives was SEK 1.3 million at March 31, 2016.

Segment reporting

CellaVision's operations only comprise one operating segment; automated microscopy systems in the field of hematology, and therefore reference is made to the income statement and balance sheet regarding operating segment reporting.

Review

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

The Board of Directors and the President/Chief Executive Officer certify that the interim report provides a true and fair view of the parent company's and the Group's business, financial position and performance and describes material risks and uncertainties to which the parent company and the companies in the group are exposed.

Lund, May 3, 2016

Lars Gatenbeck
Chairman of the Board

Chister Fåhraeus
Member of the Board

Åsa Hedin
Member of the Board

Roger Johanson
Member of the Board

Torbjörn Kronander
Member of the Board

Anna Malm Bernsten
Member of the Board

Niklas Prager
Member of the Board

Zlatko Rihter
President/CEO

Consolidated Income Statement in Summary

All amount in ' 000 SEK	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales	58 250	51 822	239 390
Cost of goods sold	-17 349	-15 516	-65 157
Gross profit	40 901	36 306	174 233
Sales and marketing expenses	-13 352	-10 257	-47 851
Administration expenses	-7 016	-9 651	-33 788
R&D expenses	-6 611	-5 906	-27 124
Operating profit	13 922	10 492	65 470
Interest income and financial exchange rate gains	866	340	2 008
Interest expense and financial exchange rate losses	-591	-	-1 925
Profit/loss before tax	14 197	10 832	65 553
Tax	-4 285	-2 722	-12 731
Profit/loss for the period	9 912	8 110	52 822
Other comprehensive income:			
Components not to be reclassified to net profit:	-	-	-
Components to be reclassified to net profit:			
<u>a) Financial assets at fair value</u>			
Reclassified to operating result	-249	2 264	3 753
Revaluation of financial assets	1 306	-1 710	249
Income tax relating to financial assets	-232	-122	-828
<u>b) Translation difference</u>			
Translation difference in the group	-174	646	78
Sum of Components to be reclassified to net profit:	651	1 078	3 252
Sum of other comprehensive income:	651	1 078	3 252
Comprehensive result for the period	10 563	9 188	56 074
Per share data	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Earnings per share, SEK */	0,42	0,34	2,22
Equity per share, SEK	8,14	6,73	7,69
Number of shares outstanding	23 851 547	23 851 547	23 851 547
Average number of shares outstanding	23 851 547	23 851 547	23 851 547
Stock exchange rate, SEK	50,00	53,75	69,75
* Based on the profit/loss for the period divided by the average number of shares in issue			

Quarterly earnings trend

All amount in ' 000 SEK	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Net sales	58,250	61,553	74,529	51,486	51,822	72,482	47,043	54,154
Gross profit	40,901	46,428	54,828	36,671	36,306	50,477	30,362	36,273
Gross margin in %	70	75	74	71	70	70	65	67
Expenses	-26,979	-30,002	-24,537	-28,410	-25,814	-33,642	-22,693	-25,472
Operating profit	13,922	16,426	30,291	8,261	10,492	16,835	7,669	10,801
Net profit	9,912	15,215	24,412	5,085	8,110	11,649	4,828	9,094
Cash flow	13,024	8,070	32,365	-26,694	41,049	-6,592	12,286	-29,962

Consolidated Balance Sheet in Summary

All amount in ' 000 SEK	3/31/2016	3/31/2015	12/31/2015
Assets			
Intangible assets	28,874	27,336	29,400
Tangible assets	2,463	3,305	2,652
Deferred tax assets	5,546	20,172	9,902
Financial assets	1,409	117	1,195
Inventory	29,222	25,994	24,624
Trade receivables	35,657	33,505	35,498
Other receivables	10,696	9,078	10,462
Cash and bank	119,719	92,954	106,695
Total assets	233,586	212,461	220,428
Equity and liabilities			
Equity	194,081	160,484	183,518
Short term debt	24,038	34,863	28,462
Short term debt with interest	-	-	-
Trade payables	14,330	12,815	7,338
Other liabilities	1,137	4,299	1,110
Total equity and liabilities	233,586	212,461	220,428

