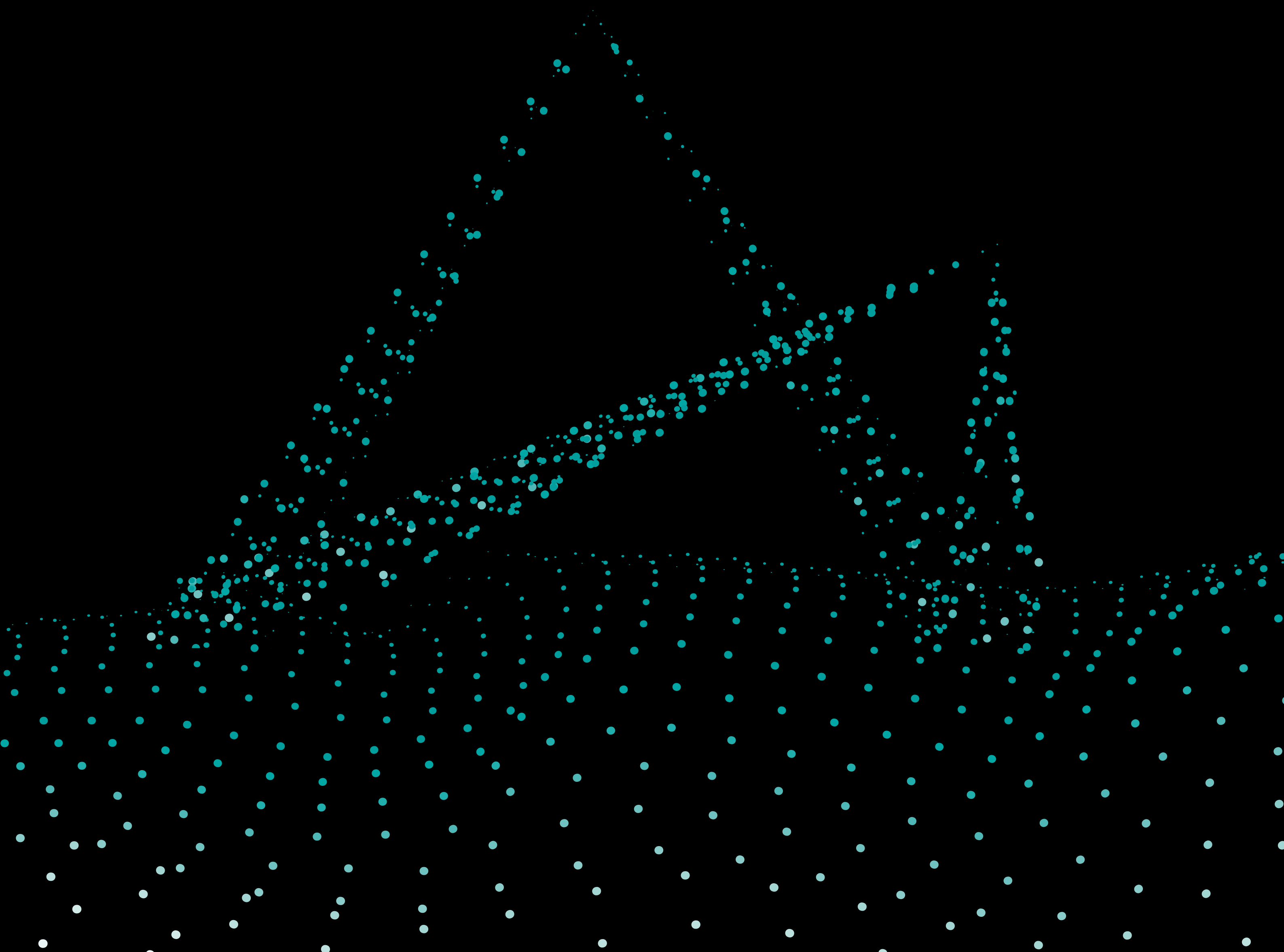
ContextVision

Annual Report 2019



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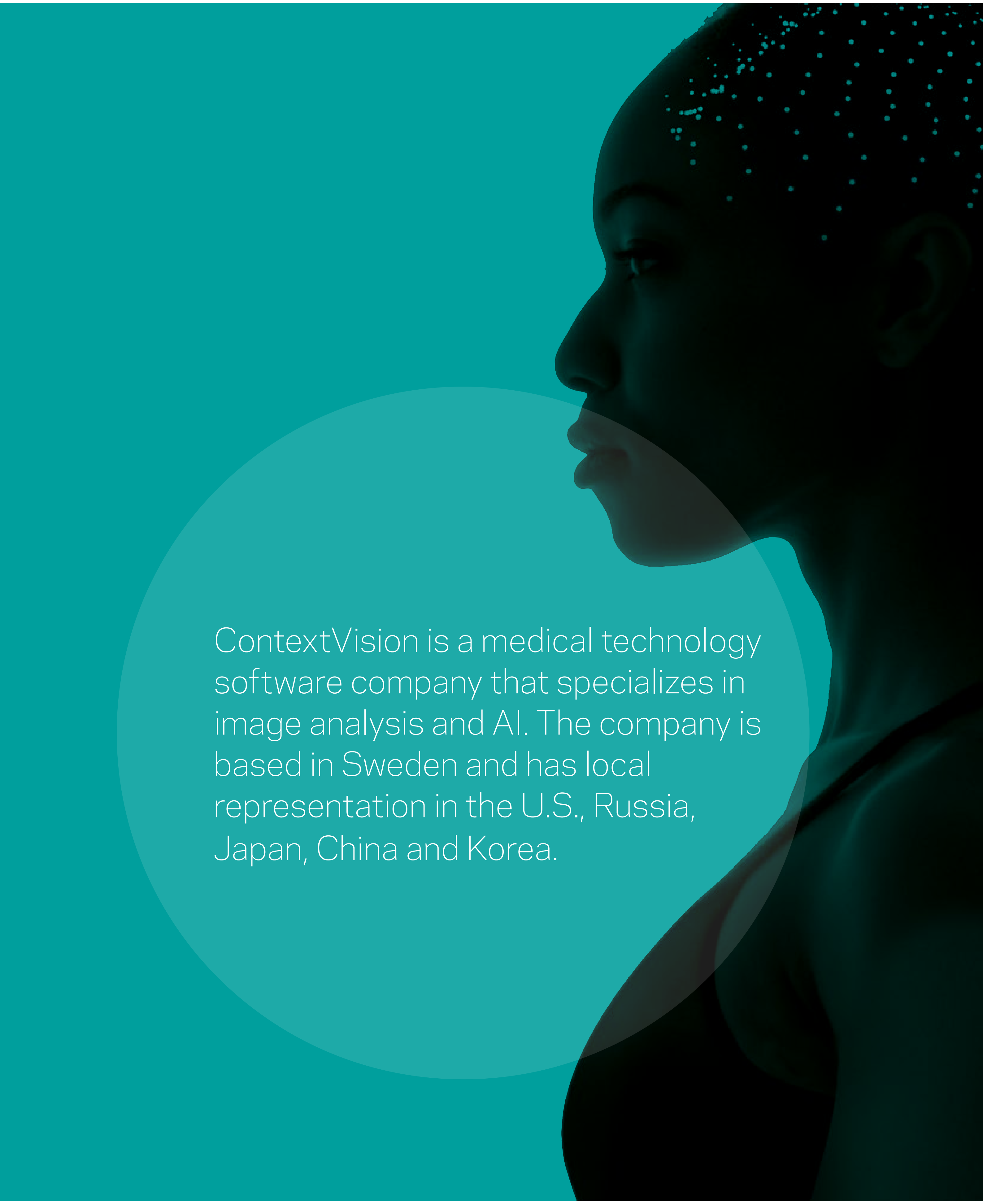

ContextVision is a medical technology software company that specializes in image analysis and AI. The company is based in Sweden and has local representation in the U.S., Russia, Japan, China and Korea.

Better healthcare for more people

ContextVision is a medical technology software company specializing in image analysis and artificial intelligence. The company is based in Sweden, with local representation in the U.S., Russia, Japan, China and South Korea. The share is listed on the Oslo Stock Exchange under the ticker COV.

Healthcare challenges

Factors such as global population growth and that we are living longer inevitably lead to an increase in the number of patients in need of diagnosis and treatment, especially in the field of cancer. Consequently, healthcare faces major productivity and financial challenges and the potential to develop it radically with the help of powerful technology such as AI have never been larger.

Medical Imaging

Medical image enhancement for radiology is ContextVision's core business, in which we are the world leader. The business is industrial (OEM) and we offer license-based software to leading manufacturers of medical imaging equipment such as various types of ultrasound, X-ray, and MRI equipment. ContextVision has more than 30 years of experience in the field and maintains its competitiveness through continued investment in research and development.

Digital Pathology

BETA testing of our first decision-support product in digital pathology began during 2019, an important step on the way to a launch.

Applied AI expertise

ContextVision specializes in translating technology into useful, medical applications. AI is a natural component in our research and development toolbox. Our experience in applied algorithm development for medical image processing and image analysis, which dates back to the 1980s, is a major competitive advantage.

Data

A broad network consisting of biobanks, hospitals, individual labs and potential customers provides us with access to data with a representative distribution and quality, which is the foundation for developing valuable products.

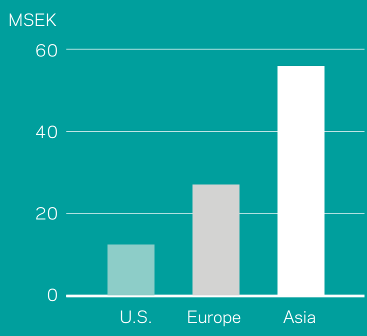
Our vision

Better healthcare for more people.

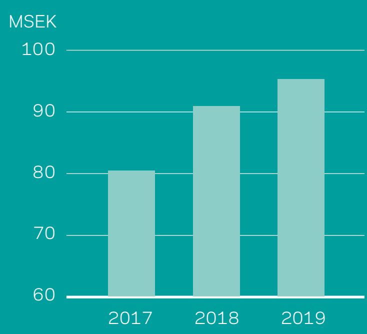
Our mission

Providing intelligent technology to improve medical imaging and create new opportunities in healthcare.

SALES PER REGION 2019



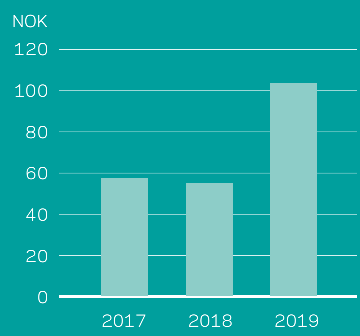
REVENUE



ContextVision's strengths

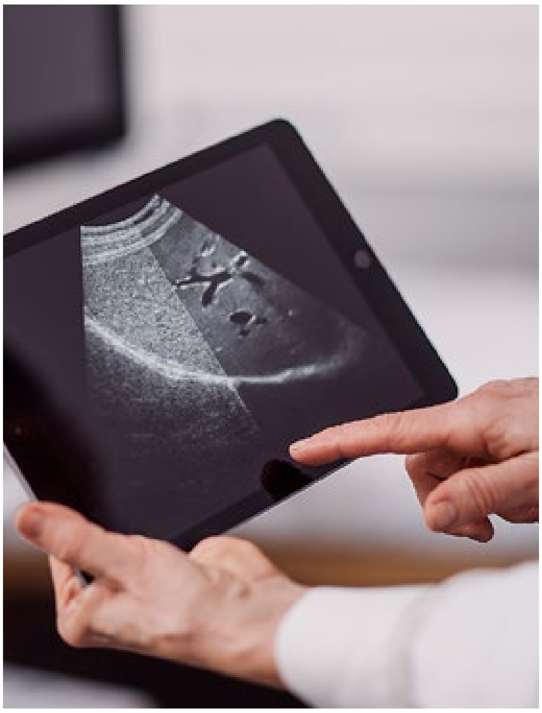
- Focus on growth
- Market leader in medical image enhancement
- Flexible products that can be adapted to different hardware systems
- Extensive commercial experience and strong sales team
- Leading edge expertise in artificial intelligence and deep learning
- Team with broad array of skills

SHARE PRICE DEVELOPMENT, 31 DEC



2019 in brief

ContextVision is now making major advances, showing how the benefits of artificial intelligence can relieve and create new conditions for high-pressure healthcare systems worldwide. In 2019, the company grew and further strengthened its expertise in artificial intelligence and digital pathology.



DEVELOPED AI EXPERTISE

ContextVision approaches the patient. During the year, we continued to develop our AI skills in order to enhance our Medical Imaging and Digital Pathology operations.

STRONG INTEREST FOR ALTUMIRA

Our new AI-based radiology product, Altumira, has contributed to increased sales, especially in Asia and the U.S. The reception in the market has exceeded expectations.

SALES INCREASE X-RAY 2019 vs. 2018

+31%

OPERATING MARGIN BUSINESS UNIT MEDICAL IMAGING

36%

NEW CEO WELCOMED

The company has a new CEO, Fredrik Palm, who was previously the business unit director for Medical Imaging.
Read more about Fredrik Palm's vision for ContextVision on pages 8–9.

NEW PRODUCT IN ULTRASOUND, RIVENT

In Medical Imaging our research efforts have focused on ultrasound with a new product, Rivent, which was launched in November. Rivent meets the increased needs of the rapidly growing ultrasound market.

PATENT GRANTED IN THE U.S.

The patent for our unique and proprietary method for verifying data, MasterAnnotation, was granted in the U.S. in November. The method is used to ensure high-quality and objective data used to train algorithms and develop new products in Digital Pathology.

CASH POSITION AT YEAR-END, MSEK

36.3

SHARE PRICE INCREASE 2019

+88%

Focus on patient value

In a greater perspective, ContextVision helps to deliver patient value by providing software solutions. Together with the medical profession, our solutions lead to a more efficient diagnose process and treatment guidance – to the benefit of both the patients and the profession.

After over seven years as vice president and business unit manager, I took over as CEO of the company in April. My focus is on further developing our vision, strategy and organization, which is obviously combined with running a profitable business. Healthcare faces major challenges and the potential to radically develop the sector with the help of powerful technology such as AI has never been greater.

