

Interim report January-March 2015



Continued growth and strong operating margin

January 1–March 31, 2015

- Net sales increased by 20 % to SEK 51.8 million (43.2).
- Operating profit was SEK 10.5 million (7.5).
- The operating margin was 20.2 % (17.4).
- Profit before tax was SEK 10.8 million (7.4).
- Earnings per share were SEK 0.34 (0.25)
- The new President/CEO Zlatko Rihter took up his position on January 1, 2015.

CEO's comments

It is gratifying to note that CellaVision's sound sales growth is continuing for the seventh quarter in a row. In the year's first quarter we grew in all our regions: EMEA +17 %, Americas +4 % and APAC (Asia Pacific) grew by more than 300%. Sales in the quarter for CellaVision as a whole were SEK 51.8 million, which is equivalent to sales growth of 20 percent. The operating margin was also strengthened and reached a sound 20 percent.

The strong trend should also be seen in the light of the challenging comparative figures from the first quarter of 2014, when sales increased by 28 percent. The substantial sales growth in EMEA and APAC is the main factor behind the quarter's positive trend, while growth in the Americas was more modest compared with the record quarter in 2014. We had a favourable exchange rate effect for both EUR and USD that contributed to the increase and altogether there was a positive influence on sales of about 12 percent in the quarter.

Together with our strategic distribution partners we will continue to be a globally active and value-creating partner in the hematology area. A focus for our efforts this year is to develop our marketing support organization in APAC to proactively address the fastest growing region in our industry, with special focus on China and Japan. In China we are now benefitting from the approval from the CFDA (China Food and Drug Administration) in 2014 for the CellaVision® DM1200 and Sysmex DI-60. EMEA continues to show strong growth, above all in the EU markets.

Key Ratios

(MSEK)	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Net sales	51.8	43.2	216.9
Gross profit	36.3	28.0	145.1
Operating profit	10.5	7.5	42.8
Operating margin, %	20.2	17.4	19.7
Profit/loss before tax	10.8	7.4	43.4
Cash flow for the period	41.0	18.3	-6.0

Significant events after the first quarter

- CellaVision was granted three national European patents.

During the quarter we installed and started up all equipment linked to the veterinary order we received at the end of 2014.

CellaVision maintains a high pace of innovation and introduction. Sales of the DI-60, which was launched in 2013, have now successfully accelerated in all regions. During the quarter we also carried out activities for minor updates of our current product portfolio for CellaVision® DM9600 Vet and CellaVision® DM1200 Vet to meet the needs of the veterinary market. The pre-study aimed at expanding our current product portfolio with a platform for small laboratories is approaching completion.

CellaVision has continued improving in all key parameters even into the first quarter of 2015, which is a sign of strength. Since I took up my position I have focused on establishing close contact with our distributors and I am convinced that we have the right business model, developing our business together with our partners.

We have also started adjusting the organization to better meet both our end customers' and our partners' needs. CellaVision must have the ambition and basic curiosity to continually improve patient diagnoses. We must also be involved in improving effectiveness, reducing costs and removing sources of error in health care. Our current core competence in digital image analysis constitutes a fantastically exciting starting point for these ambitions.

Zlatko Rihter, President and Chief Executive Officer

Net Sales, Q1
+20 %

Operating profit, Q1
10.5 MSEK

Operating Margin, Q1
20.2 %

"The substantial sales growth in EMEA and APAC is the main factor behind the quarter's positive trend."



Sales, earnings and investment

January 1–March 31

Net sales for the Group in the first quarter were SEK 51.8 million (43.2), an increase of 20 percent compared with the corresponding period in 2014. CellaVision invoices more than 90 percent of its sales in EUR or USD, which is why exchange rate changes have an impact on the company's sales.

Adjusted for currency effects, sales growth was eight percent compared to the corresponding quarter of 2014.

The gross margin for the quarter was 70 percent (65). 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 fourth quarter were SEK 25.8 million (20.5). The increase is in part due to an increase in the percentage of non-capitalized R&D costs and in addition the quarter was burdened by higher costs for external consultants and recruitment.

