CONTEXTVISION
IMAGE IS EVERYTHING

CONTEXTVISION AB
SECOND QUARTER 2016

Q2 HIGHLIGHTS

- Patent application filed
- International advisory board created
- Increased research activities
- Strong sales in Asia

Q2 FINANCIAL DATA

- Sales of 18.3 MSEK (18.1)
- Operating result of -0.5 MSEK (1.0) and operating margin of -3.0% (5.4%)
- Research costs of 4.4 MSEK (2.0)
- Earnings per share of -0.1 (0.1) SEK

WORLD LEADING EXPERTS JOIN US TO REVOLUTIONIZE DIGITAL PATHOLOGY

ANITA TOLLSTADIUS, THE COMPANY'S CEO COMMENTED:

ContextVision has continued to increase its research activities to develop expertise within deep learning in support of digital pathology, the company's newest business area. We have created an international advisory board consisting of world-renowned experts within pathology and deep learning. Additionally, we have filed a patent in support of an innovative way to ensure objectivity of the input data in order to create unique decision support tools with a competitive edge. In parallel, our core business continues to deliver stable sales.

The ongoing digitalization within the field of pathology offers many new opportunities for image analysis. We intend to develop image analysis based on deep learning in order to deliver decision support to pathologists. This emerging market will be the next major business area for ContextVision, allowing us to grow significantly.

The data used for training computers in order to generate accurate algorithms for pattern recognition is key to the quality of the results. The classic way to train algorithms is to use a specialist to select the training data. However, we know that different pathologists come to very different conclusions when evaluating the same sample. Consequently, deep learning analysis based on input from a pathologist results in a biased product. Therefore, we have developed a completely new method for the selection of input data that will provide objective data and accelerate the training process in the development of artificial intelligence.

In June, a patent was filed for this new method for high-precision deep learning within digital pathology. The method will allow ContextVision to develop new, unique decision support tools based on true data instead of subjective evaluations, thereby enhancing diagnostic power. We believe this will provide a significant competitive edge and an important stepping stone toward leadership in the field.

In order to move toward commercialization, we assembled an international advisory board with dignified pathologists as well as an internationally-renowned deep learning expert. This board will supervise the product development and serve as a guide to delivering optimal value.

In line with our plan to become experts within deep learning, we continue to increase our research activities. We have applied deep learning technology to a range of projects and feel confident about the power of the technology in our hands. Apart from the ongoing project within digital pathology, we are performing pilot studies to further evaluate the potential of the technology. We have also made focused efforts to investigate upgrades to the image enhancement portfolio by applying deep learning to improve various product features and create more value for our present customers. Based on our findings we expect to enter a product development phase later this year.

Our OEM sales continues to deliver stable sales. Total sales reached 18,3 MSEK during the second quarter compared to 18,1 the previous year, and during the first six months, we generated slightly higher sales than during the first half 2015. We continue to grow significantly in Asia. As a result of successful collaborations with long-term customers, we increased by almost 22 percent. This compensates for the lower sales from the USA, which depends on a generally slow market and ongoing major changes in the product portfolio of one of our major customers. In Europe, sales were slightly higher than last year during the second quarter.

The majority of our sales is generated from our ultrasound portfolio and we continue to see strong growth in our 3D ultrasound products. During this quarter the increase was 32 percent. Ultrasound for point of care (POCUS) is still a small market segment but one that is growing most rapidly. We have initiated the implementation of our key ultrasound image enhancement product onto the iOS platform. This will create opportunities for image enhancement on smaller, handheld equipment in the future.

As a consequence of our increased research efforts and our evaluations of new product ideas, our costs have increased during the second quarter and our net operating result was -0,5 MSEK. The cost for our explorative activities amounted to 4,4 MSEK, an increase of 37 percent compared to the first quarter. Within the core business alone, the operating profit was 3,9 MSEK and the operating margin was at the high level of 21 percent.

In conclusion, we are steadily moving forward in accordance with our strategic plan to expand into new areas. We have added additional expertise, developed our international network and taken important steps toward our new future market - digital pathology. Our plan is to enter the market in 2018 and our Eurostar research project is advancing accordingly. In addition, we have identified a way to generate objective training data. Thus, our project includes great potential to deliver products that will make a difference for patients and the healthcare industry.

SECOND QUARTER 2016

NET SALES AND OPERATING PROFIT

NET SALES

- The sales for the second quarter 2016 for ContextVision was 18.3 MSEK, which is in line with the sales for the same quarter previous year.
- The sales have been very little effected by the currency exchange rates during the period.

OPERATING PROFIT AND MARGIN

- The operating result was -0.5 MSEK (1.0) with an operating margin of -3% (5%).
- The cost for research within new areas (not capitalized) during Q2 amounted to 4.4 MSEK (2.0). The increasing research costs are reflecting the new R&D strategy, aiming at reaching a new market in 2018.
- Capitalization is recorded as intangible fixed assets only when product development meets certain requirements. Capitalized costs for development of one product (total 0.2 MSEK) has been recorded during the quarter. This is in line with our present research focus and as product development increase the level of capitalization will also increase again.
- Thanks to new recruitments during the past year, the number of employees is higher compared to the same quarter last year. That in combination with a lower level of capitalization explains the higher costs for personnel when comparing quarter to quarter.