Medical Imaging

ContextVision continues to strengthen its leading position in its core business, medical image enhancement in radiology and ultrasound. Once again, we have achieved the highest sales in the history of the company, MSEK 95.3. The company has achieved total volume growth, but it has also been supported by positive currency effects since all transactions are denominated in a foreign currency. Our sales growth includes both expanded sales to current customers and contracts with new customers. Asia is our largest market and accounts for almost 60 percent of revenue, and it is also the market that has contributed most to the increase. The second largest is Europe, where total sales declined during the year, entirely because a single customer phased out one of our product lines. The U.S. with its neighbouring countries continues to be our smallest business region. But after a couple of years of declining sales, the trend has turned upwards again, and the combination of existing and established customers in the region inspires hope for continued positive growth.

Extensive knowledge and experience in medical image processing make us attractive to leading manufacturers in the field as image quality is a key to success for our customers. The need for high image quality in healthcare is constantly growing, which automatically places higher demands on our customers who manufacture such equipment. Consequently, they are becoming increasingly willing to purchase and dependent on using solutions from leading suppliers such ContextVision.

We have advanced in our market-leading position in the field through continuous development in close consultation with our customers. During the year we have further evidence of this, as manifested by our increased sales, as well as by our new customers and discussions with prospective customers, for which reason we are optimistic regarding continued growth.

Ultrasound is our largest product area and accounts for over 70 percent of sales. We continue to see that ultrasound sales will be dominant as our licensing business is volume dependent, and the number of ultrasound machines that are manufactured and sold annually far exceeds the other modalities.

We have the largest percentage growth in x-ray, which has a growth rate of 31 percent. The launch of our new AI-based Altumira™ product line, which was released for sale at the end of the second quarter has been highly successful. Several contracts with Altumira were signed during the second half of the year, which is uncommonly fast from product release to actual business deals, in our experience.

These two areas account for most of our growth, which is fully in line with our business strategy and focus on these specific areas.

Digital Pathology

Our intention was that the first product would reach the market in 2019. Since quality is our top priority, the process has taken longer than expected. Prioritization of quality aspects is particularly important to us since this product represents our entry into a new market that is becoming established in healthcare.

During the year the INIFY Prostate Screening product was installed in a BETA testing lab and we initiated the agreement process with additional labs. At the same time, we worked intensively to collect data and subject it to quality assurance procedures for training of algorithms and tests that are carried out during the final phase of product development. We received excellent news in the fourth quarter when our patent for our "Master Annotation" (MA) method was approved. By using the MA method, we can create objective data that is then used as a subset for training of our prostate algorithms with

> “Once again, we have achieved the highest sales in the history of the company, MSEK 95,3.

the aim of increasing the precision of our upcoming prostate products. I see this as a confirmation of the technical skill and innovative power in our company.

Research in other cancer areas has been conducted in parallel with the development of our first decision support product for prostate biopsy diagnostics. In the second quarter a project was completed that focused on developing AI-based decision-support tools for lung cancer. The project was financed in part by Vinnova and we will use data from the project to train deep learning models which will ultimately be used to develop decision-support products to help diagnose lung cancer.

The importance of access to the right data, regarding quantity, quality and distribution, is key when developing AI-based algorithms and products. During the year we signed an agreement with a large biobank in Europe. In addition, we are members of AIDA, a national arena for AI research in medical image analysis to provide us with access to large quantities of anonymized image and patient chart data. This membership, combined with our worldwide network of individual labs, which we have established over the years, provides access to diversified data that is very important to us in the continued development in digital pathology aiming at treatment guidance.

Summary

In summary, 2019 was an eventful year during which we further advanced our position in image processing for radiology. Image quality is and will remain of paramount importance in healthcare in the future and because of this, combined with our leading position, broad contact networks of customers and specialist knowledge within the company, we are optimistic about the future.

In Digital Pathology, we have advanced by further expanding our knowledge of technology, clinical practice and the market at the same time that product development has progressed. We look forward to an imminent market introduction where we are involved and promote digitalization to benefit both patients and the profession.

Fredrik Palm
CEO

Healthcare challenges

The need for innovative solutions in healthcare is growing and digitalization is sweeping across the world. ContextVision is well positioned to offer what is in demand in this market.

Global healthcare costs are rising as the world population ages and the number of patients with chronic diseases grows. The search for measures that can ease the burden of the healthcare system is therefore intense. One of these measures is an increased use of technical solutions and digitalization. Medical imaging is one area of focus.

Faster diagnoses provide earlier treatment and an opportunity to avoid disease progression. Greater precision in diagnostics also allows more precise treatment. The individual receives better and faster treatment, while the cost for society is lower. As a result, image quality becomes a key factor for medical imaging equipment manufacturers. As a specialized provider of image processing, ContextVision can guarantee a superior result.

We are the market leader in the field of medical imaging and geographically, Asia and especially China are our largest markets, as well as the markets that demonstrate the greatest potential for the future. The main competition comes from our customers' own research and development departments.

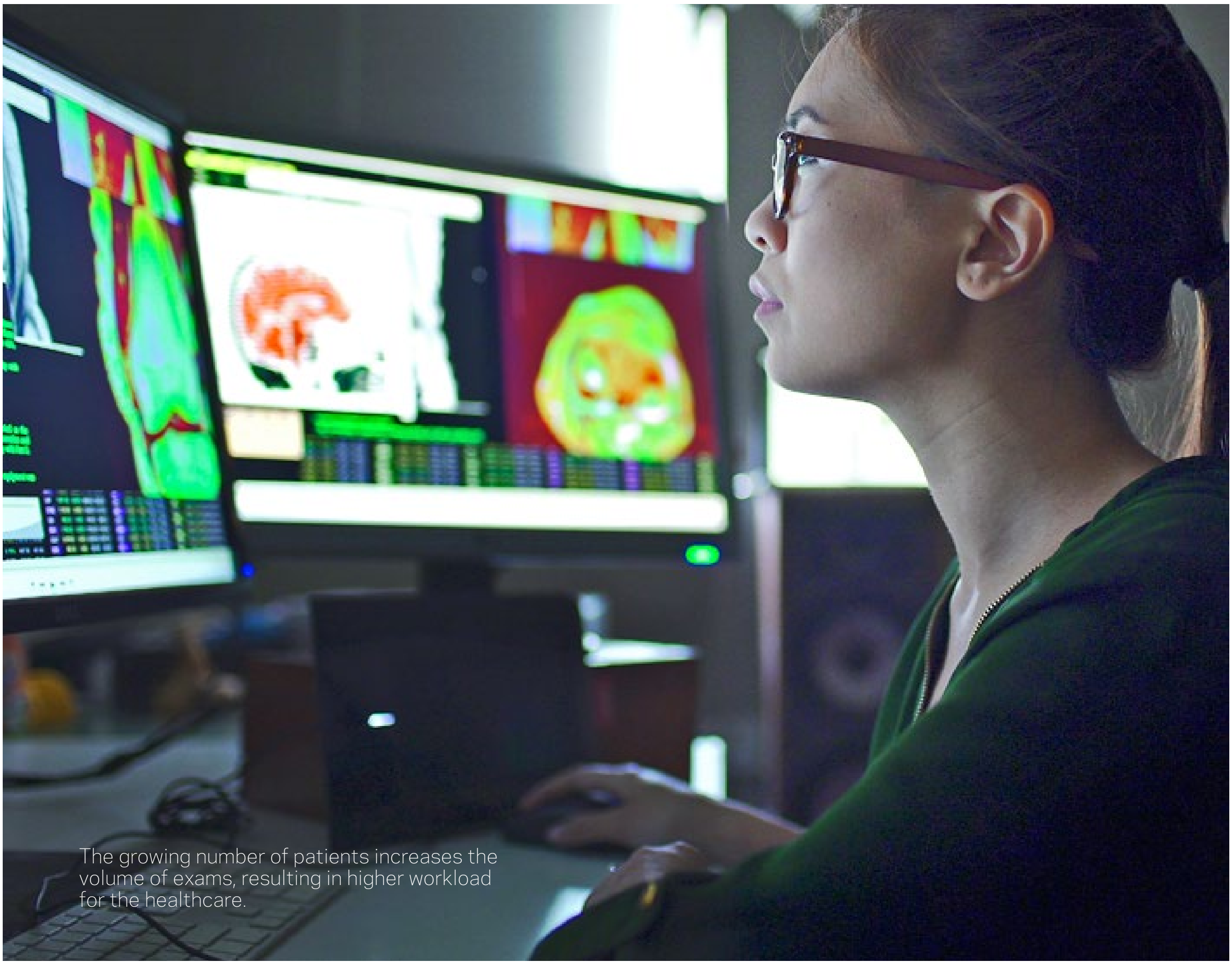
Growing ultrasound market

Demand for ultrasound equipment continues to grow. This modality is well adapted to the situation in today's healthcare. It is relatively inexpensive, portable and provides real-time feedback. The average growth rate in the ultrasound market is about 3–4 percent. During the year, ContextVision has grown by over 5 percent in 2D ultrasound and is therefore strengthening its position in this important area.

Digital pathology

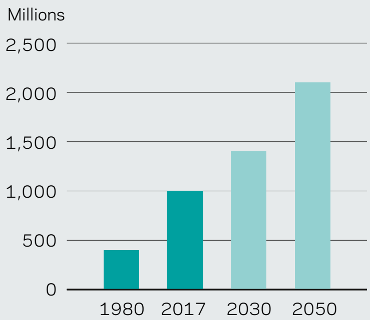
In Europe, around 18 percent of pathology labs are digitalized, a figure that is expected to grow to 35 percent by 2022. In the U.S., another scanner manufacturer, Leica, was granted marketing authorization by the FDA during the year. Philips already has approval to sell its scanner. Digital pathology is a hot area of development and the global market is expected to grow rapidly over the next few years. Early establishment in the market can be advantageous for ContextVision.

The digital pathology market is young, with growth driven by a shortage of pathologists. At this early stage, it is difficult to estimate the market. The market for digital pathology is today estimated to 500 MUSD and is expected to grow by 13 percent annually to reach 1.4 BUSD in 2026. Software is expected to represent a greater part of that market.



The growing number of patients increases the volume of exams, resulting in higher workload for the healthcare.

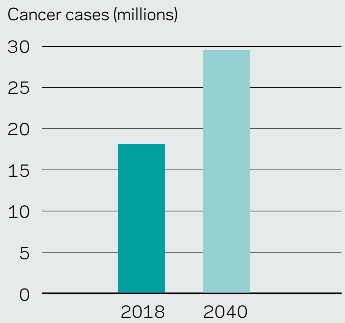
AN AGING POPULATION



World population aged 60 and over

Source: United Nations (2017). World Population Prospects: the 2017 revision

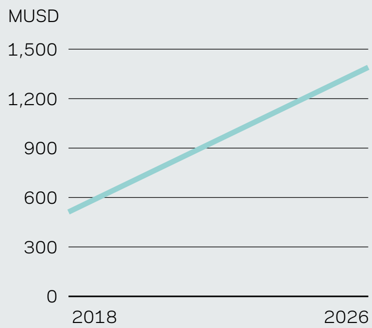
CANCER EXPECTED TO INCREASE BY 62 PERCENT



62 percent increase in global incidence of cancer 2018-2040

Source: WHO International Agency for Research on Cancer

INCREASING GLOBAL MARKET FOR DIGITAL PATHOLOGY



Digital pathology CAGR 13 percent, 2018–2026

Source: Allied market research Sept 2019

“We combine the agility and flexibility of the newly started company with the reliability of a well-established company.

Arto Järvinen

Interview with Arto Järvinen, Chief Technology Officer.

Intelligent AI

In recent times, artificial intelligence-based applications have been able to solve unsolvable problems such as advanced medical image analysis and almost perfect speech recognition. Machine learning, the most common type of artificial intelligence today, has been a part of the ContextVision toolbox since the company was founded in the 1980s. We adopted the new version of deep machine learning when it was “rediscovered” in the 2010s.

Machine learning algorithms can be very powerful, yet at the same time “square.” Algorithms created with machine learning are often insufficient in themselves to create innovative products. They need to be supplemented with either (1) handwritten algorithms that realize the innovative features or (2) innovative types of training data that have never been used for machine learning in the past.

An example of (1) is the Altumira product family for enhancement of radiographic images. In these products, we combine handwritten algorithms with machine learning. The machine-learned algorithms make the applications faster and more stable, but the innovation can be found in the handwritten parts and in how the machine-learned parts support the handwritten parts.

An example of (2) is our patented Master Annotation method for innovatively creating training data for prostate cancer applications.

