ContextVision

CONTEXTVISION AB
THIRD QUARTER 2018

Q3 HIGHLIGHTS

- High quarterly sales
- Positive response on product concept for digital pathology
- Changing attitude towards digital pathology

Q3 FINANCIAL DATA

- Sales of 21.9 MSEK (18.0)
- Operating result of 0.4 MSEK (-0.1) and operating margin of 1.7% (-0.7%)
- Earnings per share of 0.05 (-0.1) SEK

STRONG SALES AND POSITIVE FEEDBACK ON PRODUCT CONCEPT FOR DIGITAL PATHOLOGY IN THE THIRD QUARTER

ANITA TOLLSTADIUS, THE COMPANY'S CEO COMMENTED:

Sales were very strong during the third quarter, reaching 21.9MSEK, 22% higher than third quarter last year. We maintained strong attentiveness to our customer's needs while simultaneously focusing on our R&D goals. The concept for our first digital pathology product has received a lot of positive feedback and we clearly see interest towards decision support tools based on image analysis has increased tremendously over the last year. The operating result was slightly positive, and we also had a positive cash flow (+3.8 MSEK).

During the third quarter, sales were considerably higher compared to last year, partly supported by favorable currency exchange rates. We have a very strong position and we are very pleased that we managed to increase sales in all regions. The Asian markets have developed very well over the last few years and has continued to do so during the first nine months this year. We have a strong presence in both Japan and Korea, with long-term customer partnerships. Being a more dynamic market, China has opened up for new opportunities over the last few years and this has allowed us to generate several new customers. Asia is our largest sales region and we see further opportunities.

The European market increased by 16% over the previous year. This is the result from good orders from many customers. We have more customers in Europe than in the other regions, which is why sales in Europe is normally very stable.

In the U.S., our third quarter sales developed very well and during the first nine months sales have recovered from low sales volumes during the second half of last year.

Ultrasound for 2D imaging generates most of our sales and increased by almost 10% compared to last year. The product portfolio is very flexible and this allows us to continue to deliver the best image enhancement on the market and thus providing the best possible image quality to customers. The flexibility of the product portfolio also allows us to integrate the software into a large variety of systems. Hereby we can continue to adapt products to future models and develop our customer partnerships into the future.

We have also seen an increase in sales of image enhancement for x-ray. In December last year, we set new standards by introducing a software which is specifically designed for orthopedic imaging. This versatile product has been very well received by customers as it can meet a variety of preferences by different radiologists and we have already made several installations.

Our first digital pathology decision support tool, for prostate cancer, is moving towards our next milestone and we have received a lot of positive feed-back on the product concept which we displayed at the European Congress of pathology in Bilbao. We generated a lot of interest and enjoyed very busy times in the booth. Dr. Fragetta, who has a first prototype installed at his laboratory in Catania, gave presentations and demonstrated how the prototype facilitates his professional work as a pathologist. Following this event we feel very confident about our product concept and we could also conclude that the interest for digitalization and for decision support tools based has increased tremendously over the last year. It is obvious that the digitalization of pathology has gained momentum.

Our premarketing efforts have started to make us known within digital pathology, which is a new market for us. As a result of our networking, we were invited as speakers at international congresses both in Japan and in Europe during September. This gives us recognition and shows that we are already seen as a serious player on the market.

We have made very good progress in many ways this year and we have very exciting times in front of us.

THIRD QUARTER 2018

OPERATING SEGMENTS

- From January 2018 ContextVision reports its sales, costs and results in two separate operating segments; Business Unit Medical Imaging and Business Unit Digital Pathology. This reflects how the board of directors and the management review and measure the results.
- The Business Unit Medical Imaging comprise research, product development and OEM sales within medical imaging. The product portfolio consists of products developed for a variety of modalities, such as Ultrasound, X-ray, MRI, Mammography, CT and iRV.
- The Business Unit Digital Pathology presently includes research and product development of new products for the growing digital pathology market.

