

Interim report January-March 2020

Organic sales growth
Q1, 2020: 1% (31)

EBITDA margin
Q1, 2020: 31% (37)

(MSEK)	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales	134.4	103.9	461.8
Gross profit	92.3	77.0	336.7
EBITDA	41.2	38.3	146.7
EBITDA margin, %	31	37	32
Profit/loss before tax	25.5	34.8	129.2
Total cash flow	-5.2	45.0	-67.3
Equity ratio, %	57	75	54

Stable start of the year with good growth in APAC

January 1 – March 31, 2020

- Net sales increased by 29 % to SEK 134.4 million (103.9).
- Sales grew organically by 1 % (31).
- EBITDA increased to SEK 41.2 million (38.3).
- EBITDA margin was 31 % (37).
- Profit before tax was SEK 25.5 million (34.8).
- Earnings per share before and after dilution were SEK 0.85 (1.15).
- Cash flow from operating activities was SEK 15.4 million (51.1).

Significant events due to COVID-19

- Due to the COVID-19 has the Board of Directors withdrawn the original dividend proposal and proposes instead that no dividend be paid for 2019 (SEK 1.50 / share) at the Annual General Meeting 2020 (AGM).
- The company expects the COVID-19-pandemic to have a significant negative impact on CellaVision's sales and earnings for a number of months.
- In accordance with the above, the AGM has been postponed and will be held no later than June 30. CellaVision will issue a new notice to the AGM no later than four weeks before the AGM is due to take place.

CEO's comments



Sales in the first quarter of 2020 were SEK 134.4 million (103.9), representing organic growth of one percent and a positive currency effect of four percent. Including sales of RAL Diagnostics (RAL) products, growth was 29 percent. Sales grew in all regions. In EMEA, growth was 42 percent, mainly thanks to the acquisition of RAL. In Americas, growth was 3 percent, compared to the very strong first quarter of 2019 and in APAC, growth was 99 percent compared to a weak first quarter of 2019. The effects of the ongoing COVID-19-pandemic were limited in the quarter but are expected to be significant in the coming months.

EBITDA was SEK 41.2 million (38.3) in the quarter, corresponding to an EBITDA margin of 31 percent (37). During the quarter we continued to have good cost control and sound gross margins. Our already strong focus on cost control and cash flow has been further sharpened to equip CellaVision for the effects the COVID-19-pandemic will have.

Effects of COVID-19-pandemic

The outbreak of the COVID-19-pandemic is impacting people and businesses world over and is a challenge to us all. CellaVision is following the developments and effects of the pandemic carefully and we will adjust our operations based on developments in the coming quarters.

Measures to protect our personnel and limit contagion

The COVID-19 outbreak entails an enormous challenge to people's lives and health world over. CellaVision has implemented the COVID-19-related safety regulations issued by the authorities in all parts of our business. This means for example that to a great extent we are conducting our operations in a virtual work environment by working at home and meeting digitally.

Significant short-term effects of COVID-19-pandemic

We see considerable short-term effects of COVID-19, not least in a decline of the number of blood tests in most markets, but also due to our systems being installation products that require our partners to have physical access to hospitals and laboratories,

which is difficult at present. The current situation means that we expect the COVID-19-pandemic to have a negative impact on CellaVision's sales and earnings over several months. In the first quarter we have seen effects in the form of a lower installation rate in countries that were hit by COVID-19 at an early stage, above all China. As contagion decreased in China, we noted at the end of the quarter that demand for our products in the Chinese market started to approach normal levels, which is very encouraging. We also expect that sales of reagents will be affected to a considerably lesser extent, since this is a consumable that is used for all blood analysis.

No immediate impact on production

In the long term we also see some challenges regarding our supply chain, since we purchase components and raw materials from many countries. In the short term we see good prospects of maintaining production, but if there is a prolonged effect on society and supply chains it will be a challenge for us.

Focus on cash flow and liquidity

CellaVision has an efficient and scalable business model, using distribution and manufacturing partners, which means that our fixed costs for sales and production are limited. Due to the uncertainty about how long the COVID-19-pandemic will last and how far-reaching the effects will be, CellaVision has decided to put extra focus on safeguarding liquidity. We have therefore implemented several carefully considered actions, where among other things, the Board of Directors has withdrawn the original dividend proposal and proposed instead that no dividend be paid for 2019 (SEK 1.50 / share) at the AGM 2020. We have also decided to postpone the AGM until at the latest June 30. We will publish a new notice as soon as the new date is set.

Unchanged great need for CellaVision's solutions

The underlying need for digital morphology is unchanged. Treatment of patients with blood-related diseases such as leukemia, lymphoma and myeloma have high priority. This means that we make the assessment that our market will return to previous levels when the COVID-19-pandemic sounded.

