CONTEXTVISION
IMAGE IS EVERYTHING

CONTEXTVISION AB
FIRST QUARTER 2016

Q1 HIGHLIGHTS

- Major evolvement within Deep Learning
- Significant sales increase in Asia
- New major ultrasound contract signed
- Operating margin within core business 25%

Q1 FINANCIAL DATA

- Sales of 18.4 MSEK (18.4)
- Operating result of 1.4 MSEK (1.9) and operating margin of 7.7% (10.5%)
- Research costs of 3.2 MSEK (1.7)
- Earnings per share of 0.1 (0.2) SEK

CONTEXTVISION CLOSES IN ON A GAME CHANGER

ANITA TOLLSTADIUS, THE COMPANY'S CEO COMMENTED:

ContextVision is on track to become a specialist within the latest artificial intelligence technology: deep learning. We are attracting more bright heads to the team and, together with very encouraging results from applying deep learning technology to all our ongoing projects, we have broadened our activities to accelerate the developments toward a new huge potential for the company.

The market for artificial intelligence-based products is projected to be worth $11.1 billion USD per year by 2024 and we see many future opportunities, with digital pathology first in line.

Parallel to developing our new technology, we continue to generate good profit from our stable core business as market leaders within medical image enhancement.

ContextVision now has a highly-skilled R&D-team of 22 sophisticated computer experts from different parts of the world, forming a very dynamic, creative and motivated team. This makes us well suited for developing the company into a deep learning specialist company. Deep learning is a breakthrough technology and the latest within artificial intelligence technologies, which finally makes computers smart and self-learning.
Adopting a new neural network technology, such as deep learning, comes very natural to us since we have over 30 years' experience from using the GOP technology which has many similarities. Our first in-house developed deep learning algorithms have already proved to be performing extremely well in our highly sophisticated computer models.

Beating impossible Chinese board game

Deep learning, or deep learning networks, continues to impress and reach major milestones. The 18-time world Go champion was recently beaten by an advanced computer system based on deep neural networks and machine learning. The ancient Chinese board game has been considered impossible for computers to play at a championship level because of the extremely high number of possible positions.

The use of deep learning technology in a broad range of possible applications continues to create huge commercial opportunities. Major international companies such as Google, IBM, Microsoft and Apple invest heavily in the development of artificial intelligence-based products. In addition, there is also a range of smaller companies developing deep learning products within marketing and finance and some are entering into the healthcare market. We are following the international developments very closely to identify the niches in which we can take a leading position. We intend to become a leader within our first new market: digital pathology.

Although the technology has become a buzzword, it has not yet become fully adopted by the industry. During the first quarter we have spent many hours in the most advanced meetings to reassure that we keep the development of our in-house technology at the forefront. Since January, we have increased our team further following successful recruitments of new key members. We now have a considerable number of highly-skilled researchers on board, dedicated to the development of unique know-how and new proprietary technology. Our R&D team is highly motivated and focused on the delivery of new creative solutions.

Digital pathology on track

The digital pathology research project is developing according to plan and we have started to build the team and broaden the scope. We intend to take a market leadership within the area of image analysis and, during the first quarter, we have added in-house expertise to lead the way to the market.
We have also broadened our network of expertise within pathology to develop our different product ideas as we strive to help improve healthcare the best possible way. The investments made into the development of new technology and new product ideas are supported by the profitable core business, medical image enhancement. Our first quarter sales were as strong as the first quarter last year and the operating margin was 25% within our core business and 7.7 % overall.
The Asian region is developing extremely well with a 30% increase over the last year. This includes some initial fees from new contracts that will also render future license sales. The European region is very stable and generated sales according to our short-term forecast. Our sales from US customers increased from the fourth quarter, but was lower than first quarter last year. Some of our US customers are suffering from a weaker demand from the US healthcare market compared to last year.