CellaVision is conducting several development projects, aimed at strengthening the company's product portfolio in relation to customers in the field of hematology. Capitalized expenditure for development projects was SEK 1.9 million (3.6) for the quarter.

Investments in property, plant and equipment during the quarter amounted to SEK 0.3 million (0.1).

Seasonal variations

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

Net sales, Q1

51.8 MSEK

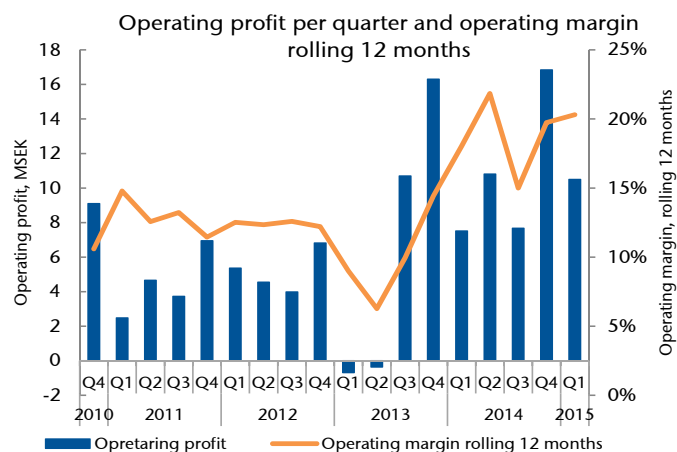
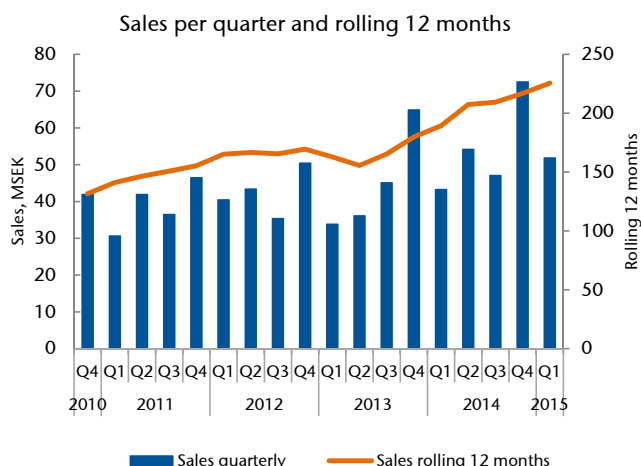
Operating margin, quarter