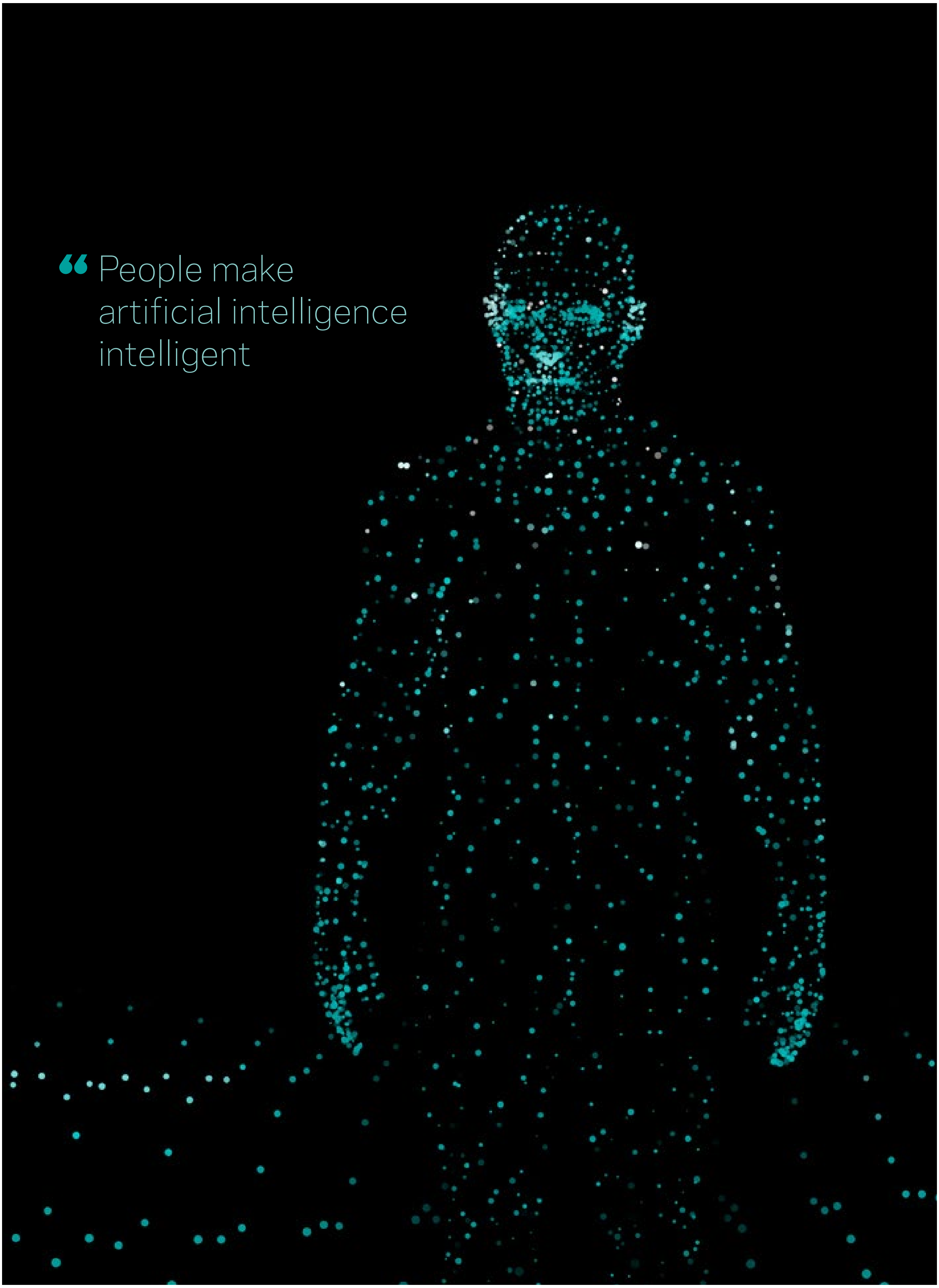
People make AI intelligent

However, it is not enough to formulate innovative algorithms with or without machine learning. Algorithms need to be (3) implemented, verified and validated on a number of hardware platforms in accordance with customer requirements and there must be (4) adequate customer support throughout the lifecycle of the product.

ContextVision uses the latest proven industrial processes for software development and project management with rigorous quality assurance. Depending on the customer requirements, our products are developed for operation either on local machines or in the cloud, with or without graphics processor acceleration. We have delivered more than 300,000 units of our products globally. The company understands regulatory requirements and has had an ISO 13485 certificate for more than 15 years. We have developed FDA-approved products.

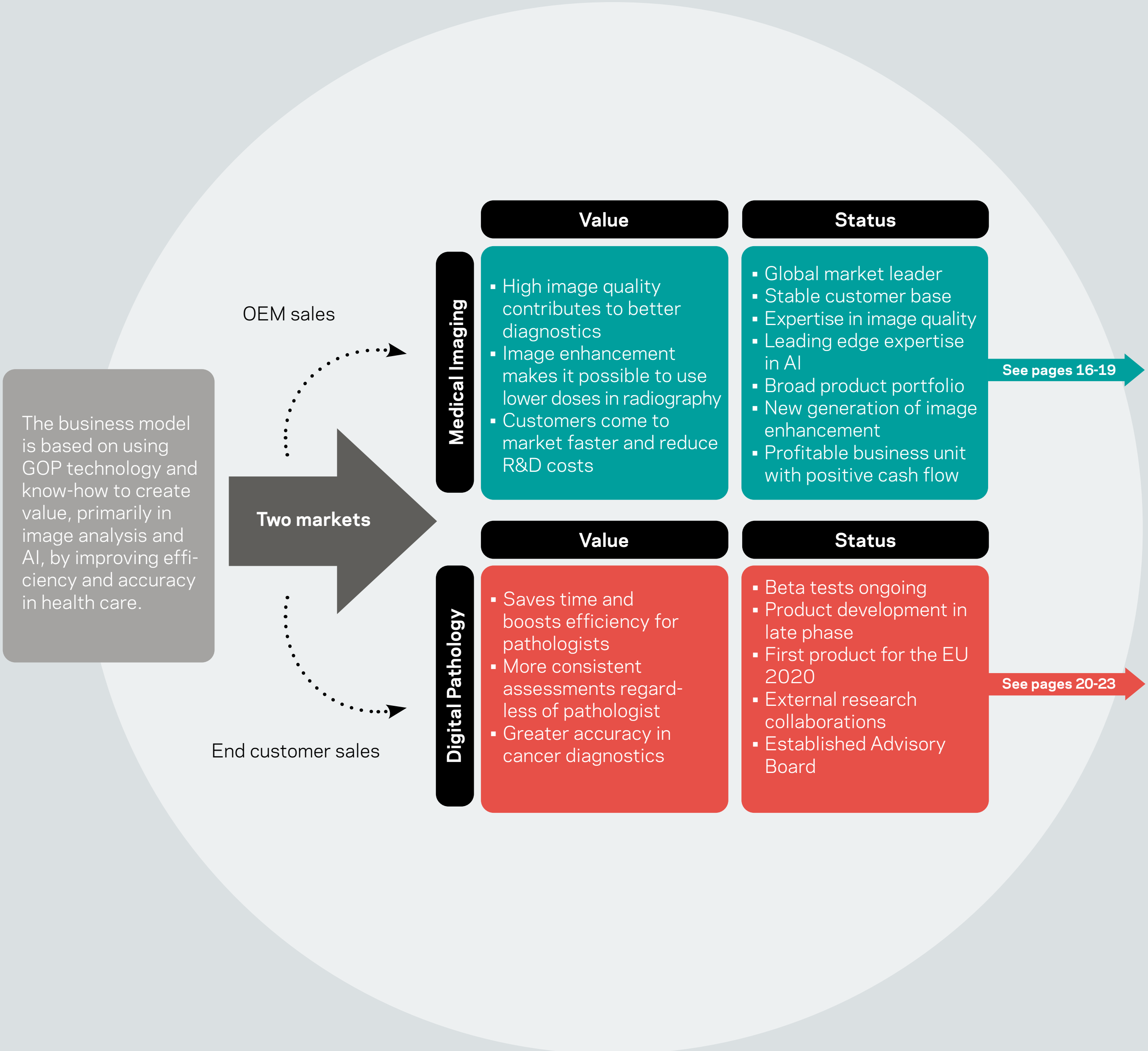
Although we only have a few customer cases per year, we quickly provide customer support staffed by application specialists and product developers throughout the product lifecycle.

We combine the agility and flexibility of the newly started company with the reliability of a well-established company.


“People make
artificial intelligence
intelligent

Two business units

One of the major challenges in the society is to manage the growing number of patients within the constraints of a limited budget. Much of the solution can be found by using intelligent technology that streamlines workflow while improving patient care.



Medical Imaging

Advanced technology can meet global needs for increased efficiency and reliability in healthcare. Patients will receive better and faster care. Medical Imaging continues to go from clarity to clarity.

The Medical Imaging business unit has an established and recognized position as a world leader in the market with 300,000 system installations worldwide. Our OEM customers choose ContextVision because we offer a product that enables them to deliver the best possible image quality. The products are appropriate for producers in the premium segment. Choosing ContextVision provides competitive advantages that enable customers to address challenges higher up the value chain.

Long business relationships

Medical Imaging is a profitable business unit that has funded the startup of ContextVision's digital pathology initiative. The business deals are lengthy; installation takes about a year from start to finish. Business deals are usually license-based, which means we can grow in pace with the customer.

Risk management is business critical for OEM customers and contributes to the length of the business processes. The business is both complex and multidimensional. Consequently, a large degree of endurance is required within the ContextVision organization. But this characteristic also prevents our competitors from taking market share. Our customer relationships are long-lasting and are based on trust and results. Most of our collaborations go back more than a decade.

Three-phase business:

1. Development phase – the product is customized for each customer
2. License phase – revenue through license agreement
3. Support phase – ContextVision supports the customer through updates and system modifications

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Digital Pathology

The accumulated knowledge found within ContextVision will now benefit healthcare and patients worldwide. Digitalization of pathology opens up new opportunities for ContextVision.

The Digital Pathology business unit is based on the knowledge and experience that ContextVision has accumulated over the years in the field of Medical Imaging. It is a new field, however, and while building the business unit, ContextVision has recruited talent and added a number of new skills and developed new business models. Knowledge of image enhancement provides image analysis and, ultimately, decision support that changes healthcare.

ContextVision is growing as a brand

We have chosen to focus our research and development on the areas of cancer associated with the most work in the pathology lab. INIFY Prostate, which is planned to be launched in 2020, focuses on prostate cancer. At the same time we are conducting research for two additional product versions to manage lung and colon cancer.

Digital Pathology differs from Medical Imaging in customer structure. Our offering focuses on a new and larger customer group since each lab represents a potential customer. We will now have direct contact with the end-users on a larger scale and the ContextVision brand will be more visible. At the same time, ContextVision will become the legal manufacturer instead of the subcontractor, which places new demands on our quality management system.

Digital Pathology customers will initially pay for an annual license to use the software based on a certain quantity of images or number of patients. The product will be delivered as a total solution to a greater extent than in the Medical Imaging business unit, while further modification and integration into the lab's digital workflow is central.

The user tests conducted during the year at our beta test sites show that the product is well adapted to the customers' working methods. We have also developed demo products that facilitate the decision-making process, enabling new customers to test the software before making a purchase.

MEDICAL IMAGING

> “Our strength lies in the combination of constantly developing new technology at the same time that we package and develop useful products of the technology.
>
> *Stellan Heyerdahl, Director OEM Sales Asia*

Medical Imaging

A proven business that delivers year after year – that is the Medical Imaging business unit. And 2019 is no exception, offering growth and new launches.

The year brought growth in the ultrasound segment, which currently accounts for about 70 percent of ContextVision's total sales. Geographically, Asia is undergoing strong growth and now represents more than half of sales, with China as the most dynamic market.

Quality and cost efficiency are central concepts for our customers. An efficient workflow and stability are top priorities. Radiologists can diagnose conditions faster, with fewer image retakes. The late 2018 market launch of Altumira, our new radiology product, has opened new doors to customers in a higher segment on the radiology market and delivered beyond expectations.

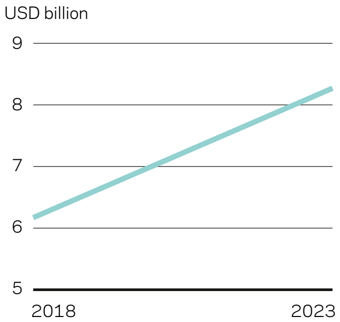
Growth in the U.S.

We see a trend shift in the U.S. where sales are turning upwards. We have growth both with existing customers, with whom we have found new joint projects, and entered into collaborations with new customers. Altumira has also helped to advance our position in the U.S. market.

The focus during the year has been on launching Altumira and working on a new product in ultrasound, Rivent, which was launched in November 2019. Radiology and ultrasound are our biggest areas and we have focused our research efforts on them.

Artificial intelligence will play a major role in these areas as well. It may not solve everything, but artificial intelligence can facilitate care, especially in combination with ContextVision's existing technology. Many startup companies today find it difficult to commercialize their technology. Our strength lies in the combination of constantly developing new technology at the same time that we are good at packaging and developing useful products of the technology.

GLOBAL ULTRASOUND MARKET REVENUE



The global ultrasound market is estimated to reach USD 8.4 billion by 2023 at a CAGR of 5.9 percent during the forecast period.

Source: MarketsandMarkets

Interview Ann-Sofi Hoff, Product Portfolio Manager

Strong position in ultrasound

Fifteen years of successful image processing in the field of ultrasound. ContextVision's position in ultrasound is unique and acknowledges the company's technological and commercial ability.

From large awkward machines to small flexible devices that are easy to use, the ultrasound market is one of the fastest growing in medical technology. For ContextVision, sales in this segment account for about two thirds of the company's revenue.

"Ultrasound is inexpensive and available even in developing countries, so the technology has great potential in an array of different areas", says Ann-Sofi Hoff, Product Portfolio Manager at ContextVision.

Today, ultrasound is often an inexpensive entry-level technology that makes it possible to offer care that was previously unavailable in many parts of the world. It raises the standard of healthcare in developing countries, at the same time that it is used in new ways in developed countries. Today, the smallest devices are so convenient that they are becoming standard in ambulances and other situations and spaces that require light, flexible and multifaceted modalities.

Real-time application

The image generated by an ultrasound machine is created in real time. It complicates the technical process. The image also needs to be processed to a greater extent than, for example, an x-ray. The advantage for ContextVision is that we have had the technological ability to deal with these difficulties for a long time, making it difficult for our competitors to develop solutions of the same quality while consolidating our position in the market.

"Compared with other modalities, ultrasound has a shorter life cycle. As a result, new projects and opportunities for business arise more often. For us, ultrasound is a volume market. Our license sale means provide us with leverage that increases our revenue as our customers increase their sales," says Ann-Sofi Hoff.

Unique and proven products

ContextVision's unique and proven products can currently be found in more than 300,000 systems worldwide. From software to customization, ContextVision delivers total solutions that make a difference.

The algorithms ContextVision develops are unique in their kind. They are adapted in each case to the meet the needs of the customer. From integration to performance optimization. ContextVision's customers receive a unique and customized solution. Experienced application engineers provide technical support to optimize performance and image quality. This inspires trust and results in long-term stable relationships with repeat customers. Our products in the field of Medical Imaging can be found in the following categories:

Ultrasound

Through continual development and innovative technology, ContextVision offers its customers the opportunity to assume leading positions in diagnostic ultrasound. Our products are reliable and deliver a high image quality that facilitates diagnosis, analysis and assessments.

- US Plus View
- Volar View
- GOPiCE
- REALiCE

X-RAY

Great flexibility allows our customers to easily adapt our software to different preferences regarding image quality. The product can be optimized for all kinds of radiology situations, involving both humans and animals.

- Altumira
- Altumira Plus
- GOPView XR2Plus
- Orthopedic package

MRI

Our MRI products facilitate excellent image quality in all types of systems. The software can be adapted for all types of modalities and sequences, which facilitates diagnosis and efficient workflows.