Further focus on digitization

One of the effects of the COVID-19-pandemic could be the further acceleration of the digitization that has been in progress for some time. The pandemic has made dramatically clear the major opportunities and benefits of digitization, which could in the long term have positive effects on our business. This is because our solutions make it possible for healthcare professionals such as pathologists and biomedical analysts to work remotely.

Market development

CellaVision made a stable start to 2020, but the COVID-19-pandemic will impact our sales during the year. We have already seen an initial impact in APAC and the effects will also be significant in Americas and EMEA.

Americas reported a stable first quarter. Sales were SEK 54.1 million (52.5), representing a growth of 3 percent, compared with a very strong first quarter 2019. Sales of analyzers continued to be good in North America and we also see continuously stronger sales of applications and software.

EMEA reported weaker organic growth in the first quarter of 2020. Including sales of RAL's products, sales grew by 42 percent. Total sales were SEK 54.7 million (38.5). In the past two years we have sharply increased our activities in EMEA, mainly by establishing more new market support organizations.

These teams are now becoming operational and during the quarter we also established ourselves in Russia. The CellaVision® DC-1 has now been launched and is available for sale in most European markets.

APAC reported a strong quarter, with sales of SEK 25.6 million (12.9), corresponding to an increase of 99 percent compared with a weak first quarter 2019. We see a continued high activity level in the region, with important marketing initiatives on all our key markets, not least China, Japan and Australia.

The integration of RAL

The acquisition of RAL was formally completed on October 1, 2019 and since then RAL is integrated into CellaVision. CellaVision's and RAL's offers will step by step be jointly marketed in all markets where CellaVision is represented in the form of market support organizations. We will also integrate CellaVision's and RAL's offers with each other to enable us to offer optimum staining protocols for digital morphology. This work will continue throughout 2020.

Geographic expansion

During the quarter, we completed our establishment in Russia. In total, CellaVision now has 18 local organizations that offer market support in more than 40 countries.

Innovation

CellaVision® DC-1 has now entered full-scale series production after a gradual upscaling of production in 2019. Provided that the effects of the COVID-19-pandemic on our supply chain are limited, our focus will now be on meeting our customers' desired delivery dates. However, an extra production control measure will be retained in the first half of 2020 to ensure high and stable production quality.

During the first quarter of 2020, the CellaVision® DC-1 was commercially approved in several important markets in addition to the EU countries. During the quarter, we also submitted the application to the FDA (510k) for market clearance in the USA for CellaVision® DC-1. The process for market approval in China for CellaVision® DC-1 was also initiated in the quarter.

Our long-term strategy is firm

Geographic expansion and R&D are CellaVision's core areas. When the effects of COVID-19 have abated and the world returned to a more normalized state, we will continue to invest in innovation and geographical expansion to secure our future position in our market segment and maintain strong growth.

Zlatko Rihter,
President and CEO

Sales, earnings and investments

Sales and exchange rate effects

Net sales for the Group increased by 29 percent to SEK 134.4 million (103.9) during the first quarter. CellaVision's sales often show fluctuations between different quarters for individual regions as well as for the Group as a whole.

CellaVision invoices over 90 percent of sales in euros or US dollars, which means that exchange rate changes have an impact on the company's sales and earnings. In addition, RAL was acquired on October 1, 2019, which has a positive structural effect on sales. Adjusted for positive currency effects of four percent and a structural effect (acquisition) of 24 percent, sales increased organically by one percent compared to the corresponding quarter of 2019.

Gross profit and gross margin

Gross profit increased by 20 percent to SEK 92.3 million (77.0) during the first quarter, which corresponds to a gross margin of 69 percent (74).

The gross margin is mainly affected by the product mix, depreciation of capitalized development expenses and currency effects.

Through the acquisition of RAL, the product group Reagents was added. About 90 percent of RAL's sales consist of reagents. The gross margin on RAL's sales was 46 percent in the first quarter, which is lower than CellaVision's average.

Depreciation of capitalized development expenses is reported as cost of goods sold. Depreciation on capitalized development expenses increased to SEK 2.7 million (1.1) for the first quarter. The increase is due to the completion of the CellaVision® DC-1 development project and depreciation started from September 2019 and the addition of RAL. Depreciation on excess values for the RAL acquisition, which is reported as cost of goods sold, amounted to SEK 0.7 million (0).

Operating expenses

Operating expenses increased by 40 percent to SEK 58.8 million (42.1) during the first quarter. Adjusted for a structural effect (acquisition) of 21 percent, operating expenses increased organically by 19 percent compared to the corresponding quarter in 2019. Operations are conducted with increased cost awareness due to the COVID-19 pandemic and the focus is on the priority product development project.