NET SALES AND OPERATING PROFIT

NET SALES

- In the third quarter 2018 the sales amounted to 21.9 MSEK, compared to 18.0 MSEK in the same quarter 2017.
- All sales in the quarter was generated from the Business Unit Medical Imaging. All sales income is generated outside Sweden and from external sales.
- The currency exchange rates had an average effect on sales of 9.3% during the quarter. There were positive effects from changes in all currencies; EUR, USD and JPY.

OPERATING PROFIT AND MARGIN

- ContextVisions operating result in the third quarter was 0.4 MSEK (-0.1), and the operating margin 1.7% (-0.7%).
- Capitalization is recorded as intangible fixed assets only when product development meets certain requirements. Capitalized costs for development of one product within the Business Unit Medical Imaging have been recorded during the quarter (total 1.3 MSEK). This is a higher level of capitalization than previous year, when the capitalization in the same quarter was 0.1 MSEK.

CASH-FLOW AND FINANCING

- The cash flow in the second quarter amounted to 3.8 MSEK (5.0 MSEK).
- Cash amounted to 40.8 MSEK (42.8) at quarter end.
- Equity at quarter end amounted to 55.5 MSEK (57.8) giving an equity ratio of 74.2% (76.9%).

GOVERNMENT GRANT

- ContextVision was awarded an EU grant in 2015, together with its academic partner University of Applied Sciences and Arts Western Switzerland (HES-SO).
- The company's total part of the grant is TEUR 404, and it will be distributed during a three-year period.
- The first part of the grant (0.6 MSEK) was received in Q4 2015, and was recorded as a cost decrease.
- The second part of the grant (1.3 MSEK) was received in Q4 2016, and was recorded as a cost decrease.
- The third part of the grant (1.3 MSEK) was received in Q4 2017, and was recorded as a cost decrease.
- The final part of the grant is expected to be received in Q4 2018, and will then be recorded as a cost decrease.

EMPLOYEES AND MANAGEMENT

- At period end the company had 41 (42) employees of which 21 (22) are dedicated to research and development. 1 employee is located in the USA and 1 in China.

CONTEXTVISION GROUP

- The group consists of ContextVision AB (publ), company registration number 556377-8900 as parent company, and ContextVision Inc Corp registration number 36-4333625 State of Illinois, USA, as a 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 more detail in the annual report 2017. 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 the companies in the Group.

BASIS OF PREPARATION

- The interim condensed consolidated financial statements for the 3:rd quarter ended September 30:th, 2018 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, 2017. Apart from the changes in accounting principles stated below, there have been no changes in the accounting principles or methods for calculation during the period.

NEW AND CHANGED ACCOUNTING PRINCIPLES

- From 2018 ContextVision reports its sales and costs in two operating segments; Business Unit Medical Imaging and Business Unit Digital Pathology. This reflects how the board of directors and the management reports and measures the activities internally.
- From 2018 the new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers is effective. The impact of the new standards, and how ContextVision applies to them is further described in the annual report 2017.
- The impact of the IFRS 15 standard on the Group's revenue for Q3 2018 is 0.0 MSEK. As of September 30th 2018 there are no contract assets or liabilities. The change to the standard does not influence the cash flow.
- IFRS 16 Leases enters into effect on January 1, 2019 and has been adopted by the EU. The company will continue to evaluate the effects of the new standard during 2018.

SUBSEQUENT EVENTS

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

The Board of Directors of ContextVision AB
Stockholm 2018-10-24

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 25th of October, 2018.

There will be a video presentation released on the 26th of October, at 09.00 CET.