- GOPView MRI2Plus

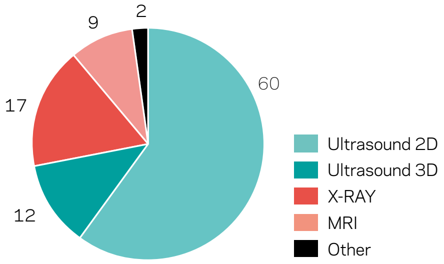
Mammography

Our mammography solutions deliver the highest image quality, with images that can be customized based on user preferences.

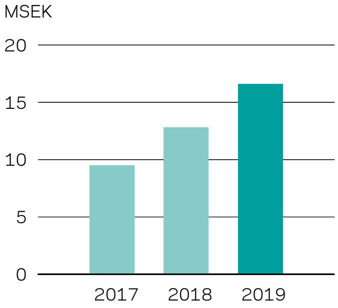
- GOPView Mammo3

SALES BY PRODUCT CATEGORY 2019

%



SALES DEVELOPMENT X-RAY



> The Digital Pathology business unit is now preparing for a groundbreaking launch in 2020.

Edouardo Perez, Sales Manager Digital Pathology

Digital Pathology

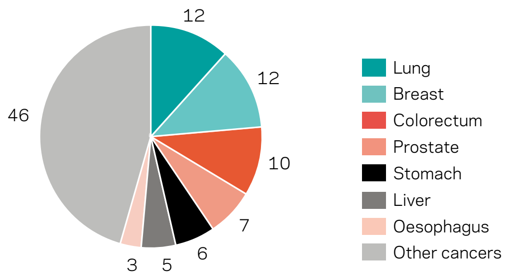
During 2019 the Digital Pathology business unit has focused on the final development phase and preparations for launch. Interest is strong and new talent has been recruited to handle the phase that awaits in 2020.

The ongoing paradigm shift in pathology where, instead of being examined by microscope, tissue samples are diagnosed on a monitor, offers many advantages. Using powerful software, we can analyze the image digitally and help the pathologist make decisions faster.

The Digital Pathology business unit is now preparing for a groundbreaking launch in 2020. INIFY Prostate will be the first result of the initiative that began in 2015.

During the year we proceeded with beta tests and clinical assessments in Europe. Step by step, we have built the documentation for CE marking of the product. Pre-launch preparations have included several presentations at scientific congresses and publication of scientific articles.
The product will initially be launched on the European market, which is the market that has made the greatest progress in digitalization.

17.1 MILLION ESTIMATED NEW INCIDENT CANCER CASES IN 2018



Source: GLOBOCAN 2018, WHO International Agency for Research on Cancer

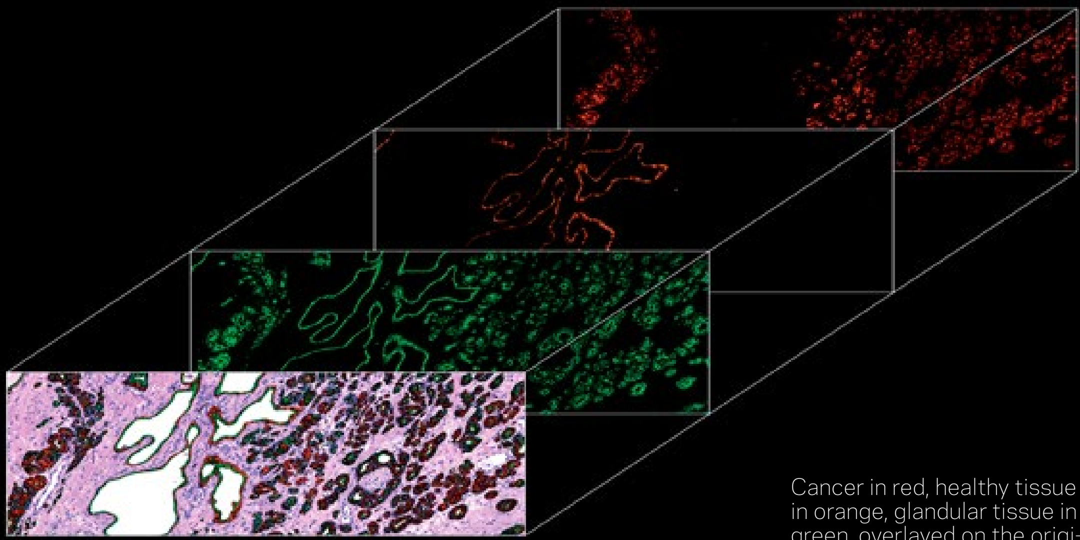
Patented unique method

We distinguish ourselves from our competitors by using extremely high-quality input data when training the algorithms.

Validation of input data is one of the most important building blocks for creating robust and truly useful products. We have dedicated much of our research efforts in terms of both time and resources in this area. The advantage is that we can now feel confident that we are launching a product that maintains the highest quality standards. Our MasterAnnotation method was granted a patent during the year; read more about it on page 21.

The business unit has grown during the year. New talent has been hired and more areas of oncology are now being explored in parallel to advance product development. We prioritize the most common types of cancer which create the most work in healthcare. Colon cancer and lung cancer are two such examples.

A Vinnova-funded research project focused on lung cancer was concluded during the year. There is a great need for technical aids to support pathologists when assessing lung cancer samples, which are particularly difficult to assess. This type of cancer is a major burden on healthcare today and causes great suffering for patients. We see great opportunities in the future to develop helpful tools for this situation.



Cancer in red, healthy tissue in orange, glandular tissue in green, overlayed on the original image on the bottom left.

Our MasterAnnotation method

A unique and proprietary method serves as one of the cornerstones of our INIFY product series. How MasterAnnotation works.

The algorithms for the INIFY product series have been trained using our unique method – Master Annotation, a patented proprietary innovation. MasterAnnotation is our standardized procedure for generating training data. We use several different antibodies to meticulously and reliably identify where the cancer cells are located in the tissues. We then generate a high-resolution mask that is double-checked by pathologists and then used to train the algorithms. We can then come as close to the truth as possible when developing and optimizing the algorithms.

The upcoming product INIFY Prostate is based on algorithms that were trained in this way. INIFY Prostate is a powerful AI-based software application that marks and quantifies suspected tumor areas in the 12-24 images that comprise a prostate biopsy. It pre-sorts the images by cancer content so that the image with the most cancer comes at the top. This gives pathologists the opportunity to immediately find the tumor and quickly begin working on the most relevant areas. The reliability of the product largely depends on the reliability of the data used when training the algorithms.

Patent granted

The large quantity of high-quality and objective data generated by the MasterAnnotation method has resulted in algorithms that deliver with great accuracy and reliability. When the accuracy of the INIFY software in recognizing cancer areas was compared with the assessments of several pathologists, INIFY performed on an equivalent level. It also discovered areas that were initially missed by the pathologists.

In 2019 the MasterAnnotation method was granted a patent by the U.S. Patent and Trademark Office (USPTO) patent US 10,572,996. This patent is ContextVision's first patent in the field of digital pathology.

DIGITAL PATHOLOGY

Valuable and crucial expertise

ContextVision has a highly distinguished Advisory Board linked to the Digital Pathology business unit. The discussions in which the company engages there are invaluable and instrumental for the development of the next generation of pathology tools.

Advisory Board Members:

- Professor Anil Parwani, Pathologist and world-leading expert in prostate cancer.
- Assoc. Prof. Jeroen van der Laak, expert in deep learning-based analysis of pathology images
- Dr. Dan Ciresan, pioneer in deep learning technology
- Professor Junya Fukuoka, Pathologist and world-leading expert in lung cancer.
- Professor Fredrik Pontén, Pathologist and expert in skin cancer.

New members added in 2019:

- MD, PhD Marilyn M. Bui, Pathologist and expert in breast cancer, as well as former president of the Digital Pathology Association.
- Professor Henning Müller, world-leading expert in various types of machine learning with applications in healthcare.

Interview with Witold Rezner, MD, PhD, Digital Pathology Project Manager, ALAB Group, Poland

BETTER DIAGNOSES AND A MORE EFFICIENT WORKFLOW

How can digitalization facilitate work for pathologists?
"Digital pathology offers many benefits compared with the traditional way of working with a microscope. For me, the most important differences are the ability to simultaneously examine pathology images with different dyes, to share and send images for expert consultation, and to receive support from AI-based image analysis."

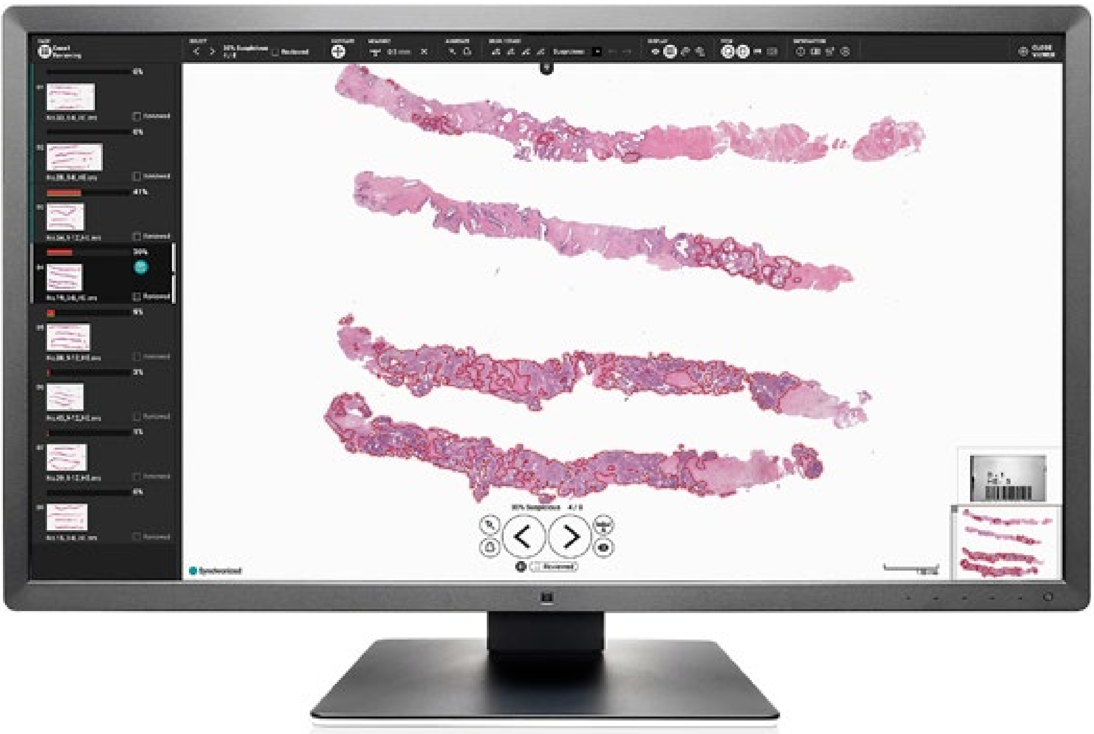
What clinical needs drive development of decision-support tools such as ContextVision's INIFY?
"The main needs come from the increased accuracy of the pathological assessments. This results in better diagnoses for patients, but also a more efficient workflow, which means that pathologists no longer have to spend as much time assessing tumor areas, for example. This time savings can be used to diagnose more cases or to dedicate more time and energy to the most difficult cases."

What do you see as ContextVision's key strengths?
"ContextVision is a company that has achieved great successes in image processing all over the world. This experience gives the company an advantage in the relatively newly evolving field of digital pathology. This multinational, dedicated and professional team has proven to be highly skilled in the field.

Why do you collaborate with ContextVision?
"I appreciate the flat and results-oriented structure of the company – and the good attitude toward collaboration. But perhaps most important for me is the opportunity to collaborate with the fantastic people who run ContextVision. They have a high level of expertise in their field and exude an infectious enthusiasm."

Powerful tool for pathologists

Today's pathologists face an ever-increasing workload. Through smart tools based on new digital technology, artificial intelligence and machine learning, ContextVision creates powerful tools that relieve pathologists in their daily work.



INIFY Prostate is a powerful AI-based software application tailored to today's digitalized pathology. After years of research and development in close collaboration with world-leading pathologists and an experienced team of experts in project management, machine learning, biology, immunology, quality assurance and medical device regulations, we are ready to launch our first product in the INIFY product portfolio in 2020.

Decision support for the user

INIFY Prostate outlines and quantifies suspected tumors in biopsy images. The software sorts the images within a patient case so that the images with the most tumor tissue are on top. This makes it easier for pathologists to be able to quickly focus on the most relevant areas. The software is based on algorithms trained using high quality and objective data generated by our patented MasterAnnotation method.

The user-friendly interface specifically designed for prostate biopsies and the many smart tools make it quick and easy for pathologists to examine and measure suspected tumors. The software can also easily be integrated into almost all digital workflows and is compatible with most types of scanners used today.

Our employees

As employees at ContextVision, we get to help shape the healthcare of the future, as part of a strong and multidiciplinary team. In our workplace we pursue continual skills development, encourage communication and support innovation and creativity.

Corporate culture

Working at ContextVision entails independent work, while belonging to a team with common goals and a strong commitment. We have a strong culture of cooperation that stimulates learning and development. We innovate, experience and draw lessons every day.

Sharing knowledge and experience is therefore central to our corporate culture. It inspires innovation and development of the product portfolio of the future.

We encourage creative approaches and innovation, and allow our employees to have both freedom and responsibility.

Communication

We attach great importance to good internal communication and continuous learning, which allows rapid implementation of changes. A good internal dialogue and teamwork are paramount. Different teams regularly share new experiences with everyone in the company, both from internal work and from visits to trade shows and conferences. For us, communication involves both sharing and receiving. We can see that this is a successful recipe in the employee surveys that are regularly conducted.

Multinational teams

We have the ability to attract talent from many different parts of the world and we consider the diversity of our employees to be a strength for us. We are proud that time after time, we find new employees who are willing to move to Sweden to work at ContextVision and we are committed to helping them integrate into both the organization and society. Our multinational nature is also one of our strengths as a company, especially in our interactions with customers and partners.