New major contract within ultrasound

Ultrasound continues to be our major market and we have strengthened our position during the first quarter as we signed another long-term agreement with a major global ultrasound manufacturer. The new contract broadens a previous agreement to include a product line within the mid-range segment. The agreement includes both our 2D and 3D image enhancement products, which demonstrates the demands of image quality within this segment and a broader use of 3D ultrasound.

In conclusion, we have set out a course to develop the company to increase the future potential significantly. During this quarter we have been able to specify plans and perform key activities to advance accordingly. The team is very committed and feels confident about the great potential in deep learning technologies and its applications.

FIRST QUARTER 2016

NET SALES AND OPERATING PROFIT

NET SALES

- The sales for the first quarter 2016 for ContextVision were 18.4 MSEK, which is in line with the sales for the same quarter previous year.
- The effect of currency exchange rates has been very limited for the period.

OPERATING PROFIT AND MARGIN

- The operating result was 1.4 MSEK (1.9) with an operating margin of 7.7% (10.5%).
- The cost for research within new areas (not capitalized) during Q1 amounted to 3.2 MSEK (1.7), and reflects the decided aggressive R&D and business development strategy.
- Only product developments that meet the requirements for capitalization are recorded as intangible fixed assets. Capitalized costs for development of two different products (total 1.2 MSEK) have been recorded during the quarter.
- The higher number of employees compared to the same period last year have naturally caused increased personnel costs for the quarter.

CASH-FLOW AND FINANCING

- Cash flow for the quarter represented a change of 2.4 MSEK (-0.9).
- Cash amounted to 38.0 MSEK (30.3) at period end.
- Equity at period end amounted to 58.1 MSEK (52.6) giving an equity ratio of 81% (79%).

GOVERNMENT GRANT

- ContextVision was awarded a EU grant in 2015, together with its academic partner University of Applied Sciences an Arts Western Switzerland (HES-SO).
- The company's total part of the grant is TEUR 404, and it will be paid out during a three-year period.
- The grant for 2016 is expected to be paid out in Q4, and will then be recorded as a cost decrease. The grant has therefore not been recorded in the P&L statement and has not affected the results for Q1.

EMPLOYEES AND MANAGEMENT

- At period end the company had 42 (38) employees of which 20 (19) are dedicated to research and development. 2 employees are located in the USA and 1 in China.

CONTEXTVISION GROUP

- The group consists of ContextVision AB (publ), company registration number 556377-8900 as the parent company, and ContextVision Inc Corp registration number 36-4333625 State of Illinois, USA, as the wholly owned subsidiary.
- Operations in the group are conducted primarily in the parent company and consist of research and development, sales, marketing and administrative functions.

RISKS & UNCERTAINTIES

- ContextVision's major risk factors include business risks connected to the general global financial situation, to the level of healthcare investment on different markets, currency exchange risks, the company's ability to recruit and keep qualified employees and the effect of political decisions.
- The company's risk factors are described in the annual report 2015. The risks and uncertainties have not changed significantly since then.
- This quarterly report provides a fair and true overview of the company's and the Group's activities, position and results, and describes the risks and uncertainties of significance faced by ContextVision and by the companies in the Group.

SUBSEQUENT EVENTS

- No significant events have occurred during the period between year-end and date of issuance of this report.

The Board of Directors of ContextVision AB
Stockholm 2016-04-20

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

PRESENTATION AND REPORTING DATES

This quarterly report will be published on the company's website on the 21st of April, 2016.

There will be a video presentation released on the 22nd of April, at 09.00 CET.

Please follow the link:
http://webtv.nu/contextvisionq12016

Please visit www.contextvision.com for further information, or use shareholderinfo@contextvision.se to send a question directly to management.