Please follow the link:
http://webtv.nu/contextvisionq32018

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

REPORTING DATES

Q4 and 12 months 2017	February 22, 2018
Annual report available on company's website	April 5, 2018
Q1 result 2018	April 26, 2018
Annual General Meeting	May 9, 2018
Q2 result 2018	August 16, 2018
Q3 result 2018	October 25, 2018
Q4 and 12 months 2018	February 21, 2019

FOR MORE INFORMATION PLEASE CONTACT:

Anita Tollstadius, CEO
Phone +46 (0)8 750 35 50

CONTEXTVISION FAST FACTS

- ContextVision is a medical technology software company that specializes in image analysis and artificial intelligence.
- ContextVision is the global market leader within image enhancement and is a software partner to leading medical imaging manufacturers all over the world.
- The company is based in Sweden, with local representation in the U.S., Russia, Japan, China and Korea.
- 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.
- The company's share is traded on the Oslo Stock Exchange since 1997, under the ticker COV.

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)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Net sales	21 885	18 036	62 965	58 041	80 512
Total revenues	**21 885**	**18 036**	**62 965**	**58 041**	**80 512**
Goods for resale	-524	-476	-1 471	-1 410	-2 235
Other external costs	-7 542	-5 373	-23 876	-19 901	-27 942
Personnel costs	-12 189	-11 248	-37 820	-36 318	-47 429
Depreciation assets	-1 267	-1 057	-3 755	-3 759	-4 878
Operating results	**363**	**-119**	**-3 956**	**-3 348**	**-1 972**
Interest income	-	-	-	-	4
Interest cost	-1	-	-6	-10	-10
Results after financial items	**362**	**-119**	**-3 961**	**-3 358**	**-1 978**
Tax	-11	-708	-18	-33	272
Net results	**351**	**-827**	**-3 979**	**-3 391**	**-1 706**
Earnings per share after tax (SEK)	0,05	-0,11	-0,51	-0,44	-0,22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK 1000)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Effect of currency hedging	763	-84	88	-66	-229
Translation difference	-15	-65	93	-175	-145
Total other comprehensive income	**748**	**-149**	**181**	**-241**	**-374**
Net result for the period	351	-827	-3 979	-3 391	-1 706
Total comprehensive income for the period	**1 099**	**-976**	**-3 798**	**-3 632**	**-2 080**

FINANCIAL HIGHLIGHTS

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Earnings per share after tax (SEK) before/after dilution	0,05	-0,11	-0,51	-0,44	-0,22
Average number of shares	7 736 750	7 736 750	7 736 750	7 736 750	7 736 750
Operating margin (per cent)	1,7	-0,7	-6,3	-5,8	-2,5
Solidity (per cent)	74,2	76,9	74,2	76,9	75,1

DEFINITIONS

Earnings per share after tax (Return on equity): Net result for the period as a percentage of the average equity.
Operating margin: Operating income excluding non-recurring items as a percentage of net sales.
Profit margin: Result after financial items as a percentage of net sales.
Solidity (Equity ratio): Equity as a percentage of total assets.

SALES BY REGION (MSEK)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Asia	11,9	10,4	33,7	30,0	42,3
Europe	7,3	6,3	21,7	20,7	29,5
USA	2,7	1,3	7,6	7,3	8,7
Total	**21,9**	**18,0**	**63,0**	**58,0**	**80,5**

SALES BY PRODUCT (MSEK)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
XR	3,1	1,8	9,0	7,9	9,5
US 2D	12,4	11,3	36,6	33,6	48,3
US 3D	3,0	2,8	10,5	9,1	13,2
MR	2,0	1,9	5,0	5,6	6,9
Others (iRV, CT, Mammo)	1,4	0,2	1,9	1,8	2,6
Total	**21,9**	**18,0**	**63,0**	**58,0**	**80,5**

BUSINESS UNITS / OPERATING SEGMENTS (MSEK)

	Q3 2018 BUSINESS UNIT MEDICAL IMAGING	Q3 2017 BUSINESS UNIT MEDICAL IMAGING	Q3 2018 BUSINESS UNIT DIGITAL PATHOLOGY	Q3 2017 BUSINESS UNIT DIGITAL PATHOLOGY	Q3 2018 GROUP TOTAL	Q3 2017 GROUP TOTAL
Net sales	21,9	18,0	-	-	21,9	18,0
Operating expenses	-14,2	-14,2	-7,3	-3,9	-21,5	-18,1
Operating results	7,7	3,8	-7,3	-3,9	0,4	-0,1