The Group continuously activates expenses for product development. Capitalized expenditure on development projects increased by 56 percent during the quarter to SEK 6.4 million (4.1). The total research and development costs, before activation, amounted to SEK 21.1 million (15.2). Most of the capitalized expenses are related to application development, but also clinical trials that will form the basis for registration of CellaVision® DC-1 in the USA and China.



EBITDA and EBITDA margin

EBITDA increased by eight percent to SEK 41.2 million (38.3) during the first quarter, which corresponds to an EBITDA margin of 31 percent (37).

Net financial income

The Group's interest-bearing liabilities in the form of bank loans amounted to SEK 145.0 million (0.0). Interest expenses from bank loans amounted to SEK 0.5 million (0.0). In addition

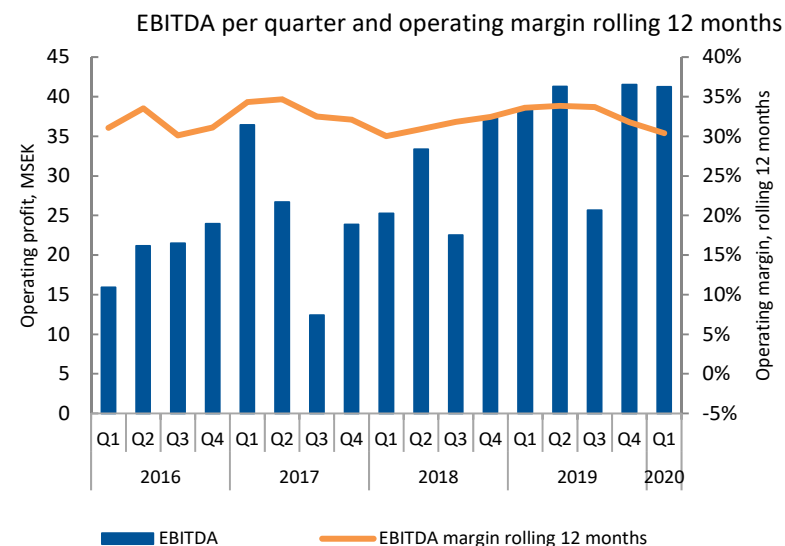
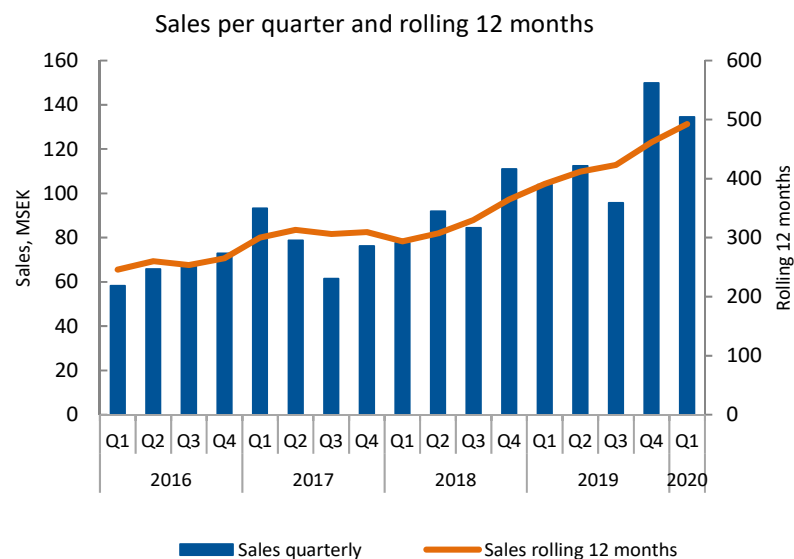
to interest expenses from bank loans, net financial items are attributable to foreign exchange gains / losses on acquisition loans raised in Euro and intra-group transactions and interest on leasing debt in accordance with IFRS 16.

Cash Flow

The Group's cash and cash equivalents at the end of the quarter amounted to SEK 99.3 million (214.3). The Group's total cash flow for the quarter amounted to SEK -5.2 million (45.0).

The Group's cash flow from operating activities for the quarter amounted to SEK 15.4 million (51.1). Inventories and short-term deposits increased together with SEK 26 million during the period, which contributed to increased capital tied up in working capital.

Investment in business acquisitions of SEK 1.3 million is attributable to the adjustment of the acquisition amount for RAL, which was made on October 1, 2019.



Development in geographical markets

Americas: SEK 54.1 million (52.5)

Sales in Americas were in line with last year's strong quarter and amounted to SEK 54.1 million (52.5). The American market continues to report positive growth and an incipient replacement market for large systems is gaining momentum. The company's North American organization is addressing the laboratories that have not yet converted to CellaVision's solutions. There is increasing interest in the company's products in Latin America, where Brazil in particular has got well under way.

CellaVision submitted the 510k application to the FDA for CellaVision® DC-1 in the quarter, preparing for launch in the latter part of 2020. Software sales continue to develop well, particularly in the USA, where demand for the interlinking of laboratories to create a common digital workflow delivers major customer value. Interest in the CellaVision® DC-1 is great in Canada and in Latin America.