REPORTING DATES

Annual General Meeting	April 20, 2016
Q1 result 2016	April 21, 2016
Q2 result 2016	August 18, 2016
Q3 result 2016	October 27, 2016
Q4 and annual result 2016	February 23, 2017

FOR MORE INFORMATION PLEASE CONTACT:

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CONTEXTVISION FAST FACTS

- ContextVision is a spin-off from the Image Processing Laboratory at Linköping University, Sweden. The corporate identity was established in 1983 with the first OEM agreement in radiology in 1987. ContextVision is traded on the Oslo Stock Exchange since 1997.
- ContextVision is a specialist company within medical image quality, and a world leader in image enhancement using proprietary technology based on GOP.
- ContextVision has entered into a new progressive phase to become a leader within new technologies.

THE COMPANY OFFERS:

- 30 years of successful experience in OEM business
- Unprecedented image enhancement for ultrasound, X-Ray, MRI, CT, mammography and iRV.
- Long standing corporate commitment to R&D that ensures timely and rewarding upgrade paths
- Strong customer relationships to ensure their success
- Expert training in image processing for our customers
- Compatibility across different image formats and major computer platforms
- ContextVision's technology enables the company's customers to provide superior digital imaging solutions for hospitals and clinicians. Such solutions promise more rapid and accurate diagnoses, reduced operator eye fatigue, and ultimately, a greater return-on-investment for medical imaging users.

CONSOLIDATED INCOME STATEMENT (SEK 1000)

	Q1 2016	Q1 2015		FULL YEAR 2015
Net sales	18 421	18 379		72 237
Total revenues	**18 421**	**18 379**		**72 237**
Goods for resale	-497	-477		-1 933
Other external costs	-4 613	-4 946		-18 392
Personnel costs	-10 837	-9 928		-40 777
Depreciation assets	-1 052	-1 096		-4 259
Other income 1/	-	-		77
Operating results	**1 422**	**1 932**		**6 952**
Interest income	1	3		1
Interest cost	-	-1		-1
Results after financial items	**1 423**	**1 934**		**6 952**
Tax	-305	-452		-1 615
Net results	**1 117**	**1 482**		**5 338**
Earnings per share after tax (SEK)	0,14	0,20		0,70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK 1000)

	Q1 2016	Q1 2015		FULL YEAR 2015
Effect of currency hedging	56	227		799
Translation difference	-40	175		146
Total other comprehensive income	**16**	**402**		**945**
Net result for the period	1 117	1 482		5 338
Total comprehensive income for the period	**1 133**	**1 884**		**6 283**

FINANCIAL HIGHLIGHTS

	Q1 2016	Q1 2015		FULL YEAR 2015
Earnings per share after tax (SEK) before/after dilution	0,14	0,20		0,7
Average number of shares	7 736 750	7 736 750		7 736 750
Operating margin (per cent)	7,7	10,5		9,6
Solidity (per cent)	81,3	79,3		78,7

SALES BY REGION (MSEK)

	Q1 2016	Q1 2015			FULL YEAR 2015
Asia	9,5	7,3			31,8
Europe	5,7	6,4			25,4
USA	3,2	4,7			15,0
Total	**18,4**	**18,4**			**72,2**

SALES BY PRODUCT (MSEK)

	Q1 2016	Q1 2015			FULL YEAR 2015
XR	2,4	3,2			10,2
US 2D	10,7	10,6			41,5
US 3D	2,0	2,2			9,8
MR	3,0	1,8			9,2
Others (iRV, CT, Mammo)	0,3	0,6			1,5
Total	**18,4**	**18,4**			**72,2**

CONSOLIDATED BALANCE SHEET (SEK 1000)

	Q1 2016	Q1 2015			
Intangible fixed assets	17 691	17 221			
Tangible assets	642	739			
Other financial assets	254	913			
Inventories	256	278			
Current receivables	14 703	16 950			
Cash and bank	38 028	30 257			
Total assets	**71 575**	**66 359**			
Equity	58 169	52 637			
Provisions	1 210	759			
Current liabilities	12 195	12 963			
Total equity and liabilities	**71 575**	**66 359**			

CHANGE IN EQUITY (SEK 1000)