CONSOLIDATED BALANCE SHEET (SEK 1000)

	SEPTEMBER 30TH, 2018	SEPTEMBER 30TH, 2017			FULL YEAR 2017
Intangible fixed assets	10 802	11 700			10 778
Tangible assets	3 444	530			3 742
Other financial assets	407	323			376
Inventories	744	702			576
Current receivables	18 640	19 125			23 266
Cash and bank	40 797	42 815			40 327
Total assets	**74 834**	**75 195**			**79 065**
Equity	55 548	57 793			59 346
Deferred taxes	1 122	1 509			1 122
Current liabilities	18 164	15 893			18 597
Total equity and liabilities	**74 834**	**75 195**			**79 065**

CHANGE IN EQUITY (SEK 1000)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Opening balance	54 449	58 770	59 346	61 426	61 426
Total comprehensive income for the period	1 099	-976	-3 798	-3 632	-2 080
Closing balance	**55 548**	**57 793**	**55 548**	**57 793**	**59 346**

CONSOLIDATED STATEMENT OF CASH FLOWS (SEK 1000)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Result after financial items	362	-119	-3 963	-3 358	-1 978
Depreciation and write-down of assets	1 267	945	3 756	3 866	4 878
Unrealized gain/loss on current investments	763	-84	88	-66	-229
Income tax paid	-120	492	-721	-3 284	-2 358
Cash flow from operating activities before change in working capital	**2 272**	**1 234**	**-840**	**-2 842**	**313**
Change in working capital					
Increase (-)/decrease (+) inventories	387	-48	-168	-408	-282
Increase (-)/decrease (+) current receivables	3 709	3 770	5 351	4 363	-700
Increase (+)/decrease (-) liabilities	-1 282	118	-174	-158	2 617
Cash flow from operating activities	**5 086**	**5 074**	**4 169**	**955**	**1 948**
Investing activities					
Investments in intangible assets	-1 333	-69	-3 304	-884	-1 038
Investments in tangible assets	-	-	-394	-167	-3 494
Other financial assets	-	5	-	-	-
Cash flow from investing activities	**3 753**	**-64**	**3 698**	**-1 051**	**-4 532**
Financing activities					
Cash flow from financing activities	**0**	0	**0**	0	**0**
Cash flow for the period	**3 753**	**5 010**	**471**	**-95**	**-2 584**
Change of liquid assets					
Liquid assets at beginning of period	37 044	37 805	40 327	42 910	42 910
Liquid assets at period end	**40 797**	**42 815**	**40 797**	**42 815**	**40 327**

PARENT COMPANY INCOME STATEMENT (SEK 1000)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Net sales	21 885	18 036	62 965	58 041	80 512
Total revenues	**21 885**	**18 036**	**62 965**	**58 041**	**80 512**
Goods for resale	-524	-476	-1 471	-1 410	-2 235
Other external costs	-8 192	-6 172	-25 754	-22 624	-31 357
Personnel costs	-11 573	-10 498	-36 056	-33 765	-44 229
Depreciation assets	-1 267	-1 057	-3 755	-3 759	-4 878
Operating results	**329**	**-168**	**-4 071**	**-3 518**	**-2 188**
Interest income	-	-	-	-	4
Interest cost	-1	-	-6	-10	-10
Dividends from group company	-	-	-	-	334
Results after financial items	**328**	**-168**	**-4 077**	**-3 528**	**-1 860**
Provision for tax allocation reserve	-	-	-	-	1 650
Tax	-	-691	22	-22	-24
Net results	**328**	**-859**	**-4 055**	**-3 550**	**-234**
Earnings per share after tax (SEK)	0,04	-0,11	-0,52	-0,46	-0,03