A large number of activities to prepare for the launch of RAL Diagnostics (RAL) in Americas were completed during the quarter. During the latter part of March, the planned activities were affected by the development of COVID-19 and the company switched to carrying out planned activities and training digitally.

APAC: SEK 25.6 million (12.9)

In APAC, sales increased by 99 percent to SEK 25.6 million (12.9) compared with the same quarter in the previous year. China reported a strong quarter and Japan and Singapore also developed well. The effect of CellaVision's strategy with local market support organization is showing good results throughout the APAC region.

CellaVision's attempts to get a greater number to use more software and applications in Asia are starting to show results and software sales achieved its best performance to date during the quarter. Interest in the CellaVision® DC-1 is great and a number of analyzers have been delivered in the region. The company initiated the registration process with the Chinese National Medical Products Administration, NMPA, for the CellaVision® DC-1 during the quarter.

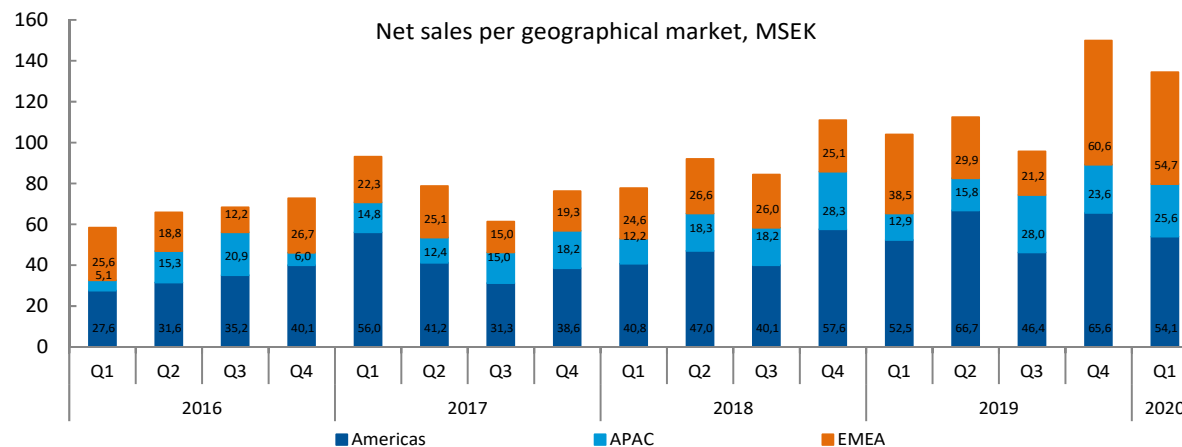
Despite the quarter being characterized by restrictions due to COVID-19, activities such as training and presentations have taken place with various partners digitally. Preparations for the launch of RAL reagents were made in all markets where the company has its own organization for local market support.

EMEA: SEK 54.7 million (38.5)

In EMEA sales grew by 42 percent to SEK 54.7 million (38.5) compared with the same period in the previous year. The good performance in EMEA is largely driven by RAL, whose growth was over 19% in the quarter.

Interest in the company's solutions is great, with good potential for continued penetration. The company's consistent strategy of investing in local organizations for market support is effective and there is good underlying demand. CellaVision established itself in Russia during the quarter. Furthermore, software sales were good during the quarter and interest and sales of the CellaVision® DC-1 have developed according to plan.

The company exhibited at MedLab trade fair in Dubai in February. The DC-1 was exhibited there, as well as RAL's portfolio. In the latter part of the quarter planned activities were affected by the COVID-19-pandemic and many training sessions and presentations were replaced by well-attended good digital solutions.



Other information

Research and development

CellaVision conducts a number of development projects to strengthen the offering to the company's customers. The work aims both to further develop CellaVision's hardware platforms and to develop new applications for both new and old instruments. For expenditure in the period and the year, please refer to page 4, operating expenses.

The development of CellaVision's new veterinary software is complete and the final tests are ongoing. Release is scheduled for the first half of 2020. The new software will allow the veterinary application to run on CellaVision® DC-1 Vet and Sysmex DI-60. A unique feature of DC-1 Vet released with this software is the ability to also classify avian blood, which is expected to open up new business opportunities. In addition, the software will include workflow improvements for all systems.

At the end of the period, CellaVision's patent portfolio contained 20 (20) patented inventions and 78 (78) registered patents.

Personnel

The number of employees of the Group, restated as full-time equivalents, was 177 (124) at the close of the quarter. Of these, were 107 men (82) and 70 women (42).

Dividend

Due to the COVID-19 has the Board of Directors withdrawn the original proposal for a dividend and proposed instead that no dividend be paid for 2019 (SEK 1.50 / share) at the AGM 2020.