	Q1 2016	Q1 2015			FULL YEAR 2015
Opening balance	57 036	50 753			50 753
Total comprehensive income for the period	1 133	1 884			6 283
Closing balance	**58 169**	**52 637**			**57 036**

CONSOLIDATED STATEMENT OF CASH FLOWS (SEK 1000)

	Q1 2016	Q1 2015	FULL YEAR 2015
Result after financial items	1 422	1 934	6 953
Depreciation and write-down of assets	1 053	1 097	4 260
Unrealized gain/loss on current investments	55	227	798
Income tax paid	-463	-1 123	-1 969
Cash flow from operating activities before change in working capital	**2 067**	**2 135**	**10 042**
Change in working capital			
Increase (-)/decrease (+) inventories	140	212	94
Increase (-)/decrease (+) current receivables	3 873	-2 235	-3 751
Increase (+)/decrease (-) liabilities	-2 315	821	2 771
Cash flow from operating activities	**3 765**	**933**	**9 156**
Investing activities			
Investments in intangible assets	-1 220	-1 773	-5 269
Investments in tangible assets	-161	-109	-109
Short-term investments	-	-	-
Other financial assets	-	72	731
Cash flow from investing activities	**-1 381**	**-1 810**	**-4 647**
Financing activities			
Cash flow from financing activities	**0**	**0**	**0**
Cash flow for the period	**2 384**	**-877**	**4 509**
Change of liquid assets			
Liquid assets at beginning of period	35 644	31 134	31 134
Liquid assets at period end	**38 028**	**30 257**	**35 644**

PARENT COMPANY INCOME STATEMENT (SEK 1000)

	Q1 2016	Q1 2015			FULL YEAR 2015
Net sales	18 421	18 379			72 237
Total revenues	**18 421**	**18 379**			**72 237**
Goods for resale	-497	-477			-1 933
Other external costs	-5 408	-5 500			-20 926
Personnel costs	-10 086	-9 406			-38 405
Depreciation assets	-1 052	-1 097			-4 259
Other income [1/]	-	-			77
Operating results	**1 378**	**1 899**			**6 789**
Interest income	1	2			-
Interest cost	-	-			-
Provision for tax allocation reserve	-	-			-1 800
Dividends from group company	-	-			433
Results after financial items	**1 379**	**1 901**			**5 422**
Tax	-316	-455			-1 113
Net results	**1 063**	**1 456**			**4 310**
Earnings per share after tax (SEK)	0,14	0,19			0,60

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK 1000)

	Q1 2016	Q1 2015			FULL YEAR 2015
Effect of currency hedging	56	227			799
Total other comprehensive income	**56**	**227**			**799**
Net result for the period	1 063	1 456			4 310
Total comprehensive income for the period	**1 119**	**1 683**			**5 109**

FINANCIAL HIGHLIGHTS

	Q1 2016	Q1 2015			FULL YEAR 2015
Earnings per share after tax (SEK) before/after dilution	0,14	0,19			0,60
Average number of shares	7 736 750	7 736 750			7 736 750
Operating margin (per cent)	7,5	10,3			9,4
Solidity (per cent)	73,8	72,4			70,1

SALES BY REGION (MSEK)

	Q1 2016	Q1 2015			FULL YEAR 2015
Asia	9,5	7,3			31,8
Europe	5,7	6,4			25,4
USA	3,2	4,7			15,0
Total	**18,4**	**18,4**			**72,2**

SALES BY PRODUCT (MSEK)

	Q1 2016	Q1 2015			FULL YEAR 2015
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US 3D	2,0	2,2			9,8
MR	3,0	1,8			9,2
Others (iRV, CT, Mammo)	0,3	0,6			1,5
Total	**18,4**	**18,4**			**72,2**

PARENT COMPANY BALANCE SHEET (SEK 1000)