Importance of skill-building

Our ambition is to be world-class. We must therefore attract new stars at the same time that we constantly nurture those we already have. We cultivate and develop technological expertise by sharing both our knowledge and our experience.

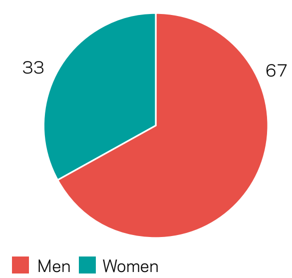
Within the research department time is allocated for self-study and experiments, as well as for participation at seminars and in group discussions. We apply agile working methods to be able to handle the rapid developments in AI technology, and because it brings out the best in our organization.

Continuing education

Our organization is under constant development and we will continue to recruit new employees to be able to grow.

As we are now about to enter a completely new market, we also need to add new expertise. We do so not just by hiring, but also by engaging experts who can temporarily belong to our teams and build up our skills. When we hire employees we are careful to find not just the right skill set, but also the right person for our teams. Energy and the right personality are therefore key components when we recruit talent.

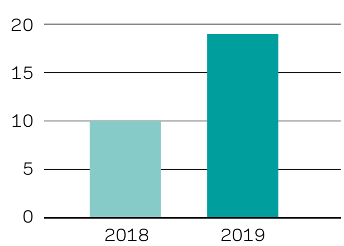
GENDER DISTRIBUTION
%



SHARE OF EMPLOYEES WITHIN RESEARCH AND DEVELOPMENT

48%

NUMBER OF INTERNAL PROJECT AND PRODUCT DEMOS



Sigrid Björnsdotter, Applications Engineer

Sigrid Björnsdotter alternates working in the office with traveling around the world to meet customers. She is part of an eight-person team and appreciates the combination of the relaxed atmosphere at the office with a corporate culture in which the employees truly make an effort and want to do their best.

"As an Applications Engineer, I am in the middle between the sales department and the development department. Much of the job involves understanding the needs of the customers and integrating them in our product development. The advantage for me when dealing with customers is that I can rely on our products, knowing that they are high quality and on the cutting edge of developments."

Stefan Elfwing, Algorithm Developer

Stefan has returned to Sweden after a 17-year career as a researcher in Japan where he focused on AI and deep learning. He is part of ContextVision's team in Linköping which is currently working hard developing algorithms in the field of digital pathology.

"What attracted me to ContextVision was the opportunity to apply my knowledge on products that can make a difference for many people. The level of knowledge within my group is high and we are working on a number of interesting problems.I also look forward to developing features such as decision support tools for these products in the future. In the past I worked very independently and I'm really enjoying working together now as a team towards a common goal."

Sustainability and risks

ContextVision's products help to improve the accuracy of diagnoses and treatments. The company's vision is to help our customers to deliver error-free diagnoses of cancer and other diseases faster and at a lower cost. In addition to supporting the healthcare system, we are now also working to ensure that this occurs as sustainably as possible.

Code of Conduct

Our Code of Conduct defines how we handle ethical, social sustainable and environmental issues in our operations, as well as which laws and regulations that are relevant to our activities. The company complies with the rules for financial reporting, as well as for terms of employment and labor rights. We strive to achieve the highest possible level of product safety, reliability and confidentiality. ContextVision shall avoid conflicts of interest and always respect competitive regulations and insider trading rules. We have a zero tolerance policy toward all forms of corruption.

Drive development of efficiency in health services

ContextVision's main contribution to a sustainable society is that we apply our extensive knowledge in the fields of digital images and artificial intelligence to drive development toward greater efficiency in health services.

Health services are under high pressure with an aging population and limited resources to deal with the consequences. Productivity improvement is crucial to be able to continue to provide high-quality care. We invest in technology that has the potential to create value for countries all over the world.

Digitalization has resulted in major productivity gains in radiology and increased accessibility of ultrasound has improved opportunities to have access to diagnostic images. ContextVision's products have played a major role and our aspiration is for our know-how to be able to be translated into useful decision support systems for many different types of products moving forward.

Today we facilitate the diagnostic process by offering software that improves medical image quality. We are also preparing products in digital pathology, a field undergoing a transformation similar to what has already been seen in radiology.

Regulations

ContextVision delivers software solutions within the medical technology industry. This industry is highly regulated and the company handles its business in compliance with current laws and regulations, as well as in line with the wishes of individual customers. ContextVision has a well-established quality system, which is certified by EN ISO 13485:16, an international standard that covers development and production of medical equipment. The regulatory framework for medical device products has been revised, with changes that will gradually become binding over the next few years. ContextVision is fully aware of the impact of these changes and has incorporated them into the company's procedures and guidelines.

Social and environmental sustainability

We always try to minimize resource consumption in our offices and when we travel. Well-developed procedures for management of relationships with customers, resellers and employees guarantee a high level of social responsibility in all of our relationships.

Risks

Awareness and proactive management of risk is an important aspect of our work. ContextVision uses a systematic approach to risk identification and reduction. We adhere to the regulatory requirements of most markets, but go beyond them to remain one step ahead in our processes. The company also includes handling problems associated with the use of products in our risk analysis. Each business unit manager is responsible for risk management by applying an iterative procedure to product development and incorporating risk issues into that process.


ContextVisi

Administration Report

The Board of Directors and the CEO of ContextVision AB (Publ), registration number 556377-8900, hereby submit the annual report and the consolidated accounts for the fiscal year Jan 1, 2019 – Dec 31, 2019. All figures are in SEK if not stated differently. ContextVision is based in Sweden and listed on the Oslo Stock Exchange since 1997.

ContextVision is a medical technology software company specializing in image analysis and artificial intelligence. ContextVision is the global market leader in image enhancement and a software partner for leading medical image technology manufacturers worldwide. Its groundbreaking technology helps doctors accurately interpret medical images, a crucial foundation for better diagnosis and treatment decisions. ContextVision was industry pioneer more than 30 years ago and has over the past years invested heavily in research and development to develop new applications using state-of-the-art artificial intelligence technology, in order to expand into the new, fast-growing digital pathology market. The first product within the new area, a decision support tool for prostate cancer diagnosis (INIFY Prostate Screening), is expected to be launched during 2020. The major investments in research and development have created new conditions for expansion during the coming years.

Significant events during the year

From a product development perspective, 2019 meant both great successes as well as some challenges. The company's first product based on AI-technology combined with GOP-technology was launched within the Business Unit Medical Imaging, and generated both great interest and new customer contracts. The development of a new generation's ultrasound product has started during the year and that also gained great interest from the market and potential customers. The product is expected to be launched during 2020.

Within the Business Unit Digital Pathology, the development of its first product, a decision support tool for prostate cancer, has taken somewhat longer than expected. The extended development time is mostly due to the quality requirements set by the company itself. It is of great importance that the first product maintains a high standard and meets both internal and market expectations. Extending development time is a sound strategy with the aim of delivering a stable quality product.

The product was in beta-test phase at year-end 2019 and is expected to be launched during 2020. The extended development time resulted in development costs being higher than first estimated, and at the end of 2019, therefore, the project's capitalized costs were written down with MSEK 10.

2019 also delivered strong results in terms of sales, and another sales record was set. Revenue for the year in 2019 amounted to MSEK 95.3 (90.9), which is once again the company's highest sales ever. All sales derive from the Business Unit Medical Imaging, where the largest product groups in terms of sales are ultrasound and x-ray. Sales of X-ray products account for the largest increase in revenue, but ultrasound is still the company's largest product area. In terms of regions, Asia is the company's largest market and also the market that accounted for the largest revenue increase during the year. The operating profit for 2019 amounted to MSEK 10.1 (-1.3), which guarantees that the company can continue to fund its ongoing investment in research and development. The positive result is an effect of increased sales combined with a higher level of capitalization of development expenses.

In 2019, a patent was granted in the United States for the so-called Master Annotation method, which is used for training of algorithms for product development within the Business Unit Digital Pathology. It is the company's first patent in the business area.

ContextVision has also signed an agreement with one of Europe's largest data banks, giving access to data. The company is granted exclusive rights to scanned and anonymized clinical data, with structured histopathological descriptions, diagnoses and outcome data. The collaboration agreement will be the basis for a number of research projects in the field of digital pathology.

The fact that the world, and especially the investors, have confidence in ContextVision is well reflected in the share price development, which was, to say the least, good in 2019. From an initial price of about NOK 55 at the end of 2018 to a closing price of about NOK 104 at the end of 2019, an increase of 88%.

Board and management

At the Annual General Meeting in May 2019 Erik Danielsen, Martin Hedlund, Karin Bernadotte and Sven Günther-Hanssen was re-elected as board members, and Magne Jordanger, former member of the board, was elected again. The board has had 5 members during 2019. 1 of the board members is a woman and 4 are men, which represents a distribution of 20 percent women and 80 percent men. There have been 14 board meetings during the year.

Board member	No. of meetings	Holding 2019.12.31
Erik Danielsen (chairman)	11	4,500 through ORCA Ventures AG
Martin Hedlund	11	831, 666
Karin Bernadotte	9	7,500
Sven Günther-Hanssen	11	851,667
Magne Jordanger	4	2,248,750

Anita Tollstadius has been serving as CEO during the beginning of 2019, a position that she has held since 2010. During 2018 she announced her decision to retire, which she did during 2019. Tollstadius was present at all board meetings during her time as CEO, informing the board about the operations of the Company.

In April 2019 Fredrik Palm was appointed new CEO of ContextVision. Palm has been present at all board meetings since his appointment, informing the board about the operations of the Company. As per 2019.12.31, Palm owns 1,000 shares in the Company.

Annual General Meeting 2019

On the 8th of May 2019, ContextVision held its ordinary Shareholders' Annual General Meeting in Stockholm.

- The annual financial report regarding 2018 was presented and approved by the AGM.
- Disposition of financial results according to the proposal of the Board of Directors was approved.
- The Managing Director and the Board of Directors were discharged from liability.
- Board compensation was decided.
- The audit fee was decided to be based on current account.
- Erik Danielsen, Martin Hedlund, Karin Bernadotte and Sven Günther-Hanssen were re-elected as members of the board and Magne Jordanger was elected as new member of the board
- E&Y was re-elected as auditor for the coming year.

Legal proceedings

ContextVision has not been involved in any legal processes during 2019.

Impact of new accounting principles

With effect from January 2019, new accounting principles regarding leases (IFRS 16) have been applied. The new principles has mainly had an impact on the accounting of the company's costs for renting office space. These costs have previously been reported as operating leases, but as of 2019 these are partly reported as amortization of leasing assets and partly as amortization and interest on leasing liabilities. Items for leasing assets and lease liabilities have been added to the balance sheet. The transition has had a positive effect on EBITDA and a negative effect on financial items.

Current receivables and bad debt loss

ContextVision's products within the business unit medical imaging are sold worldwide to OEM (Original Equipment Manufacturer) customers, and the company has a strong and wide customer base with long-term relationships with most customers. Within the business unit digital pathology were no current receivables at year-end 2019. The current receivables at year-end amounted to MSEK 23.4 (22.8). No reservations or losses have been recorded for 2019.

Research and development

Only product development that meet the requirements for capitalization are recorded as intangible, fixed assets. Product development costs related to 3 different projects have been recorded during 2019 and the related costs that have been capitalized totaled at MSEK 22.6 (7.0).

During the first quarter 2019 the development of a new x-ray product was finalized. This is the company's first product that is based on both GOP- technology as well as AI-technology (deep learning). The product (Altumira) has been well received by the market and already during 2019 a number of new customer contracts have been signed and revenue has been recognized for the new product.

During the year the development project for the first product for the digital pathology market (INIFY Prostate Screening) has continued. The product will be a decision support tool for diagnosis of prostate cancer. The capitalization is expected to continue in 2020, when the product is planned to be introduced to the market.

After conducting an impairment test in the fourth quarter, the management decided to write down capitalized development costs of MSEK 10, related to the ongoing project with developing the first product for digital pathology, since the project has taken longer than originally expected.

Government grant

During 2019, ContextVision participated in a couple of different eligible research projects. No grants have been received by the company, but other project participants have received some grants.

Employees and expertise

The ContextVision Group had in total 44 (42) permanent employees at year-end, whereof 42 were located in Sweden and 2 were employed abroad. Average number of employees in the Group during 2019 was 43 (42). Out of the 44 employees, 21 are allocated to R&D, 16 to sales, marketing and customer support and 7 employees to administration and regulatory issues. ContextVision's office for research and development is situated in Linköping, Sweden, and the office for sales and marketing is situated in Stockholm, Sweden. The company has local presence in the USA and in China, as well as local partners in Japan, Korea and Russia. In average, 33 percent of the company's employees were female, and 67 percent were male. Personnel costs for research and development during the year, not capitalized, amounted to MSEK 11.3 (20.1).

Incentive program

In 2011, the board and management of ContextVision introduced an incentive program through the creation of a profit-sharing foundation for its employees. The program is intended to streamline the focus and efforts of all employees by allocating a part of the company's net profits to the foundation, under the circumstances that certain defined objectives are reached. The objectives are related to sales, customer relations, product development and new research projects. The allocated funds will then be used to purchase ContextVision's common stock on the Oslo Stock Exchange.

Following results during the period 2015-2018, the foundation holds 59,080 shares as of December 31, 2019. For 2019, the allocation is KSEK 239 and shares will be purchased at the beginning of 2020. According to the foundation's rules, the shares related to 2014 results (total 23,700 shares) were sold in the beginning of 2019, and the money from the sale was distributed among the staff. Henceforth, every year the shares from the earliest year will be sold. The foundation's total holding during the previous years has been around 1 percent of the company's total shares.

Cashflow 2019

The company's cash position has decreased with MSEK 1.6 during the year, as a consequence of the investments in research and development. Cash position at December 31, 2019 was MSEK 36.3.

Currency effects

The company is dependent on trends in the EUR, JPY and USD exchange rates against the SEK, since invoicing is mainly done in those currencies, while most costs are incurred in SEK, followed by USD and EUR. During 2019 the currency exchange rates had an average effect on revenues of 5.8 percent. A financial policy adopted by the board of directors constitutes the framework for how the company manages financial risks. Refer to note 21 for details regarding the sensitivity analysis.

The Group and the Parent Company

The Group consists of the Parent Company ContextVision AB (publ) and the wholly-owned American subsidiary ContextVision Inc.