The company's dividend policy means that the dividend should correspond to 30 to 50 percent of the net profit, but always take into account the company's and the group's financial position,

capital structure, acquisition needs and long-term financing needs, and this year's dividend proposal is an exception to the long-term policy.

Information concerning risks and uncertainties

Reduced demand and changes in exchange rates constitute uncertainties but not material risks. However, as mentioned earlier, this may be affected by COVID-19. For a more detailed description of the risks and uncertainties facing CellaVision, please refer to the risk analysis and Notes 2 and 5 in the Annual Report for 2018.

New tax rates

The corporate tax rate will be decreased to 20.6 percent from the financial year starting on January 1, 2021.

The company has made an assessment of when temporary differences will be reversed and the effect on deferred tax liabilities and deferred tax assets. The temporary differences that are reversed or utilized as of 2021 apply the company to 20.6 percent.

Review

The Interim report for the first quarter has not been reviewed by the company's auditors.



The Nomination Committee and the Annual General Meeting in 2020

The Nomination Committee for the Annual General Meeting in 2020

The Nomination Committee proposes that the Annual General Meeting re-election of Christer Fåhraeus, Anna Malm Bernsten, Åsa Hedin, Niklas Prager, Stefan Wolf, Jürgen Riedl and Sören Mellstig, where Sören Mellstig is proposed to be re-elected as Chairman of the Board. Furthermore, is Mikael Worning proposed as new member of the Board of Directors.

Annual General Meeting 2020

In accordance with the press release on March 26, 2020, has the Board of Directors decided to postpone CellaVision's Annual General Meeting on the basis of covid-19.

CellaVision will issue a new notice to the AGM no later than four weeks before the AGM is due to take place. The meeting will be held no later than June 30, in accordance with current legislation.

The Annual Report for 2019

CellaVision's annual report for 2019 will be published no later than three weeks before the AGM and is then available at the company's website, www.cellavision.se

Dividend

Due to COVID-19 has the Board of Directors withdrawn the original dividend proposal and proposes instead that no dividend be paid for 2019 (SEK 1.50 / share) at the AGM 2020.

Declaration by the board of directors and president and CEO

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, April 22, 2020

Sören Mellstig
Chairman of the Board

Christer Fåhraeus
Member of the Board

Åsa Hedin
Member of the Board

Anna Malm Bernsten
Member of the Board

Niklas Prager
Member of the Board

Jürgen Riedl
Member of the Board

Stefan Wolf
Member of the Board

Zlatko Rihter
President/CEO

Consolidated Income Statement in Summary

All amount in ' 000 SEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales	134,430	103,891	461,772
Cost of goods sold	-42,120	-26,865	-125,038
Gross profit	92,310	77,026	336,734
Sales and marketing expenses	-28,822	-21,683	-102,348
Administration expenses	-15,163	-9,234	-51,394
R&D expenses	-14,812	-11,164	-56,417
Operating profit	33,513	34,945	126,576
Interest income and financial exchange rate gains	622	522	5,989
Interest expense and financial exchange rate losses	-8,643	-657	-3,344
Profit/loss before tax	25,491	34,810	129,220
Tax	-5,214	-7,473	-30,048
Profit/loss for the period	20,277	27,337	99,172
Other comprehensive income:			
Components not to be reclassified to net profit:			
Effect on revaluation of pensions	-216	0	-511
Tax effect on revaluation of pensions	60	0	143
Sum of Components not to be reclassified to net profit:	-156	0	-368
Components to be reclassified to net profit:			
<i>a) Financial assets at fair value</i>			
Reclassified to operating result	1,847	1,366	4,546
Revaluation of financial assets	-4,968	-4,959	-2,825
Income tax relating to financial assets	666	769	-368
<i>b) Translation difference</i>			
Translation difference in the group	16,856	632	-6,382
Sum of Components to be reclassified to net profit:	14,401	-2,192	-5,029
Sum of other comprehensive income:	14,246	-2,192	-5,397
Comprehensive result for the period	34,523	25,145	93,775

Per share data

Per share data	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Earnings per share, before and after dilution, SEK */	0.85	1.15	4.16
Equity per share, SEK	16.05	13.23	14.61
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	245.00	279.00	319.50
Dividend per share	0.00	0.00	1.50

* 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 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net sales	134 430	149 834	95 599	112 448	103 891	110 965
Gross profit	92 310	99 859	72 754	87 095	77 026	81 955
Gross margin in %	69	67	76	78	74	74
Expenses	-58 797	-68 035	-50 885	-49 158	-42 081	-46 131
EBITDA	41 221	41 510	25 642	41 291	38 288	37 309
Net profit	20 277	24 385	17 171	30 279	27 337	29 548
Cash flow	-5 209	-116 215	27 734	-23 845	45 001	4 287