	Q1 2016	Q1 2015			
Intangible fixed assets	17 691	17 222			
Tangible assets	642	739			
Other financial assets	471	1 130			
Inventories	256	278			
Current receivables	14 674	16 950			
Cash and bank	37 620	30 106			
Total assets	**71 354**	**66 425**			
Equity	52 661	48 117			
Provisions	5 305	3 450			
Current liabilities	13 388	14 858			
Total equity and liabilities	**71 354**	**66 425**			

CHANGE IN EQUITY (SEK 1000)

	Q1 2016	Q1 2015			FULL YEAR 2015
Opening balance	51 543	46 434			46 434
Total comprehensive income for the period	1 119	1 683			5 108
Closing balance	**52 661**	**48 117**			**51 542**

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the 1:at quarter ended March 31, 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting and recommendation RFR 1 of the Swedish Financial Reporting Board (RFR), and with regards to the Parent Company, RFR 2. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of December 31, 2015. There has been no changes in the accounting principles or methods for calculation during the period.

GLOSSARY

ARTIFICIAL INTELLIGENCE (AI)
Artificial Intelligence is the intelligence exhibited by machines or software.

DEEP LEARNING
Deep learning is the latest very powerful technology within machine learning; machine learning with deep neural networks

DIGITAL PATHOLOGY
Digital pathology refers to the digital images of histopatholgy samples. The digitalization is achieved by scanning the prepared samples.

FLUOROSCOPY
An X-ray imaging technique that produces real-time images of a patient's internal structures on a TV monitor. Fluoroscopy allows the study of dynamic processes within the body and can be used for guidance in interventional procedures.

GOP® (GENERAL OPERATOR PROCESSOR)
A term for ContextVision's methodology in detecting structures in an image and relating them to their wider context in order to increase visualization accuracy.

GOPICE® (IMAGE CUBICLE ENHANCMENENT)
GOPiCE® is the family name for ContextVisions real-time 3D volumetric image enhancement product, for OEM embedded software.

GOPVIEW®
The family name for ContextVision's 2D product lines of OEM-embedded software.

IMAGE ANALYSIS
Processing a digital image in order to describe/classify its contents or to extract quantitative measurements.

IMAGE PROCESSING
A generic term used to describe the computation of digital images, typically to enhance or analyze them.

IMAGE ENHANCEMENT
To improve the visual quality of a digital image by increasing the visibility of relevant structures, as in edge/contrast enhancement and the suppression of noise or artifacts.

MACHINE LEARNING
Machine learning is the study of computer algorithms that improve automatically through experience

MAMMOGRAPHY
An X-ray method used to examine the human breast.

MODALITY
A device that generates internal images of the body, such as X-ray, ultrasound, magnetic resonance imaging, and computed tomography.

MRI (MAGNETIC RESONANCE IMAGING)
A non-invasive procedure, generated by variations in strong magnetic fields, that produces a two-dimensional view of an internal organ or structure, especially the brain and spinal cord.

OEM
The acronym for Original Equipment Manufacturer.

REALICE™
REALiCE is a volume enhancement and rendering product package for 3D and 4D fetal volume visualization.

US (ULTRASOUND)
A procedure in which high-energy sound waves are bounced off internal tissues or organs to create echoes. The echo patterns are displayed on the screen of an ultrasound machine, forming sa picture of body tissues called a sonogram.

X-RAY
A diagnostic device in which radiation is used to create images for examination of soft and hard tissue, such as muscle and bone.

ContextVision is a medical technology company specializing in image analysis and image processing. Its cutting-edge technology helps doctors accurately interpret medical images, a crucial foundation for better diagnosis and treatment. As an industry pioneer for more than 30 years, ContextVision has decided to take a lead position within deep learning, the latest artificial intelligence technology. ContextVision is currently investing heavily in the field to expand its product portfolio. The present product portfolio includes state-of-the-art image enhancement software for 2D/3D/4D Ultrasound, MRI, X-Ray and Mammography which is used by leading equipment manufacturers worldwide. ContextVision is based in Sweden and listed on the Oslo Stock Exchange under the ticker COV. For more information, please visit www.contextvision.com.

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