The Parent Company ContextVision AB (publ) has its registered office in Linköping, Sweden, where the R&D department is located. Sales, marketing and company management is managed from the office in Stockholm. All external sales are generated by the Parent Company.

The subsidiary ContextVision Inc had one employee at year-end, and its office is located in Naperville/Chicago, Illinois, USA. The employee is responsible for sales and customer support to the U.S. customers, and thereby maintains the company's local presence. The subsidiary represents a limited part of the Group's operations. No external sales are generated by the subsidiary.

Significant events after the balance sheet date

After the balance sheet date, a number of new customer contracts have been signed, which will probably have a positive impact on sales in 2020.

Possible effects from the outbreak of Covid-19 (Corona virus) that started in early 2020 are continuously analyzed and the company is closely following the development. Initially, the impact on the business is expected to be small, but if the situation becomes prolonged or gets worse, it will in the long run effect the company's customers, which in turn can have an effect on ContextVision's sales.

Outlook for 2019 and onward

In 2019, another sales record for ContextVision was set, although supported by strong exchange rates. Coming years have good basis for continued positive sales development, especially as the recently launched X-ray product has received great interest and also managed to generate new customer contracts already during the launch year. The company's ongoing product development of a new ultrasound product, which is the largest product group in terms of both number of sold licenses and sales, will form the basis for future growth in that segment.

In the Business Unit Digital Pathology, the upcoming product, a decision support tool for prostate cancer, was in beta test phase at year-end. The product is expected to be launched in 2020, which represents an important milestone for the company. As digital pathology is a new market for the company, with new target groups, one can expect that marketing and sales activities will increase substantially during the coming year, and that the organization will have to be further adapted to meet market needs.

ContextVision's has a strong focus on new development and enhancement of the medical imaging product portfolio, which will help the company maintain its position as a market leader in medical image enhancement. Management sees continued opportunities to grow further in this area and investments in product development focus on meeting the expected market needs. Through the use of new, powerful technologies in e.g. artificial intelligence, good opportunities are created to add further value to the product portfolio.

Proposed Appropriation of Earnings 2019

At the general meeting's disposal (SEK)	2019
Retained earnings and fair value reserve	17,722,798
Profit/loss for the year	5,591,770
Total	23,314,568

The Board proposes that SEK 23,314,568 is carried forward to the 2020 accounts.

Key Ratios

KSEK	2019	2018	2017	2016	2015
Consolidated Income Statement					
Net sales	95,312	90,903	80,512	81,917	72,237
Operating profit/loss	10,072	-1,299	-1,972	5,769	6,952
Profit/loss after financial items	9,763	-1,291	-1,978	5,767	6,952
Net result	7,398	-1,179	-1,706	4,253	5,338
Consolidated Balance Sheets					
Intangible fixed assets	20,822	11,681	10,778	14,628	17,540
Fixed assets	2,677	3,353	3,742	527	537
Right-of-use assets	9,461	–	–	–	–
Financial assets	522	323	376	323	254
Current assets	59,330	61,476	64,169	63,820	54,181
Total assets	92,812	76,833	79,065	79,299	72,512
Equity	66,136	58,562	59,346	61,426	57,036
Long-term liabilities	1,560	968	1,122	1,508	1,194
Non-current lease liabilities	4,734	–	–	–	–
Short-term liabilities	16,476	17,303	18,597	16,365	14,282
Current lease liabilities	3,906				
Total equity and liabilities	92,812	76,833	79,065	79,299	72,512
Cash flow statements					
Operating activities	25,076	5,119	1,948	9,527	9,156
Investment activities	-23,029	-7,501	-4,532	-2,260	-4,647
Change in cash and cash equivalents	-1,616	-2,382	-2,584	7,266	4,509
Key ratios					
Equity ratio, %	71.3	76.2	75.1	77.5	78.7
Operating margin, %	10.6	-1.4	-2.5	7.0	9.6
Profit margin, %	10.2	-1.4	-2.5	7.0	9.6
Return on equity, %	11.9	-2.2	-2.8	7.2	9.9
EBITDA	28,241	5,399	2,906	10,593	11,135
Average no. of shares	7,736,750	7,736,750	7,736,750	7,736,750	7,736,750
Result per share	0.96	-0.15	-0.22	0.55	0.69
Result per share after dilution	0.96	-0.15	-0.22	0.55	0.69
Share price (NOK) Dec 31	104.00	55.20	57.50	49.50	26.40

Key figures	Definitions	Purpose
Equity ratio	Equity as a percentage of total assets.	The equity ratio shows the company's long-term ability to pay its debts and is a complement to other key figures. It helps investors assess the possibility of dividends.
Operating margin	Operating income exluding non-recurring items as a percentage of annual net sales.	The operating margin is helpful for investors when assessing the company's potential for dividends.
Profit margin	Result after financial items as a percentage of annual net sales.	The profit margin shows the company's results per SEK revenue, and is of interest for both the company and for investors.
Return on equity	Net result for the year as a percentage of the average equity.	Return on equity shows the company's results in relation to equity, and provides investors with additional information regarding the company's profitability.
EBITDA	Earnings before interest, taxes, depreciation and amortization.	EBITDA shows the company's underlying development, which is valuable as an indication of the company's underlying cash-generating capacity.

ContextVision presents certain financial measures in the financial statements that are not defined under IFRS. The Company believes that these measures provide useful supplementary information to investors and the Company's management as they allow for evaluation of the Company's performance. Because not all companies calculate the financial figures in the same way, these are not always comparable to measures used by other companies. These financial measures should therefore not be considered to replace those by IFRS.

The ContextVision share

The ContextVision share

The company has in total 7,736,750 shares by December 31, 2019. There has been no repurchase of shares or other changes of the share capital during 2019. ContextVision does not hold any own shares in stock.

There are three individual shareholders, representing 10 percent or more each of the company. The shareholder "Monsun AS" is controlled by board member Magne Jordanger with family.

Freely negotiable shares

There is no form of restriction of the negotiability of the shares in the company's articles of association.

Equity and dividends

The company is to have an equity capital at a level appropriate to its objectives, strategy and risk profile. Presently the strong cash balance is appropriate to fund the future growth ambitions. The board of directors is regularly informed of the equity capital to ensure it is on an appropriate level.

Since the company is in a very intense phase with large investments in new research, the board of directors does not propose any dividend.

Performance over the year

The ContextVision share has had a very positive development during 2019. From a price of NOK 55,20 at year-end 2018, it increased to a value of NOK 104.00 at year-end 2019 (+88%). The highest listing price during the year, in December 2019, was NOK 107.00.

Shareholder information

Information from ContextVision is distributed through stock exchange notices, press releases, reports and presentations. This information is available on the Oslo Stock Exchange's web site www.ose.no and/or on the company's website www.contextvision.se

Following the publishing of the company's quarterly reports, there is usually a video presentation released on the day after.

For queries please use e-mail address: shareholderinfo@contextvision.se

Ownership

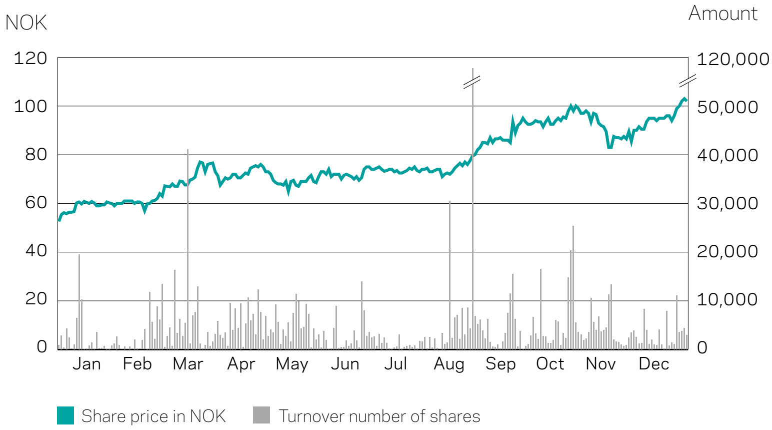
The Company is listed on the Oslo stock exchange since 1997, ticker code COV.

Share information:

Ticker	COV
Market name	Oslo Stock Exchange
Year of listing	1997
Market capitalization (year-end)	853 MSEK
ISIN	SE0000371239
Number of shares	7,736,750
Trading currency	NOK
Sector	Health care
GICS	35103010

Shareholders with more than 1% of the votes December 31st, 2019	No of shares	(%)
Monsun AS	2,248,750	29.07
Günther Hanssen Sven	851,667	11.01
Hedlund Martin	831,666	10.75
MP Pensjon	515,264	6.66
Bras Kapital AS	386,448	4.99
Stavland Bernt	350,000	4.52
Auris Holding AS	333,755	4.31
Danske Bank A/S	250,000	3.23
Stavland Anders	185,000	2.39
Swedbank AB	116,678	1.51
Stavland Per	100,203	1.30
Sveen Kristian	99,350	1.28
Crown Hill Chartering	81,216	1.05
Øye Gunnar	79,942	1.03
Nielsen Petter	77,423	1.00
Others	1,229,388	15.90
Total outstanding shares	7,736,750	100.00

THE CONTEXTVISION SHARE AND TURNOVER 2019



Risks and 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.

Consolidations within the medical industry occur on a regular basis which may change the customer's situation. Besides consolidations, new players enter the market and challenge the established actors. The trends above represent both threats and opportunities for ContextVision.

Operational risks

The operational risks are mainly identified as a dependency on major customers, where 80 percent of the company's revenue is generated from about 15 different customers.

Seasonal or productional variations

The company is in general not effected by seasonal variations, but highly dependent of the production rate and product cycles of its customers. If the customers for example, have a delay in the launch of a new product/system there will be a corresponding delay in their purchase of software licenses.

The sales process for new products and upgrades are usually very long, as the process for integration of a new product into the customer's production line must be adapted to the customer's overall plans and resource allocation.

Product Development

ContextVision develops advanced and specialized software for medical image enhancement, and the company assumes the risk during the research and product development phase. The management performs a continuous project follow-up and quality assurance to minimize the associated risks.

The ability to follow the market trends and identify new market needs is crucial. This is continuously being analyzed within the product teams as well as the management. Close collaborations with customers also contribute to identify and analyze upcoming needs and trends.

Since the company is about to enter the new, emerging market for digital pathology, the risks related to the development of products intended for that market is considered to have increased. The market is establishing, and the external expectations of product and quality requirements are therefore difficult to assess.

Management monitors the development and conducts continuous market and competitor analyzes.

The risks associated with the specific development project have been evaluated and followed up throughout the year. At the end of 2019, a need for a write-down of the project's capitalized expenses was identified, and a write-down of MSEK 10 was made.

Personnel

The company is dependent on highly qualified employees, which is identified as a risk factor. Since ContextVision currently is investing in new business areas and developing new technology, the company is dependent on its ability to recruit and develop skilled employees.

Financial risks

A financial policy adopted by the board of directors constitutes the framework for how the company manages financial risks. The company has clear mandates and limits for financial activities.

The Group's financial instruments consist of cash and bank deposits, accounts receivable (trade), accounts payable, other short-term liabilities relating to operations and derivatives (primarily forward exchange contracts). See note 21.

Interest rate risk

The Group's market risk exposure relates only to holdings at bank accounts, the company has no loans or other obligations that can implicate an interest rate risk.

Currency risk and Transaction exposure

During 2019 the invoicing in EUR represented 60 percent (64) of total invoicing, the invoicing in USD represented 20 percent (17), and the invoicing in JPY represented 20 percent (19). The company does not foresee any major changes in the distribution between currencies during the coming year compared with 2019.

Since all sales are invoiced in foreign currencies, while the main part of the costs is in SEK, the company is sensitive to currency exchange rates. The Group hedges its foreign currency exposure on a regular basis, in order to minimize the risk.

Please refer to note 21 for further details regarding the sensitivity analysis.

Credit risk

In connection with the signing of an agreement with a customer, an individual assessment of the solvency of that customer is conducted. When there is some concern as to a customer's solvency, a letter of credit or pre-payment is used. Existing customers' solvency is regularly monitored and evaluated to detect any changes in credit risks well in advance.

Corporate Governance Report

ContextVision AB is registered in Sweden and is controlled by its Articles of Association according to the Companies Act in Sweden and Swedish law. Since 1997, the company has been listed on the Oslo Stock Exchange under the ticker COV and operates under Oslo Stock Exchange rules & regulations. ContextVision complies with the majority of applicable guidelines and procedures, which are stipulated in the Norwegian Code of Practice for Corporate Governance, issued October 17, 2018. The revisions that were made in the Norwegian Code of Practice for Corporate Governance during 2019 will be implemented from the time of the Annual General Meeting in 2020. The deviations to the previous code are explained in this document.

This report was adopted by the Board of Directors in April 2020. This Corporate Governance Report includes the measures implemented for the efficient management of and control over ContextVision's operations. The Board of Directors and the executive management of ContextVision are dedicated to managing shareholders' and other stakeholders' demands for effective business operations, which shall be run independently by the Board of Directors and the executive management.

Business

The company shall carry on the development, production, marketing and sales of products for digital images, aiming at increasing the value of the images or sequences of images through image enhancement or image analysis. Corporate values and ethical guidelines have been updated and documented. In general, being a company providing products and solutions in the health care market, we are driven by the patients' best interests. If there are reasons to believe that certain actions do not follow our corporate values or involve other unethical behavior related to the company's activities, there are procedures in place to address such issues.

Equity and dividends

The company is to have an equity capital at a level appropriate to its objectives, strategy and risk profile. Presently the strong cash balance is appropriate to fund the future growth ambitions. The Board of Directors is regularly informed of the equity capital to ensure it is on an appropriate level.

Equal treatment of shareholders and transactions with close associates

ContextVision has only one share class, whereby all shares have equal voting rights. Transactions carried out in own shares are managed by a third party through the stock exchange. The company is using the services of Norne Securities AS who is acting as market maker for the company's shares. The function of the market maker is to ensure that there is liquidity maintained in the company's shares. The market maker guarantees to buy or sell shares within certain limits, according to sales orders and purchase orders on the market, without effecting the market pricing of the share. The operation of the market maker is surveyed by the Oslo Stock Exchange. Executive management and the Board of Directors are instructed and obliged to notify the Board if they have any material interest in any transactions entered by the company. There are three individual shareholders, representing 10 percent or more each of the company, please see the table on page 31 for details. The shareholder "Monsun AS" is controlled by Board member Magne Jordanger with family.