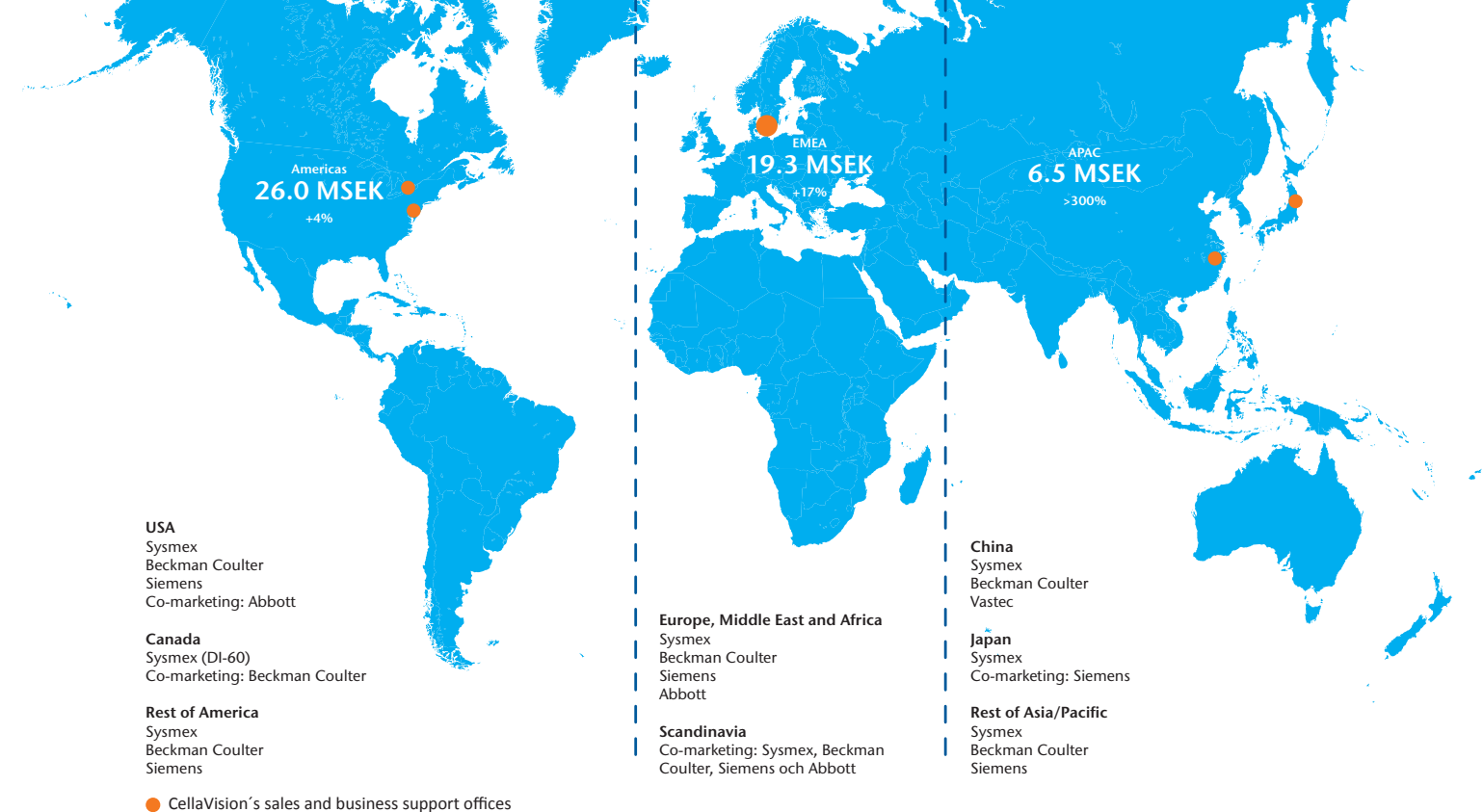
20.2 %

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 $> 15\%$**
The annual operating margin is to exceed 15 percent.





Development in geographical markets

Americas

Sales in North America amounted to SEK 26.0 million (25.1), which means an increase of 4 percent (in local currencies -12 percent) compared with the corresponding quarter in 2014. The quarter's decrease is primarily explained by changes in the product mix sold and the fact that the comparative quarter in 2014 was historically strong.

Focus during the quarter was on installing and commissioning the analyzers for the veterinary market in accordance with the order received at the end of 2014.

The replacement market has not reached the same maturity in the Americas as in EMEA since CellaVision's products were introduced a couple of years later in the American market. However, during the quarter some older analyzers have been replaced, primarily by the Sysmex DI-60. The CellaVision® RBC Application software has been successfully launched in Canada and the registration process for selling the product in the USA has been started.

EMEA

EMEA is continuing to show stable growth and sales in the first quarter were SEK 19.3 million (16.6), an increase of 17 percent (in local currencies 12 percent) compared with the corresponding quarter in 2014. Sales are spread between all the larger markets in Western Europe. Interest in automated solutions in hematology continues to grow, resulting in both new sales and the replacement market being dominated by the integrated DI-60 system from Sysmex.