Consolidated Balance Sheet in Summary

All amount in ' 000 SEK	03/31/2020	03/31/2019	12/31/2019
Assets			
Intangible assets	315,959	70,809	299,668
Tangible assets	54,307	36,668	54,494
Deferred tax assets	0	0	0
Financial assets	23,649	3,590	22,295
Inventory	66,585	27,819	54,808
Trade receivables	80,129	53,804	88,922
Other receivables	37,657	11,832	19,208
Cash and bank	99,305	214,346	102,312
Total assets	677,591	418,867	641,709
Equity and liabilities			
Equity	382,896	315,520	348,373
Deferred tax liability	40,892	8,048	38,539
Other provisions	5,812	2,458	6,007
Long-term debt, interest-bearing	119,841	23,596	122,927
Short-term debt, interest-bearing	52,192	6,508	37,137
Short-term debt, non interest-bearing	48,356	41,374	65,108
Trade payables	25,511	19,494	21,716
Warranty provisions	2,093	1,869	1,903
Total equity and liabilities	677,591	418,867	641,709

Consolidated statement of changes in equity

All amount in ' 000 SEK	03/31/2020	03/31/2019	12/31/2019
Balance at the beginning of the year	348,373	290,375	290,375
Dividend	0	0	-35,777
Net profit for the year	20,277	27,337	99,172
Comprehensive result for the period	14,246	-2,192	-5,397
Balance at the end of the year	382,896	315,520	348,373

Cash Flow Analysis in Summary

All amount in ' 000 SEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Result before taxes	25 491	34 810	129 220
Adjustment for items not included in cash flow	6 805	-4 014	25 839
Taxes	-4 153	-5 209	-28 063
Cash flow from operations before changes in working capital	28 143	25 588	126 997
Changes in working capital	-12 729	25 507	-2 037
Cash flow from operations	15 413	51 095	124 960
Acquisitions	-1 269	0	-247 575
Capitalization of development costs	-6 355	-4 075	-16 012
Acquisitions of intangible non-current assets	-150	0	0
Acquisitions of financial non-current assets	-238	-11	-40
Acquisitions of tangible non-current assets	-1 580	-545	-2 672
Cash flow from investment activities	-9 592	-4 631	-266 299
Acquired loans	309	0	123 413
Amortization of loans	-9 077	0	-6 963
Amortization of leasing debts	-2 262	-1 463	-6 661
Dividend	0	0	-35 777
Cash flow from financing activities	-11 030	-1 463	74 012
Total cash flow	-5 209	45 001	-67 326
Liquid funds at beginning of period	102 312	169 057	169 057
Exchange rate fluctuations in liquid funds	2 202	288	581
Liquid funds at end of period	99 305	214 346	102 312

Disclosures regarding interest expense:

Interest expenses amount to SEK 722 thousand whereof SEK 211 thousand is attributable to leasing in accordance with IFRS 16

Income Statement - Parent Company

All amount in ' 000 SEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales	106,275	103,552	433,854
Cost of goods sold	-25,127	-33,084	-137,880
Gross profit	81,149	70,468	295,973
Sales and marketing expenses	-23,156	-14,778	-67,749
Administration expenses	-11,829	-9,179	-43,129
R&D expenses	-20,030	-15,240	-71,737
Operating profit	26,134	31,271	113,359
Interest income and financial exchange gains	622	517	5,861
Interest expense and financial exchange losses	-8,165	-410	-2,652
Profit before income tax	18,591	31,378	116,568
Taxes	-3,979	-6,715	-26,529
Net profit	14,613	24,663	90,038

Statement of Comprehensive Income

Net profit for the period	14,613	24,663	90,038
Other comprehensive income	0	0	0
Sum of other comprehensive income	0	0	0
Comprehensive profit for the period	14,613	24,663	90,038

Balance Sheet - Parent Company

All amount in ' 000 SEK	03/31/2020	03/31/2019	12/31/2019
Assets			
Intangible assets	7,250	10,105	7,806
Tangible assets	6,011	6,408	6,034
Deferred tax assets	3,678	2,844	3,678
Financial assets	263,014	3,582	261,567
Inventory	34,100	22,065	27,746
Trade receivables	52,642	51,009	64,804
Receivables from group companies	6,274	3,346	6,320
Other receivables	35,772	10,429	17,835
Cash and bank	76,662	203,533	75,214
Total assets	485,404	313,322	471,003
Equity and liabilities			
Equity	295,128	250,918	280,516
Other provisions	2,127	2,458	2,538
Long-term debt, interest-bearing	88,444	0	89,207
Short-term debt, interest-bearing	25,270	0	23,789
Short-term debt, non interest-bearing	29,383	29,242	37,580
Trade payables	21,872	18,783	14,886
Liabilities to group companies	21,088	10,052	20,585
Warranty provisions	2,093	1,869	1,903
Total equity and liabilities	485,404	313,322	471,003

Notes

NOTE 1. ACCOUNTING POLICIES

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 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 2018 and year-end bulletin 2019.