CASH-FLOW AND FINANCING

- Cash flow for the quarter represented a change of 0.6 MSEK (1.8).
- Cash amounted to 38.6 MSEK (32.1) at period end.
- Equity at period end amounted to 57.5 MSEK (53.7) giving an equity ratio of 77.1% (79.4%).

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 first part of the grant (0.6 MSEK) was received in Q4 2015.
- The grant for 2016 is expected to be received 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 Q2.

EMPLOYEES AND MANAGEMENT

- At period end the company had 41 (38) employees of which 20 (18) 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 2016-08-17

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 18th of August, 2016.

There will be a video presentation released on the 19th of August, at 09.00 CET.

Please follow the link:
http://webtv.nu/contextvisionq22016

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 has a specialist competence within medical image processing and artificial intelligence technologies.
- 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, such as deep learning.
- The Company is running a research program to take a leading position on the new, fast growing digital pathology market.

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)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Net sales	18 300	18 060	36 721	36 439	72 237
Total revenues	**18 300**	**18 060**	**36 721**	**36 439**	**72 237**
Goods for resale	-423	-479	-921	-956	-1 933
Other external costs	-5 044	-4 263	-9 657	-9 209	-18 392
Personnel costs	-12 266	-11 253	-23 102	-21 181	-40 777
Depreciation assets	-1 113	-1 094	-2 166	-2 190	-4 259
Other income [1/]	0	0	0	0	77
Operating results	**-546**	**971**	**875**	**2 903**	**6 952**
Interest income	0	1	0	4	1
Interest cost	-5	-	-4	-1	-1
Results after financial items	**-551**	**972**	**871**	**2 906**	**6 952**
Tax	81	-183	-225	-635	-1 615
Net results	**-471**	**789**	**646**	**2 271**	**5 338**
Earnings per share after tax (SEK)	-0,06	0,10	0,08	0,29	0,70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK 1000)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Effect of currency hedging	-248	309	-193	536	799
Translation difference	67	-84	28	91	146
Total other comprehensive income	**-181**	**225**	**-165**	**627**	**945**
Net result for the period	-471	789	646	2 271	5 338
Total comprehensive income for the period	**-652**	**1 014**	**481**	**2 898**	**6 283**

FINANCIAL HIGHLIGHTS

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Earnings per share after tax (SEK) before/after dilution	-0,06	0,10	0,08	0,29	0,7
Average number of shares	7 736 750	7 736 750	7 736 750	7 736 750	7 736 750
Operating margin (per cent)	-3,0	5,4	2,4	8,0	9,6
Solidity (per cent)	77,1	79,4	77,1	79,4	78,7

SALES BY REGION (MSEK)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Asia	8,4	6,9	18,0	14,2	31,8
Europe	7,3	6,9	13,0	13,3	25,4
USA	2,5	4,3	5,7	9,0	15,0
Total	**18,3**	**18,1**	**36,7**	**36,5**	**72,2**

SALES BY PRODUCT (MSEK)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
XR	2,3	2,4	4,7	5,7	10,2
US 2D	10,4	11,4	21,0	22,0	41,5
US 3D	3,0	2,2	5,0	4,4	9,8
MR	2,1	1,8	5,2	3,6	9,2
Others (iRV, CT, Mammo)	0,5	0,3	0,8	0,8	1,5
Total	**18,3**	**18,1**	**36,7**	**36,5**	**72,2**

CONSOLIDATED BALANCE SHEET (SEK 1000)

	Q2 2016	Q2 2015			2015
Intangible fixed assets	16 804	17 483			17 540
Tangible assets	583	667			537
Other financial assets	254	315			254
Inventories	586	193			396
Current receivables	17 787	16 845			18 141
Cash and bank	38 582	32 094			35 644
Total assets	**74 597**	**67 597**			**72 512**
Equity	57 517	53 652			57 036
Provisions	1 114	759			1 194
Current liabilities	15 966	13 186			14 282
Total equity and liabilities	**74 597**	**67 597**			**72 512**

CHANGE IN EQUITY (SEK 1000)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Opening balance	58 169	52 638	57 036	50 753	50 753
Total comprehensive income for the period	-652	1 014	481	2 898	6 283
Closing balance	**57 517**	**53 652**	**57 517**	**53 652**	**57 036**