Consolidated statement of changes in equity

All amount in ' 000 SEK	3/31/2016	3/31/2015	12/31/2015
Balance at the beginning of the year	183,518	151,296	151,296
Dividend	-	-	-23,852
Net profit for the year	9,912	8,110	52,822
Comprehensive result for the period	651	1,078	3,252
Balance at the end of the year	194,081	160,484	183,518

Cash Flow Analysis in Summary

All amount in ' 000 SEK	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Result before taxes	14,197	10,832	65,553
Adjustment for items not included in cash flow	-1,691	3,686	4,080
Taxes	-	-509	-957
Cash flow from operations before changes in working capital	12,506	14,009	68,676
Changes in working capital	1,927	29,106	19,321
Cash flow from operations	14,433	43,115	87,997
Capitalisation of development costs	-1,179	-1,887	-8,593
Aquisitions in financial non-current assets	-143	-392	-157
Aquisitions in tangible non-current assets	-87	213	-605
Cash flow from investment activities	-1,409	-2,066	-9,355
New loans and instalments of dept	-	-	-
Dividend	-	-	-23,852
Cash flow from financing activities	0	0	-23,852
Total cash flow	13,024	41,049	54,790
Liquid funds at beginning of period	106,695	51,905	51,905
Liquid funds at end of period	119,719	92,954	106,695

Income Statement - Parent Company

All amount in ' 000 SEK	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net sales	56,050	49,172	227,839
Cost of goods sold	-16,619	-19,178	-81,303
Gross profit	39,431	29,994	146,536
Sales and marketing expenses	-6,365	-4,570	-22,033
Administration expenses	-7,016	-9,651	-33,783
R&D expenses	-7,720	-5,906	-27,124
Operating profit	18,330	9,867	63,596
Interest income and financial exchange gains	853	447	1,990
Interest expense and financial exchange losses	-578	-	-1,804
Impairment loss on intra-group receivables and shares in subsidiary	-	-	-
Profit before income tax	18,605	10,314	63,782
Taxes	-4,093	-	-11,775
Net profit	14,512	10,314	52,007

Statement of Comprehensive Income

All amount in ' 000 SEK	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net profit for the period	14,512	10,314	52,007
Other comprehensive income:	-	-	-
Sum of other comprehensive income:	0	0	0
Comprehensive profit for the period	14,512	10,314	52,007

Balance Sheet - Parent Company

All amount in ' 000 SEK	3/31/2016	3/31/2015	12/31/2015
Assets			
Intangible assets	27,765	27,336	29,400
Tangible assets	1,553	1,896	1,756
Deferred tax assets	5,787	19,386	9,880
Financial assets	1,389	106	1,189
Inventory	25,949	21,254	21,352
Trade receivables	31,998	25,800	30,417
Receivables from group companies	6,450	-	2,478
Other receivables	8,703	7,652	8,772
Cash and bank	111,420	86,365	99,782
Total assets	221,014	189,795	205,026
Equity and liabilities			
Equity	181,483	146,860	166,971
Short term debt	18,653	25,201	23,056
Short term debt with interest	-	339	-
Trade payables	14,154	12,605	7,138
Liabilities to group companies	5,586	491	6,751
Other liabilities	1,138	4,299	1,110
Total equity and liabilities	221,014	189,795	205,026

This is CellaVision

CellaVision creates value by improving processes for blood analysis, enabling more patients to receive better and faster care at a lower cost to healthcare services.

CellaVision's core activities

CellaVision's core activities are digital image analysis of blood and other body fluids. Innovation is an important part of CellaVision's mission and its employees are the company's main resource. The company's coordinated competence transforms customers' needs into effective solutions for healthcare services.

CellaVision's employees have a high level of education and sound experience of the biomedical sector. Our employees' broad competence in product development, quality assurance, market establishment and market support is crucial to the company's development. The company has core technological expertise in image analysis, artificial intelligence and automated microscopy.

Corporate culture

CellaVision's corporate culture is characterized by understanding of the customer, quality awareness and ability to take action with responsibility, which is reflected in CellaVision's value-creating core values: Customer in focus, Initiative and Responsibility and Simplicity and Quality. Along with objectives, vision and guidelines, the core values inform the daily work and form a profitable corporate culture.

Offer to end customers

CellaVision offers digital solutions for medical microscopy in hematology. The end customers are large hospital laboratories and commercial laboratories. CellaVision's unique concept replaces manual microscopes and improves the blood analysis process. In that way more patients can receive faster care of better quality while healthcare services can use their resources better.