NOTE 2. 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.

NOTE 3. ALLOCATION OF SALES

All amount in ' 000 SEK	Jan-Mar 2020			Jan-Mar 2019		
	Instruments	Reagents	Other	Instruments	Reagents	Other
Americas	35,106	414	18,548	33,278	0	19,178
APAC	19,597	403	5,645	11,121	0	1,775
EMEA	19,431	21,615	13,671	29,771	0	8,767
Total	74,134	22,432	37,864	74,170	0	29,720

NOTE 4. FINANCIAL INSTRUMENTS

All amount in ' 000 SEK	Jan-Mar 2020		Jan-Mar 2019	
	Reported value	Fair value	Reported value	Fair value
Financial assets				
Derivative assets	0	0	274	274
Financial liabilities				
Derivative liabilities	-6,942	-6,942	-9,419	-9,419

Derivative assets are included in other current receivables in the statement of financial position and derivative liabilities are included in short-term debt. The derivatives refer to forward exchange contracts held for currency hedging.

The forward exchange contracts are valued in level 2 of the valuation hierarchy, financial instruments where fair value is determined based on valuation model based on other observable data for the asset or liability than quoted prices included in level 1, either directly (ie as price quotes) or indirectly (ie derived from price quotations). The currency forwards are valued on the basis of observable information regarding exchange rates prevailing on the balance sheet date and market interest rates for the remaining maturity.

For other financial assets and liabilities, the carrying amount is considered a reasonable approximation of fair value.

NOTE 5. TANGIBLE FIXED ASSETS

All amount in ' 000 SEK	Jan-Mar 2020	Jan-Mar 2019
Right of use assets		
Inventories	2,663	1,553
Land and buildings	25,163	28,266
Total right of use assets	27,826	29,819
Tangible fixed assets that are not right of use assets		
Inventories	11,317	6,848
Land and buildings	15,164	0
Total tangible fixed assets that are not right of use assets	26,481	6,848
Total tangible fixed assets	54,307	36,668

The tangible fixed assets amounted to 54.3 MSEK on the balance sheet date. The majority of the right of use assets consists of leases for office premises. For all leases for which the Group is lessee (which are not short term leases or low value assets), the Group recognizes a right of use asset and a corresponding lease liability.

When valuating the right of use asset, the acquisition method is used, i.e the right of use asset is calculated at acquisition cost, adjusted for any revaluation of the lease liability less depreciation.

The right of use asset is reported as a tangible fixed asset, while leasing liability is reported separately in the Group's statement of financial position as long-term debt, interest-bearing and short-term debt, interest-bearing.

Reconciliation tables KPIs, non-IFRS measures

The company presents certain financial measures in the interim report which are not defined according to IFRS. The company considers these measures to provide valuable supplementary information for investors and the company's management as they enable the assessment of relevant trends. CellaVision's definitions of these measures may differ from other companies' definitions of the same terms. These financial measures should therefore be seen as a supplement rather than as a replacement for measures defined according to IFRS. Definitions of measures which are not defined according to IFRS and which are not mentioned elsewhere in the interim report are presented below. Reconciliation of these measures is shown in the tables below.

Key performance indicators not defined according to IFRS

Currency effect. Exchange rate effects on sales growth for the period.

Equity/assets ratio. Shareholders' equity including non-controlling interests as a percentage of total assets.

Gross margin. Gross profit as a percentage of net sales.

Gross profit. Net sales less cost of goods sold.

Shareholders' equity per share. Shareholders' equity attributable to Parent Company shareholders divided by the number of outstanding shares at the end of the period.

Operating margin (EBIT), %. Operating profit (EBIT) as a percentage of net sales for the period.

Operating profit (EBIT). Earnings before interest and tax

Net earnings per share

KSEK	Jan-Mar 2020	Jan-Mar 2019
Profit/loss for the period	20,277	27,337
Number of shares	23,851,547	23,851,547
Net earnings per share	0.85	1.15

Equity per share

KSEK	Jan-Mar 2020	Jan-Mar 2019
Equity	382,896	315,520
Number of shares	23,851,547	23,851,547
Equity per share	16.05	13.23

Equity-asset ratio

KSEK	Jan-Mar 2020	Jan-Mar 2019
Equity	382,896	315,520
Balance sheet total	677,591	418,867
Equity ratio	57%	75%

Gross margin

KSEK	Jan-Mar 2020	Jan-Mar 2019
Net sales	134,430	103,891
Gross profit	92,310	77,026
Gross margin	69%	74%