CONSOLIDATED STATEMENT OF CASH FLOWS (SEK 1000)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Result after financial items	-551	972	871	2 906	6 953
Depreciation and write-down of assets	1 113	1 093	2 166	2 190	4 260
Unrealized gain/loss on current investments	-248	309	-193	536	798
Income tax paid	-1 520	-262	-1 983	-1 385	-1 969
Cash flow from operating activities before change in working capital	**-1 206**	**2 112**	**861**	**4 247**	**10 042**
Change in working capital					
Increase (-)/decrease (+) inventories	-330	85	-190	297	94
Increase (-)/decrease (+) current receivables	-1 671	299	2 203	-1 937	-3 751
Increase (+)/decrease (-) liabilities	4 001	98	1 686	919	2 771
Cash flow from operating activities	**794**	**2 594**	**4 560**	**3 526**	**9 156**
Investing activities					
Investments in intangible assets	-239	-1 356	-1 459	-3 129	-5 269
Investments in tangible assets	-	-	-161	-108	-109
Other financial assets	-	598	-	670	731
Cash flow from investing activities	**-239**	**-758**	**-1 620**	**-2 567**	**-4 647**
Financing activities					
Cash flow from financing activities	**0**	**0**	**0**	**0**	**0**
Cash flow for the period	**555**	**1 836**	**2 940**	**959**	**4 509**
Change of liquid assets					
Liquid assets at beginning of period	38 028	30 257	35 644	31 134	31 134
Liquid assets at period end	**38 582**	**32 094**	**38 582**	**32 094**	**35 644**

PARENT COMPANY INCOME STATEMENT (SEK 1000)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Net sales	18 300	18 060	36 721	36 439	72 237
Total revenues	**18 300**	**18 060**	**36 721**	**36 439**	**72 237**
Goods for resale	-423	-479	-921	-956	-1 933
Other external costs	-5 880	-4 909	-11 287	-10 409	-20 926
Personnel costs	-11 482	-10 645	-21 567	-20 051	-38 405
Depreciation assets	-1 113	-1 094	-2 166	-2 190	-4 259
Other income	-	-	-	-	77
Operating results	**-598**	**933**	**780**	**2 833**	**6 789**
Interest income	-	1	-	3	-
Interest cost	-5	-	-3	-	-
Provision for tax allocation reserve	-	-	-	-	-1 800
Dividends from group company	-	-	-	-	433
Results after financial items	**-603**	**934**	**776**	**2 836**	**5 422**
Tax	93	-174	-223	-619	-1 113
Net results	**-510**	**760**	**553**	**2 217**	**4 310**
Earnings per share after tax (SEK)	-0,07	0,10	0,07	0,29	0,60

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK 1000)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Effect of currency hedging	-248	309	-192	536	799
Total other comprehensive income	**-248**	**309**	**-192**	**536**	**799**
Net result for the period	-510	760	553	2 217	4 310
Total comprehensive income for the period	**-758**	**1 069**	**361**	**2 753**	**5 109**

FINANCIAL HIGHLIGHTS

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Earnings per share after tax (SEK) before/after dilution	-0,07	0,10	0,07	0,30	0,60
Average number of shares	7 736 750	7 736 750	7 736 750	7 736 750	7 736 750
Operating margin (per cent)	-3,3	5,2	2,1	7,8	9,4
Solidity (per cent)	69,7	72,7	69,7	72,7	70,1

SALES BY REGION (MSEK)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Asia	8,4	6,9	18,0	14,2	31,8
Europe	7,3	6,9	13,0	13,3	25,4
USA	2,5	4,3	5,7	9,0	15,0
Total	**18,3**	**18,1**	**36,7**	**36,5**	**72,2**

SALES BY PRODUCT (MSEK)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
XR	2,3	2,4	4,7	5,7	10,2
US 2D	10,4	11,4	21,0	22,0	41,5
US 3D	3,0	2,2	5,0	4,4	9,8
MR	2,1	1,8	5,2	3,6	9,2
Others (iRV, CT, Mammo)	0,5	0,3	0,8	0,8	1,5
Total	**18,3**	**18,1**	**36,7**	**36,5**	**72,2**

PARENT COMPANY BALANCE SHEET (SEK 1000)

	Q2 2016	Q2 2015			2015
Intangible fixed assets	16 805	17 483			17 540
Tangible assets	583	667			537
Other financial assets	471	533			471
Inventories	586	193			396
Current receivables	17 749	16 845			18 111
Cash and bank	38 230	31 901			35 570
Total assets	**74 424**	**67 622**			**72 625**
Equity	51 903	49 187			51 542
Provisions	5 209	3 450			5 250
Current liabilities	17 312	14 985			15 833
Total equity and liabilities	**74 424**	**67 622**			**72 625**

CHANGE IN EQUITY (SEK 1000)

	Q2 2016	Q2 2015	SIX MONTHS 2016	SIX MONTHS 2015	FULL YEAR 2015
Opening balance	52 661	48 118	51 542	46 434	46 434
Total comprehensive income for the period	-758	1 069	361	2 753	5 108
Closing balance	**51 903**	**49 187**	**51 903**	**49 187**	**51 542**

BASIS OF PREPARATION
The interim condensed consolidated financial statements for the 2:nd quarter ended June 30, 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 artificial intelligence. 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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Image is everything.