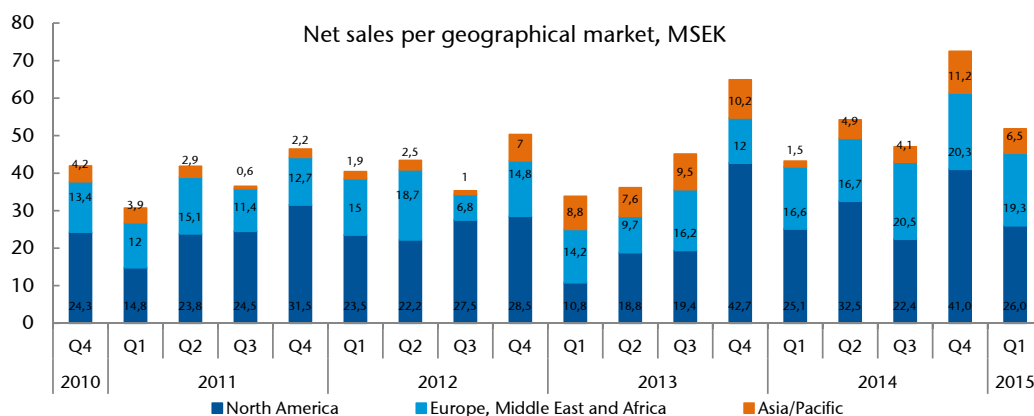
CellaVision's partners are all active in the attractive markets in the Middle East, where a considerable number of procurements that include the company's analyzers are now in progress.

APAC

CellaVision's sales in the first quarter increased to SEK 6.5 million (1.5) in the region, which implies an increase of more than 300 percent compared with the corresponding quarter in 2014. The positive trend is mainly due to increased sales of the Sysmex DI-60 to Japan but also to other parts of the region.

EMEA continues to show growth with an increase of 17% during the quarter.

Sales increased in APAC by more than 300%.



Registration of the DI-60 in China came at the end of 2014 and this approval was followed by a large initial order from Sysmex, which has resulted in some build-up of inventories. Sysmex sold its first DI-60 in Australia, a market with great potential. The CellaVision® DM1200 was also approved at the end of 2014 but there sales have not yet taken off.

Research and Development

CellaVision is continually conducting a number of development projects, aimed at further strengthening the product portfolio in relation to the company's customers in the field of hematology.

During the quarter development resources continued to be focused on meeting requirements from the veterinary market, linked to the major order received by CellaVision in the last quarter of 2014. The requirements from the veterinary market include further development of CellaVision's solutions for larger centralized networks. The solutions developed are also expected to benefit CellaVision's other systems and customers on the human market.

The pre-study for developing products for small laboratories based on the technology acquisition made by CellaVision in 2014 continued in the first quarter. We intend to complete the pre-study in mid-2015.

CellaVision obtained a new patent in the USA during the quarter. The patent is for an autofocus method that is especially useful when scanning thin preparations such as bodily fluid samples.

CellaVision patent portfolio consists of a total of 23 patented inventions. These inventions have to date generated 57 patents.

Financing

The Group's cash and cash equivalents at the close of the quarter amounted to SEK 93.0 million (76.2).

Cash flow from operating activities for the quarter was SEK 43.1 million (29.4).

Total cash flow for the quarter was SEK 41.0 million (18.3). The improvement compared with the previous year is mainly due to a decrease in trade receivables.

Parent company

Parent company sales in the quarter were SEK 49.2 million (41.5). Profit before tax was SEK 10.3 million (6.8).

The parent company's investments in property, plant and equipment and intangible assets during the quarter amounted to SEK 2.1 million (3.6) and the cash flow to SEK 45.4 million (24.6). 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 (68) at the close of the period. Of these, 48 were men (41) and 25 women (27).

CellaVision has started making organizational changes including a new management organization. The change in organization mainly entails breaking down sales and marketing into two separate functions.

CellaVision will carry out the change in accordance with the company's business model to develop and further improve close cooperation with our distribution partners. Apart from this, the company is strengthening the regional marketing organization in order to increase its presence on CellaVision's key markets.

Stefan Bengtsson left his position as COO (Chief Operations Officer) on April 30, 2015.

Zlatko Rihter was employed as President/CEO and took up his position on January 1, 2015.

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 and sensitivity analysis in the Annual Report for 2014.

Significant events after the first quarter

CellaVision was granted three national European after the end of the quarter. The patents protect the invention of fast autofocus found in CellaVision® DM1200, CellaVision® DM9600 and Sysmex DI-60.

Other information

Group

On March 31, 2015 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 a dividend increase to SEK 1 per share for 2014 (0.50). 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.