Strategic partnerships

To achieve scalability in manufacture and sales CellaVision works with strategic partners.

Suppliers

CellaVision's analyzers are manufactured in Sweden on contract by Kitron. The company has direct agreements with selected sub-contractors for key components.

Distribution via suppliers of cell counters

CellaVision's solution is the last step in a blood analysis process, in which the cell counter is central. Agreements with foremost suppliers of cell counters are therefore strategically important so as to reach end customers cost effectively. CellaVision partners have a broad range of products and global salesforces with local knowledge. CellaVision's own organization supports its partners in the sales process.

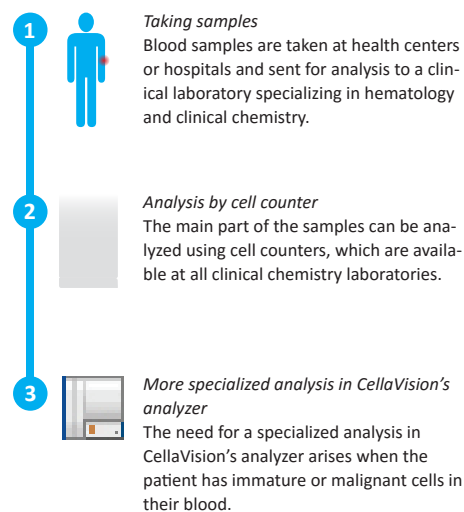
Vision

Our vision is global digitization and automation of blood analyses for both the human and veterinary segments. Our method contributes to improved patient diagnostics, streamlining and reduced healthcare costs.

Business concept

CellaVision develops and sells digital solutions for medical microscopy. We replace manual microscopes with analyzers based on digital image analysis technology, artificial intelligence and IT. Our systems contribute to more effective workflows and higher quality in laboratory medicine, an important part of the health care sector.

Automated analysis chain



Final analysis in the blood analysis process



Long term market driving forces

- Health care cost efficiency
- Consolidation of health care resources
- Ageing population and increased prosperity

CellaVision's core activities

Leading product development

CellaVision's partners

Scalable contract manufacturing

Selling via global partners

◀ Market support, sales support and end customer activities ▶

CellaVision creates value

For laboratories

- Faster and better care
- Better utilization of resources
- More effective tools for partnerships and quality assurance

For shareholders

Possibility of increased market value and dividend



Questions concerning the report can be addressed to:



Zlatko Rihter, CEO
Tel: +46 46 286 44 01
zlatko.rihter@cellavision.se



Magnus Blixt, CFO
Tel: +46 46 286 44 36
magnus.blixt@cellavision.se

Financial calendar

Annual general meeting::	May 4, 2016
Interim report Jan-June:	July 15, 2016
Interim report Jan-Sept:	October 27, 2016
Year-end bulletin 2016	February 7, 2017

Definitions of key figures and ratios

Equity per share. Equity divided by the number of shares at the end of the period.

Net earnings per share. Net earnings in relation to average weighted number of shares.

Equity-assets ratio. Equity as a percentage of the balance sheet total.

Publication

The information in this interim report is disclosed by CellaVision AB (publ) pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was released for public disclosure on May 3, 2016 at 08.20.

CellaVision is listed on the Nasdaq OMX Stockholm, Small Cap list. The company is traded under the ticker symbol CEVI and ISIN code SE0000683484.

HEADQUARTERS IN SWEDEN

CellaVision AB (publ)
Ideon Science Park
223 70 Lund
Visiting address: Scheelevägen 19A
Tel: 046-286 44 00
Email: info@cellavision.se
Org.no. 556500-0998

USA

CellaVision Inc.
2530 Meridian Pkwy, Suite 300
Durham, NC 27713
Tel: +1 919 806 4420
Email: us.info@cellavision.com

CANADA

CellaVision Canada Inc.
2 Bloor St West, Suite 2120
Toronto, ON M4W 3E2
Tel: +1 800 390 1374
Email: ca.info@cellavision.com

JAPAN

CellaVision Japan K.K.
9th Floor Sotestu KS Building 1-1-5
Kitasaiwai, Nishi-ku,
Kanagawa 220-0004 Japan
Tel: +81 45 670 7110
Email: info@cellavision.jp