Freely negotiable shares

There is no form of restriction of the negotiability of the shares in the company's articles of association.

General meeting

The Articles of Association stipulates and the Swedish Companies Act regulates the annual general meeting according to Swedish law.

These rules govern the guidelines as they are stated in the code of practice for corporate governance. The auditor shall be present at the annual general meeting upon request and motivation from a shareholder that announces attendance at the general meeting. The chairman of the general meeting is elected by the general meeting; this is considered sufficient to ensure the independence of the chairman. The shareholders are given the opportunity to vote individually for each candidate to the Board. Notice of general meeting is distributed four to six weeks before the date of the meeting by announcement at the stock exchange and in Swedish press, along with e-mailed invitations to shareholders. Enclosed is the procedure a shareholder must observe in order to participate and vote at the general meeting. All information related to the general meeting is kept available at the company's offices and is also provided on the company´s website.

There are no specific rules in the company's articles of association for the procedure of electing or dismissing Board members, or for changing the articles of association. In these cases, the company is following the Swedish Company Act.

There are no restrictions in the rights of a shareholder to vote for the full number of shares owned.

Nomination committee

The code of practice recommends the use of a nomination committee, which the Board does not intend to do. Because of the relatively strong shareholder concentration, a nomination committee is considered ineffective. In ContextVision nomination of members of the board is handled by the chairman of the board.

Corporate assembly and Board of Directors: composition and independence

According to its Articles of Association, the Board of Directors should have three to seven members, with a maximum of four deputies. The present Board consists of five members. Members of the Board of Directors serve for a term of one year and are elected at the annual general meeting. The ContextVision Board has deviated from the recommendations set forth in the Norwegian code until the fall of 2019 in that the company's CTO also held a position on the Board. The CTO is considered to be an asset to the work of the Board through his insight into the technical details of a variety of matters, and he is also a major shareholder. From the fall of 2019 the CTO has retired and is no longer working operationally in the company, but only retains his position in the company's board of directors.

The Norwegian Code of Practice for Corporate Governance states that at least two of the members of the Board should be independent of the company´s main shareholder (s). The Board consists of three large shareholders, together with the chairman and one more Board member who are both independent.

The work of The Board of Directors

The Board of Directors' principal obligations include providing strategic guidance for ContextVision, monitoring the executive management to ensure its effectiveness, controlling and monitoring the company's financial situation, ensuring the company's accountability towards its shareholders and providing appropriate communication to its shareholders and other interested parties.

The rules of procedure for the Board of Directors control the scope and proceedings of the body's obligations. The rules of procedure govern that an annual plan for the work of the coming year shall be settled at the last meeting of the fiscal year. The same meeting shall include an evaluation of the work performed by the Board of Directors during the fiscal year. The rules of procedure are reviewed at the Board meeting directly following the annual general meeting. The rules of procedure for the CEO are likewise reviewed on a yearly basis at this meeting. The rules of procedure emphasize the clear internal allocation of responsibilities and duties. The company has a general system of internal control with descriptions of work processes and procedures in its quality system.

The Board of Directors ensures its internal control through regular written reporting by the executive management. The CEO is present and reports at all Board meetings. There are generally one to two Board meetings per quarter. There are no specific committees within the Board, such as audit committee or remuneration committee. Such committees are regarded as not efficient, taking account of the small size of the company.

To comply with the rules of the Swedish Companies Act, the company has chosen to let the Board as a whole fulfill the requirements to be performed by the Audit Committee.

Risk management and internal control

The purpose of the company's risk management and internal control procedures is to manage, not to eliminate, the risks associated with the environment in which the company operates. The established procedures aim to manage risk aspects that are not only related to the actual operation but also commercial and financial risks. Management updates the Board of Directors continuously on important current events and potential risks. Included in the internal control procedures is also the assurance of producing accurate financial statements. For further details regarding financial risks, see note 21.

Remuneration of the Board of Directors

Remuneration for the Board of Directors is determined by the annual general meeting and is disclosed in the annual report. The annual results should not reflect the level of remuneration. As of December 2019, all members of the Board hold shares in the company at a total of 51 percent of the company value. Members of the Board are not entitled to stock options in ContextVision.

Remuneration of executive management

At ContextVision, "executive management" is the CEO of the company. ContextVision shall offer its executive management competitive remuneration based on current market standards, company and individual performance. The remuneration program shall ensure that the executive personnel and shareholders share common interest. The remuneration consists of a basic fixed salary and a performance-based variable salary.

The company has, in 2011, set up a foundation. The idea of the foundation is to build a long-term incitement program for all employees in the company. Each year the company will form strategic and operational goals, and the yearly transfer to the foundation will be based on the fulfillment of these goals. Every employee, including executive management, has a share of the foundation based on nothing else than working hours during the year. The transfer to the foundation in the beginning of each year is based on achievements the previous year. The CEO has currently a 2,5 percent participation in the foundation, based on working hours. For details on the remuneration of executive management, please see note 5.

Information and communication

The Board endeavors to provide equal, timely and accurate communication to all shareholders. The primary channels for communication are the annual report, the quarterly interim reports, press releases and presentations for shareholders and investors. Public company information is disclosed on the web site of the Oslo Stock Exchange www.ose.no, as well as ContextVision's own website, www.contextvision.com. A video presentation is generally organized in connection with the release of quarterly reports. The dates for such presentations are announced on the company's web site.

Take-overs

The Board of Directors shall not seek to hinder or obstruct take-over bids for the company's activities of shares unless there are particular reasons for doing so. In the event of a takeover bid for the company's shares, the company's Board of Directors shall not exercise mandates or pass any resolutions that obstruct the take-over bid unless such actions are approved by the general meeting following the announcement of the bid.

Auditor

The auditor serves for a period of one year at a time, and is elected at the annual general meeting. The auditor participates in a yearly Board meeting in February. This occasion allows a review of any material changes in the company's accounting principles and a report on any disagreement that may have occurred between the executive management and the auditor concerning the annual accounts. The meeting shall also include a review of the company's internal control procedures and give the auditor the opportunity to discuss matters without any member of the executive management present. Any performance of non-audit services and payments related thereto by the auditor are monitored by the Board of Directors. The Board shall advocate for the auditor to present the framework of the company's audit to the Board on an annual basis and for the auditor to provide a yearly written statement as to whether the auditor continues to satisfy the requirements for independence.

Financial Reports

Consolidated Income Statement

KSEK	Notes	2019	2018
Operating income			
Revenue	2, 3	95,312	90,903
Total operating income		95,312	90,903
Operating expenses			
Goods for resale		-2,289	-2,224
Other external costs	3, 4, 7	-21,435	-33,150
Personnel costs	5	-43,347	-50,130
Depreciation of intangible and tangible assets	8, 9	-8,170	-5,029
Write-downs of intangible and tangible assets	8, 9	-10,000	-1,669
Other income		–	–
Total operating expenses		-85,241	-92,202
Operating result		10,072	-1,299
Financial items			
Interest income		25	14
Interest costs and similar items		-333	-6
Total		-308	8
Result after financial items		9,763	-1,291
Tax on profit/loss for the year	6	-2,365	112
Net result		7,398	-1,179
Of which attributable to equity holders of the Parent Company		7,398	-1,179
Average no. of shares before/after dilution		7,736,750	7,736,750
Result per share before/after dilution		0.96	-0.15

Consolidated Statement of Comprehensive Income

KSEK	Notes	2019	2018
Net result for the period		7,398	-1,179
Other comprehensive income			
Items that will be returned to the profit			
Effect of currency hedging		176	360
Tax effect of currency hedging		-38	-79
Translation difference		38	114
Total other comprehensive income		176	395
Total comprehensive income for the period		7,574	-784
Of which attributable to equity holders of the Parent Company		7,574	-784

Consolidated Balance Sheets

KSEK	Notes	2019	2018
ASSETS			
Non-current assets			
Intangible assets			
Capitalized expenditure for development work	8	20,822	11,681
Total		20,822	11,681
Tangible assets			
Equipment, tools and furniture	9	2,677	3,353
Total		2,677	3,353
Right-of-use assets			
Right-of-use assets	7	9,461	–
Total		9,461	–
Financial & other non-current assets			
Other long-term receivables	11, 18	522	323
Total		522	323
Total non-current assets		33,482	15,357
Current assets			
Inventories	12	884	714
Total		884	714
Current receivables & current investments			
Accounts receivable	13	20,426	18,046
Other receivables		942	1,637
Tax receivables		–	1,282
Derivatives	21	446	205
Prepaid expenses and accrued income	14	303	1,647
Total		22,117	22,817
Cash and bank balances	21	36,329	37,945
Total current assets		59,330	61,476
TOTAL ASSETS		92,812	76,833
EQUITY	15		
Share capital		2,084	2,084
Other contributed capital		2,864	2,864
Other reserves		754	578
Retained earnings		60,434	53,036
Total equity		66,136	58,562
LONG-TERM LIABILITIES AND PROVISIONS			
Deferred tax	6	1,560	968
Non-current lease liabilities	7	4,734	–
Total		6,294	968
SHORT TERM LIABILITIES AND PROVISION			
Accounts payable and other debts	16	6,448	5,949
Tax liabilities	6	501	4,651
Accrued expenses	17	9,527	11,354
Current lease liabilities	7	3,906	–
Total		20,382	17,303
Total liabilities		26,676	18,271
TOTAL EQUITY AND LIABILITIES		92,812	76,833

Consolidated Statement of Changes in Equity

KSEK	Share capital	Other contributed capital	Other reserves	Retained earnings and result for the year	Total
January 1, 2018	2,084	2,864	183	54,215	59,346
Total comprehensive income for the period	–	–	395	-1,179	-784
December 31, 2018/January 1, 2019	2,084	2,864	578	53,036	58,562
Total comprehensive income for the period	–	–	176	7,398	7,574
December 31, 2019	2,084	2,864	754	60,434	66,136

All equity is attributable to the Parent Company's shareholders.

Specification of other reserves

KSEK (definitions, see note 15)	Translation difference	Currency hedging	Tax effect on currency hedging	Total
January 1, 2018	327	-183	40	184
Change during the year	114	360	-79	395
December 31, 2018/January 1, 2019	441	177	-39	578
Change during the year	37	176	-38	176
December 31, 2019	478	353	-77	754

Consolidated Statement of Cash Flow

KSEK	Notes	2019	2018
Operating activities			
Result after financial items		9,763	-1,291
Adjustment of items not included in the cash flow			
Depreciation and write-downs	8, 9	14,365	6,698
Depreciation of right-of-use assets	7	3,805	–
Other non-cash flow items		138	-281
Income tax paid		-6	397
Cash flow from operating activities before changes in working capital*		28,065	6,085
Changes in working capital			
Change in inventories		-170	-138
Change in current receivables		-1,526	170
Change in current liabilities		-1,293	-998
Cash flow from operating activities		25,076	5,119
Cash flow from investing activities			
Investments in intangible assets	8	-22,583	-6,955
Investments in tangible assets	9	-247	-546
Other financial assets		-199	–
Cash flow from investing activities		-23,029	-7,501
Cash flow from financing activities			
Leasing liabilities paid		-3,663	–
Cash flow from financing activities		-3,663	–
Cash flow for the year		-1,616	-2,382
Cash and cash equivalents at beginning of year		37,945	40,327
Cash and cash equivalents at year-end		36,329	37,945

*During the year, interest of KSEK 25 (14) has been received and interest of KSEK 333 (6) has been paid.

Parent Company Income Statement

KSEK	Notes	2019	2018
Operating income			
Net sales	2, 3	95,312	90,903
Total		95,312	90,903
Operating expenses			
Goods for resale		-2,289	-2,224
Other external costs	3, 4, 7	-28,117	-35,783
Personnel costs	5	-40,827	-47,663
Depreciation of intangible and tangible assets	8, 9	-4,365	-5,029
Write-downs of intangible and tangible assets	8,9	-10,000	-1,669
Other income		–	–
Total		-85,598	-92,368
Operating result		9,713	-1,466
Financial items			
Dividends from Group company	10	0	364
Interest income		25	14
Interest costs and similar items		-2	-6
Total		23	372
Result after financial items		9,736	-1,094
Appropriations			
Provision to tax allocation reserve	19	-2,525	–
Reversal of tax allocation reserve	19	–	900
Total		-2,525	900
Result before tax		7,211	-194
Tax on results for the year	6	-1,619	18
Net result		5,592	-176
Dividend per share (SEK)		0*	0*

* Proposed dividend

Parent Company Statement of Comprehensive Income

KSEK	Notes	2019	2018
Net result for the year		5 592	-176
Other comprehensive income			
Items that will be returned to the profit			
Effect of currency hedging		176	360
Tax effect of currency hedging		-38	-79
Total other comprehensive income		138	281
Total comprehensive income for the period		5 730	105

Parent Company Balance Sheets

KSEK	Notes	2019	2018
ASSETS			
Non-current assets			
Intangible assets			
Capitalized expenditure for development work	8	20 822	11 681
Total		20 822	11 681
Tangible assets			
Equipment, tools and furniture	9	2 677	3 353
Total		2 677	3 353
Financial & other non-current assets			
Shares in group companies	10	217	217
Deferred tax asset	6	–	–
Other long-term receivables	11, 18	522	323
Total		739	540
Total non-current assets		24 238	15 574
Current assets			
Inventories	12	884	714
Total		884	714
Current receivables			
Accounts receivable	13	20 426	18 046
Other receivables		942	1 636
Tax receivables	6	–	1 282
Derivatives	21	446	205
Prepaid expenses and accrued income	14	1 266	1 647
Total		23 080	22 817
Cash and bank balances	21	35 450	37 783
Total current assets		59 413	61 314
TOTAL ASSETS		83 651	76 888

Parent Company Balance Sheets cont.