Disposable funds

93.0 MSEK

Cash flow from operation activities

43.1 MSEK

Total cash flow for the quarter was 41.0 MSEK.

Number of employees

73

CellaVision was granted a new patent in USA during the quarter.

CellaVision enhances the organization.

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 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 2014. New standards and interpretations that came into force on January 1, 2014 have not had any impact on CellaVision's financial reporting for the interim report period.

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 currency forwards are reported as current liabilities, not interest bearing, on the Group's balance sheet. The value of CellaVision's derivatives was SEK -3.2 million at March 31, 2015.

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 5, 2015

Lars Gatenbeck
Chairman of the Board

Chister Fåhraeus
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 2015	Jan-Mar 2014	Jan-Dec 2014
Net sales	51,822	43,237	216,916
Cost of goods sold	-15,516	-15,247	-71,814
Gross profit	36,306	27,990	145,102
Sales and marketing expenses	-10,257	-9,288	-42,691
Administration expenses	-9,651	-7,250	-36,833
R&D expenses	-5,906	-3,944	-22,765
Operating profit	10,492	7,508	42,813
Interest income and financial exchange rate gains	340	71	1,090
Interest expense and financial exchange rate losses	-	-148	-534
Profit/loss before tax	10,832	7,431	43,369
Tax	-2,722	-1,537	-11,904
Profit/loss for the period	8,110	5,894	31,465
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	2,264	187	207
Revaluation of financial assets	-1,710	-420	-3,726
Income tax relating to financial assets	-122	51	774
<u>b) Translation difference</u>			
Translation difference in the group	646	-117	1,986
Sum of Components to be reclassified to net profit:	1,078	-299	-759
Sum of other comprehensive income:	1,078	-299	-759
Comprehensive result for the period	9,188	5,595	30,706
Per share data	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Earnings per share, SEK */	0.34	0.25	1.32
Equity per share, SEK	6.73	5.79	6.34
Equity ratio, %	76%	74%	75%
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	53.75	18.40	39.30

* 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 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net sales	51,822	72,482	47,043	54,154	43,237	64,885	45,076	36,095
Gross profit	36,306	50,477	30,362	36,273	27,990	39,785	27,465	23,398
Gross margin in %	70	70	65	67	65	61	61	65
Expenses	-25,814	-33,642	-22,693	-25,472	-20,482	-23,488	-16,774	-23,755
Operating profit	10,492	16,835	7,669	10,801	7,508	16,297	10,691	-357
Net profit	8,110	11,649	4,828	9,094	5,894	12,831	7,913	-314
Cash flow	41,049	-6,592	12,286	-29,962	18,291	15,257	1,513	-11,420

Consolidated Balance Sheet in Summary

All amount in ' 000 SEK	3/31/2015	3/31/2014	12/31/2014
Assets			
Intangible assets	27,336	27,872	27,224
Tangible assets	3,305	3,058	3,203
Deferred tax assets	20,172	31,627	22,507
Financial assets	117	244	208
Inventory	25,994	16,214	25,129
Trade receivables	33,505	23,102	60,531
Other receivables	9,078	7,707	11,542
Cash and bank	92,954	76,173	51,905
Total assets	212,461	185,997	202,249
Equity and liabilities			
Equity	160,484	138,111	151,296
Short term debt	34,863	18,709	34,408
Short term debt with interest	-	12,518	-
Trade payables	12,815	13,857	12,297
Other liabilities	4,299	2,802	4,248
Total equity and liabilities	212,461	185,997	202,249

Consolidated statement of changes in equity

All amount in ' 000 SEK	3/31/2015	3/31/2014	12/31/2014
Balance at the beginning of the year	151,296	132,516	132,516
Dividend	-	-	-11,926
Net profit for the year	8,110	5,894	31,465
Comprehensive result for the period	1,078	-299	-759
Balance at the end of the year	160,484	138,111	151,296