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK 1000)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Effect of currency hedging	763	-84	88	-66	-229
Total other comprehensive income	**763**	**-84**	**88**	**-66**	**-229**
Net result for the period	328	-859	-4 055	-3 550	-234
Total comprehensive income for the period	**1 091**	**-943**	**-3 967**	**-3 616**	**-463**

FINANCIAL HIGHLIGHTS

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Earnings per share after tax (SEK) before/after dilution	0,04	-0,11	-0,52	-0,46	-0,03
Average number of shares	7 736 750	7 736 750	7 736 750	7 736 750	7 736 750
Operating margin (per cent)	1,5	-0,9	-6,5	-6,1	-2,7
Solidity (per cent)	67,4	68,4	67,4	68,4	68,9

DEFINITIONS

Earnings per share after tax (Return on equity): Net result for the period as a percentage of the average equity.
Operating margin: Operating income excluding non-recurring items as a percentage of net sales.
Profit margin: Result after financial items as a percentage of net sales.
Solidity (Equity ratio): Equity as a percentage of total assets.

SALES BY REGION (MSEK)

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Total	**21,9**	**18,0**	**63,0**	**58,0**	**80,5**

SALES BY PRODUCT (MSEK)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
XR	3,1	1,8	9,0	7,9	9,5
US 2D	12,4	11,3	36,6	33,6	48,3
US 3D	3,0	2,8	10,5	9,1	13,2
MR	2,0	1,9	5,0	5,6	6,9
Others (iRV, CT, Mammo)	1,4	0,2	1,9	1,8	2,6
Total	**21,9**	**18,0**	**63,0**	**58,0**	**80,5**

PARENT COMPANY BALANCE SHEET (SEK 1000)

	SEPTEMBER 30TH 2018	SEPTMBER 30TH 2017			FULL YEAR 2017
Intangible fixed assets	10 802	11 700			10 778
Tangible assets	3 444	530			3 742
Other financial assets	624	540			593
Inventories	744	702			576
Current receivables	18 641	19 081			23 240
Cash and bank	40 539	42 349			40 062
Total assets	**74 794**	**74 902**			**78 991**
Equity	50 435	51 246			54 400
Untaxed reserves	5 100	6 774			5 100
Current liabilities	19 259	16 882			19 491
Total equity and liabilities	**74 794**	**74 902**			**78 991**

CHANGE IN EQUITY (SEK 1000)

	Q3 2018	Q3 2017	NINE MONTHS 2018	NINE MONTHS 2017	FULL YEAR 2017
Opening balance	49 343	52 189	54 401	54 862	54 862
Total comprehensive income for the period	1 091	-943	-3 967	-3 616	-463
Closing balance	**50 435**	**51 246**	**50 435**	**51 246**	**54 400**

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 histopathology samples. The digitalization is achieved by scanning the prepared samples.

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

GOPICE® (IMAGE CUBICLE ENHANCMENENT)
ContextVision's real-time 3D volumetric image enhancement product, for OEM embedded software.

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

HANDHELD ULTRASOUND
A small ultrasound unit that can be held in the hand when performing the examination, e.g. smartphones and tablet-based systems.

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.

VOLARVIEW™
ContextVision's image enhancement product for handheld ultrasound units.

XR (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

ContextVision is a medical technology software company that specializes in image analysis and artificial intelligence. ContextVision is the global market leader within image enhancement and is a software partner to leading medical imaging manufacturers all over the world. 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 is significantly investing in R&D to develop new applications of the latest artificial intelligence technologies and expanding into the growing digital pathology market. The release of its first product, supporting the diagnosis of prostate cancer, is planned in the near future.

The company is based in Sweden, with local representation in the U.S., Russia, Japan, China and Korea. ContextVision is listed on the Oslo Stock Exchange under the ticker COV.

FOR MORE INFORMATION, PLEASE VISIT WWW.CONTEXTVISION.COM