Reconciliation tables KPIs, non-IFRS measures, cont'd

Operating margin

KSEK	Jan-Mar 2020	Jan-Mar 2019
Net sales	134,430	103,891
Operating profit	33,513	34,945
Operating margin	25%	34%

EBITDA

KSEK	Jan-Mar 2020	Jan-Mar 2019
Operating profit	33,513	34,945
Depreciation	7,708	3,343
EBITDA	41,221	38,288

Net sales

KSEK	Jan-Mar 2020 (%)	Jan-Mar 2020 MSEK	Jan-Mar 2019 (%)	Jan-Mar 2019 MSEK
Last period		103,891		77,611
Organic growth	1%	756	31%	23,671
Currency effect	4%	4,156	3%	2,609
Structural growth	25%	25,627	0%	0
Current period	29%	134,430	34%	103,891

This is CellaVision

Vision

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

Business concept

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

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.

Company 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

CellaVision collaborates with strategic partners in order to gain scalability in manufacturing and sales.

Suppliers

CellaVision's analyzers are manufactured in Sweden by contract manufacturers. 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 the 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.

Financial targets

Our objective is to create a global standard for digital microscopy in the sub-field hematology. The objective is broken down into important financial targets.

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

CellaVision completed the acquisition of RAL Diagnostics (RAL) on October 1, 2019

On October 1, CellaVision AB acquired the French company RAL Diagnostics (RAL), which manufactures sample preparation products in hematology, pathology, cytology and microbiology.

RAL's reagents enhance the identification of cell and tissue morphology, parasites and bacteria necessary to diagnose many illnesses. RAL supplies innovative products and solutions for standardized laboratory diagnostics and improved performance for cellular image processing. The company is placed in Bordeaux, France, and includes a production facility with current annual production of reagents.

The acquisition of RAL gives CellaVision the ability to further improve the quality of sample preparation, which is of great importance for the result of the blood analysis. The quality of the sample preparation is important for optimal functioning of CellaVision's systems, and there is a great need in both large, small and mid-size laboratories for standardized solutions.

CellaVision's and RAL's products are used together by several laboratories and constitute separate but interdependent steps in a complete blood analysis chain. CellaVision and RAL together create an increased customer value in digital morphology by offering a complete and integrated solution for the hematology laboratory.

In addition to RAL's offering in hematology, a segment amounting to 50 percent, RAL's product portfolio includes the areas of microbiology, amounting to 40 percent, and cytology and pathology which together amount to ten percent. The acquisition thus opens new future opportunities to apply CellaVision's technology beyond hematology.

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

Financial calendar

Activity	Date
Annual General Meeting	Latest by June 30
Interim Report January-June	16 July
Interim Report January- September	23 October
Year-end bulletin 2020	29 January 2021

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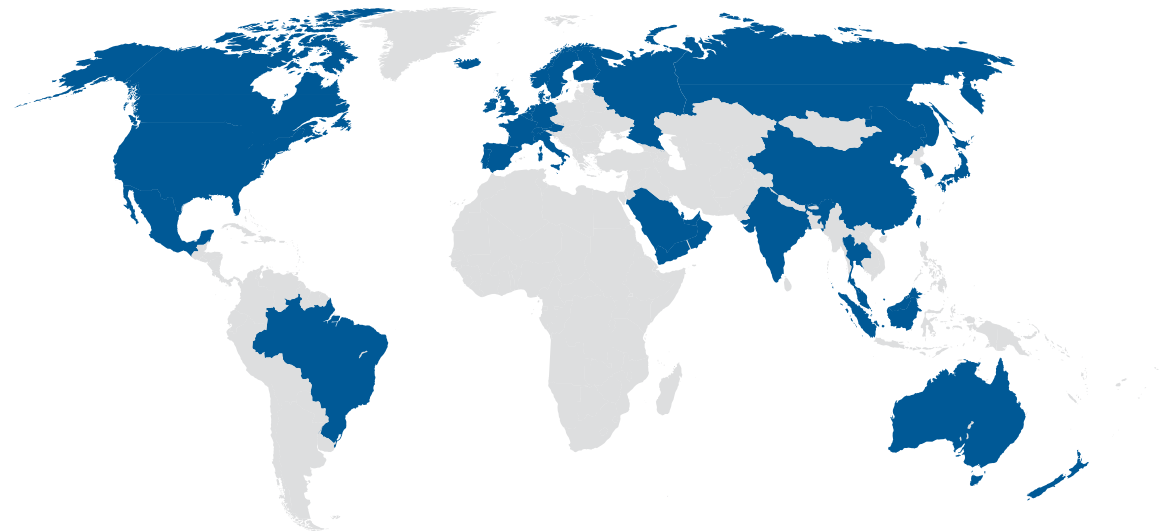
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With the 18 organizations for local market support CellaVision has direct presence more than 40 countries.