Cash Flow Analysis in Summary

All amount in ' 000 SEK	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Result before taxes	10,832	7,431	43,369
Adjustment for items not included in cash flow	3,686	-781	18,942
Taxes	-509	-86	-559
Cash flow from operations before changes in working capital	14,009	6,564	61,752
Changes in working capital	29,106	22,839	-21,968
Cash flow from operations	43,115	29,403	39,784
Capitalisation of development costs	-1,887	-3,563	-12,292
Aquisitions in financial non-current assets	-392	-161	-119
Aquisitions in tangible non-current assets	213	-110	-1,446
Cash flow from investment activities	-2,066	-3,834	-13,857
New loans and instalments of dept	-	-7,278	-19,978
Dividend	-	-	-11,926
Cash flow from financing activities	0	-7,278	-31,904
Total cash flow	41,049	18,291	-5,977
Liquid funds at beginning of period	51,905	57,882	57,882
Liquid funds at end of period	92,954	76,173	51,905

Income Statement - Parent Company

All amount in ' 000 SEK	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Net sales	49,172	41,525	207,041
Cost of goods sold	-19,178	-19,344	-81,184
Gross profit	29,994	22,181	125,857
Sales and marketing expenses	-4,570	-4,117	-24,745
Administration expenses	-9,651	-7,250	-35,133
R&D expenses	-5,906	-3,944	-22,765
Operating profit	9,867	6,870	43,214
Interest income and financial exchange gains	447	22	998
Interest expense and financial exchange losses	-	-50	-355
Impairment loss on intra-group receivables and shares in subsidiary	-	-	-1,700
Profit before income tax	10,314	6,842	42,157
Taxes	-	-	-11,308
Net profit	10,314	6,842	30,849

Statement of Comprehensive Income

All amount in ' 000 SEK	Jan-Mar 2015	Jan-Mar 2014	Jan-Dec 2014
Net profit for the period	10,314	6,842	30,849
Other comprehensive income:	-	-	-
Sum of other comprehensive income:	0	0	0
Comprehensive profit for the period	10,314	6,842	30,849

Balance Sheet - Parent Company

All amount in ' 000 SEK	3/31/2015	3/31/2014	12/31/2014
Assets			
Intangible assets	27,336	27,872	27,224
Tangible assets	1,896	1,566	1,829
Deferred tax assets	19,386	31,458	21,655
Financial assets	106	106	106
Inventory	21,254	13,155	21,748
Trade receivables	25,800	19,898	56,219
Receivables from group companies	-	4,908	9,241
Other receivables	7,652	7,079	9,722
Cash and bank	86,365	70,353	41,028
Total assets	189,795	176,395	188,772
Equity and liabilities			
Equity	146,860	125,229	138,816
Short term debt	25,201	14,718	24,040
Short term debt with interest	339	12,518	-
Trade payables	12,605	13,826	12,246
Liabilities to group companies	491	7,302	9,422
Other liabilities	4,299	2,802	4,248
Total equity and liabilities	189,795	176,395	188,772

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.

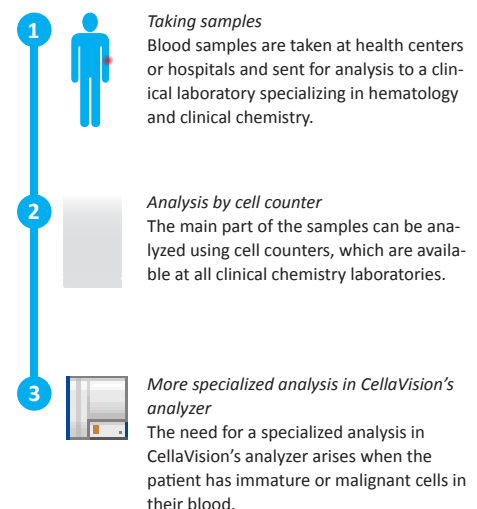
Vision

Our vision is to create a global standard for digital microscopy in the field of laboratory medicine. Our method provides the laboratory with competency and quality as well as freeing up time, which together imply cost-effectiveness and improved patient care.

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



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Financial calendar

Annual general meeting::	May 6, 2015
Interim report Jan-June:	July 17, 2015
Interim report Jan-Sept:	November 9, 2015
Year-end bulletin 2015	February 12, 2016

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 5, 2015 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.

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