KSEK	Not	2019	2018
EQUITY AND LIABILITIES			
Equity	15		
Restricted equity			
Share capital		2,084	2,084
Statutory reserves		15,243	15,243
Reserve related to R&D expenses		19,593	8,406
Total		36,920	25,733
Non-restricted reserves			
Fair value reserve		276	138
Retained earnings		17,447	28,810
Profit/loss for the year		5,592	-176
Total		23,315	28,772
Total equity		60,235	54,505
Tax allocation reserves			
Tax allocation reserve	19	6,725	4,200
Total		6,725	4,200
Provisions			
Deferred tax liability	6	95	44
Total		95	44
Liabilities			
Current liabilities and provisions			
Advance payment from customers	16	1,738	732
Accounts payable	16	3,815	4,233
Payable to group companies	16	557	1,080
Tax liabilities	6	339	4
Other liabilities	16	812	968
Derivatives	21	–	–
Accrued expenses and deferred income	17	9,275	11,123
Total liabilities		16,596	18,139
TOTAL EQUITY AND LIABILITIES		83,651	76,888

Parent Company Statement of Changes in Equity

KSEK	Share capital	Statutory reserve	Reserves related to R&D expenses	Retained earnings	Currency hedging, net	Result for the year	Total
Jan 1, 2018	2,084	15,243	2,344	35,106	-144	-234	54,399
Total comprehensive income for the period	–	–	–	–	281	-176	105
Reserve related to R&D expenses	–	–	6,062	-6,062	–	–	–
Appropriation of profits 2017	–	–	–	-234	–	234	–
December 31, 2018 / January 1, 2019	2,084	15,243	8,405	28,810	138	-176	54,505
Total comprehensive income for the period	–	–	–	–	138	5,592	5,730
Reserve related to R&D expenses	–	–	11,187	-11,187	–	–	–
Appropriation of profits 2018	–	–	–	-176	–	176	–
December 31, 2019	2,084	15,243	19,593	17,447	276	5,592	60,235

Parent Company Statement of Cash Flow

KSEK	Notes	2019	2018
Operating activities			
Result after financial items		7,211	-1,094
Adjustment of items not included in the cash flow			
Depreciation and write-down	8, 9	14,365	6,698
Other		2,766	378
Income tax paid		-2	356
Cash flow from operating activities before changes in working capital*		24,340	6,338
Changes in working capital			
Change in inventories		-170	-138
Change in current receivables		-1,544	87
Change in current liabilities		-1,878	-1,065
Cash flow from operating activities		20,748	5,222
Investing activities			
Investments in intangible assets	8	-22,583	-6,955
Investments in tangible assets	9	-247	-546
Other financial assets		-251	–
Cash flow from investing activities		-23,081	-7,501
Repurchase of own shares		0	0
Cash flow from financing activities		0	0
Cash flow for the year		-2,333	-2,279
Cash and cash equivalents at beginning of year		37,783	40,062
Cash and cash equivalents at year's end		35,450	37,783

* During the year, interest of KSEK 25 (14) has been received and interest of KSEK 2 (6) has been paid.

Notes

All amounts in KSEK unless otherwise stated.

Note 1 ▪ Supplementary Disclosures

Company information

The consolidated statements for ContextVision AB (publ) for 2019 have been approved for publication in accordance with a Board decision on April 1st, 2020. The consolidated financial statements will be submitted for adoption at the General Meeting on May 6th, 2020. ContextVision AB (publ), corporate ID No. 556377-8900, is a corporation with its registered office in Linköping, Sweden. The Group's principal business is described in the Administration Report.

Basis for the preparation of the financial statements

These consolidated statements are based on historic acquisition values, except for financial derivatives, marketable financial assets and assets available for sale, which are valued at their actual value. These assets and liabilities are valued at their actual current value.

Statement on compliance with applied regulations

These consolidated statements have been prepared according to International Financial Reporting Standards (IFRS) together with interpretations issued by IFRS Interpretations Committee (IFRIC), approved by the EC Commission for application within the EU.

The recommendation RFR 1 (Supplementary Accounting rules for Groups) by the Swedish Financial Reporting Board has also been applied. The accounts of the Parent Company have been prepared according to the recommendation RFR2 (Accounting for Legal Entities) by the Swedish Financial Reporting Board.

New and changed accounting principles

The Group and the Parent company have for the first time in the annual report for 2019 applied the changes in standards, amendments and interpretations approved for implementation in fiscal years beginning January 1, 2019.

IFRS 16 Leases

IFRS 16 replaces IAS 17 from January 1, 2019. According to the new standard, the lessee must report the obligation to pay leasing fees as a lease liability in the balance sheet. The right to use the underlying asset during the lease period is reported as an asset. Depreciation of the asset is reported in the income statement as well as interest on the lease liability. Remaining leasing fees are reported partly as payment of interest and partly as amortization of leasing debt. The standard excludes leases with a lease term of less than 12 months (short-term lease agreements) and leases for low value assets.

ContextVision have chosen to use the modified retrospective model, which allows comparative figures for periods prior to January 1, 2019 not to be recalculated. IFRS 16 have mostly had effect on the leasing agreements for office facilities. These agreements are reported in the balance sheet as a debt for future leasing payments and an asset for the right to use the offices. According to previous standards, these agreements were reported as operational leasing. ContextVision have applied the exception for short term leases and leasing agreements when the underlying asset has a low value. These leasing agreements are not included in the value of the asset or debt.

The implementation of IFRS16 had an effect on the balance sheet on January 1st, 2019 with MSEK 13.3 in right of use assets and MSEK 12.3 in leasing liabilities. The difference between assets and liabilities depends on prepayments of leasing costs. An interest rate of 3 percent has been used for leasing of offices and 5 percent for leasing of office equipment. As of December 31, 2018, the future lease fees for non-cancellable leases amounted to KSEK 14,020. The difference between that amount and the opening balance for lease liabilities as of January 1, 2019 consist of a discounting effect and leasing agreements with a lease period of less than 12 months and leases where the underlying asset is of low value.

IFRS 16 had positive effect on EBITDA and negative effect on financial items during 2019. The value of the total assets has increased as a result of the increase in assets and net debt.

In the Parent Company, the exception in RFR 2 regarding lease agreements has been applied. This means that the Parent Company's principles for accounting of leases is unchanged.

Standards, amendments and interpretations not yet approved by the EU

A number of new and amended IFRSs have not yet come into force and have not been applied in advance in the preparation of ContextVision's financial reports. None of the other new standards, changed standards or IFRIC-interpretations that was published until December 31, 2019 is expected to have any significant impact on the financial reports for the Group or the Parent Company.

Requirements on the preparation of the Parent Company and Group financial reporting

Consolidated statements

Grounds for consolidation

Consolidated accounting includes the Parent Company and its subsidiaries. The financial reports for the Parent Company and the subsidiaries that are included in the consolidated statements relate to the same period as those of the Group, and are prepared according to the same accounting principles that apply to the Group.

A subsidiary is included in the consolidated statements from the time of acquisition. This is the date on which the Parent Company acquired the power to control, and continues to be included in the consolidated statements until the day on which the power to control ceases. Normally, the power to control a subsidiary is obtained through the holding of more than 50 percent of the voting shares, but may also be obtained in some other way, such as through a contract.

Subsidiaries are reported in consolidated accounts according to the acquisition method. According to the acquisition method, the purchase price of the shares is divided between assets acquired and obligations assumed at the time of

Note 1 cont.

acquisition on the basis of their actual value at that point. If the purchase price exceeds the actual value of the acquired company's net assets, the difference is posted as goodwill. If the purchase price is less than the actual value of the acquired company's net assets, the difference is posted directly to the income statement.

Translation of foreign operations

A foreign operation is one that is operated in an economic environment having a currency (the functional currency) different from the Group's presentation currency, which is the Swedish krona (SEK). Assets and liabilities from foreign operations are translated into the presentation currency at the exchange rate on the balance sheet date. Foreign operation income statements are translated at an average exchange rate. Exchange rate differences that result from conversion are posted to statement of comprehensive income.

Translation of receivables and liabilities in foreign currency

Foreign currency transactions are translated at the exchange rate on the transaction sheet date. Monetary receivables and liabilities in foreign currency are translated at the exchange rate that applied on the balance sheet date, with exchange rate differences posted to the income statement.

Revenue recognition

ContextVision's revenues mostly consist of license fees. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, which is in conjunction with the transfer of the license to the customer. After the transfer of the license, ContextVision has no further obligations related to the delivery. Revenue is measured at the fair value of the consideration received, excluding discounts.

The Company's customers are manufacturers (OEM) of medical imaging equipment such as ultrasound devices. Customers purchase a license for each unit they deliver. The company issues invoices continuously based on the customer's use of licenses. This means that the company's sales are dependent on the customers' production rate.

Revenue from the sale of services consists of services such as service and customization of products, these are reported during the period of service.

Some contracts contain several commitments. For the contracts that contain several components, the revenue is distributed proportionally to the different components of the contract.

Sales of licenses

Revenue is reported when the control of the license is transferred to the customer, which is in conjunction with the delivery of the license to the customer and ContextVision has proof that the customer has approved the license. Revenues are reported to the amount stated in the contract, excluding discounts. There is no financing component in the contract because the credit period is at most 90 days, which is consistent with practice. The Group's licenses are classified as a license that grants the right to use the intangible asset as it is issued (right-to-use). Revenues from the sale of licenses that are classified as licenses that gives entitlement to use are reported when the license is transferred to the customer. Revenue from the sale of services consists of services such as service and customization of products, these are reported during the period of service. Some contracts contain several commitments. The parts of a contract not related to the sale of licenses consist of service. The total transaction price of the contract is allocated to the separate performance commitments based on its relative independent selling prices. Revenues from respective performance commitments are recognized when the performance commitment has been met.

Financing component

The Group does not have any contracts with customers in which the period between the transfer of goods and services to the customer and payment from the customer exceed one year. As a consequence, the Group does not adjust transaction prices for the money's time value.

Segment reporting

The result of the Group is viewed as a whole. Sales are viewed on a geographical level and at product level. From January 2018 ContextVision reports its sales, costs and results in two separate segments/business units; the Business Unit Medical Imaging and the Business Unit Digital Pathology. This reflects how 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. The first product, a decision support toll for prostate cancer, is expected to be launched during 2020.

Tangible and intangible fixed assets with limited useful lives

Tangible and intangible fixed assets are valued at their acquisition value less accumulated depreciation and write-downs. Depreciation is based on an asset's useful life.

The reported value of fixed assets is reviewed continuously for impairment when events or changes in circumstances indicate that the posted value may not be recoverable. If these kinds of indications are present, and if the balance sheet value is greater than the expected recovery, the assets or the cash-generated units will be written down to the recoverable amount. The recoverable amount for fixed assets equals the greater of the asset's net fair market value and its value in use. The value in use is calculated by discounting expected cash flows to their present value, using a discount factor prior to taxes that reflect the market's current estimate of the time value of money and the risks that relate to supply. The write-down is reported in the income statement.

Ongoing R&D projects are tested for impairment twice every year.

Development expenses

Expenses related to research undertaken with the prospect of gaining new scientific or technical knowledge in the Group's operations are expensed as incurrent.
Development projects where knowledge and understanding gained from research and clinical experience are directed towards producing new products, are recognized as intangible assets, when they meet the criteria for capitalization.

Development expenses may be capitalized if, and only if, the company can demonstrate the technical feasibility of completing the intangible asset, the intention and ability to complete the asset and use or sell it, the probability that the asset will generate future economic benefits, the availability of adequate

Note 1 cont.

resources to complete the development and to use or sell the asset and the ability to reliably measure the costs attributable to the asset during its development.

The reported value includes all directly attributable costs, such as those for materials, salaries and compensation to employees engaged in R&D activities.

Other development costs are expensed in the profit and loss account for the period in which they arise. Individual assessment is made of all ongoing research and development projects to find any indications of impairment.

Amortization of capitalized development costs is started when the respective development project is completed, normally when it begins generating revenue, and is carried out on a straight-line basis over a period of five years.

Inventory

Inventory is valued as the lower of acquisition value and actual value.

Acquisition value is determined according to the first in, first out (FIFO) method, which means that assets in inventory at the end of the year shall be considered to be those most recently acquired.

Financial instruments

Financial instruments that is reported in the statement of financial position includes cash and cash equivalents, accounts receivable, accounts payable, other liabilities and derivatives that consists of forward exchange contracts.

Recognizing in and removal from the statement of financial position

A financial asset or liability is recognized in the statement of financial position when the company becomes a party according to the instrument's contractual terms. A contractual receivable is recognized when the company has performed its commitments and a contractual obligation for the counterparty to pay exists, even if the invoice not yet has been sent. Accounts receivables is recognized in the statement of financial position when an invoice has been sent. A contractual liability is recognized when the counterpart has performed its commitments and a contractual obligation to pay exists, even if an invoice not yet has been received. Accounts payable is recognized when an invoice has been received.

A financial asset is removed from the statement of financial position when the rights in the contract has been realized, expired or if the company loses control over them. The same applies to a part of a financial asset. A financial obligation is removed from the statement of financial position when the obligation in the contract has been performed or otherwise is expired. The same applies to a part of a financial obligation.

A financial asset and a financial obligation are paired up and recognized as a net amount in the statement of financial position only when a legal right to pair up the amounts exists, and there also exists an intention to regulate the items with a net amount or at the same time realize the asset and regulate the obligation. Acquisition and sales of financial assets is recognized on the transaction date. The transaction date is the day that the company is obliged to acquire or sell the asset.

Classification and valuation of financial assets

Classification of financial assets that are debt instruments, is based on the Groups' business model for asset management and the character of the assets contractual cash flows.

The instrument is either classified at accrued acquisition value, fair value against other comprehensive income or fair value over the income statement.

The Groups' assets in terms of debt instruments is classified at accrued acquisition value. Financial assets classified at accrued acquisition value is initially valued at fair value with addition of transactions costs. Accounts receivable is initially recognized at the invoiced value.

After the first date of recognition it is valued at accrued acquisition according to the effective interest rate approach. Assets classified at accrued acquisition value is held according to the business model to collect contractual cash flows that are payments of capital amounts and interest on the outstanding capital amount. The assets are included in a reservation for expected credit losses. Derivative instruments are classified at fair value over the income statement, except in the cases hedging contracts are applied.

Classification and valuation of financial obligations

Financial obligations are classified at accrued acquisition value with exception for derivatives. Financial obligations recognized at accrued acquisition value is initially valued at fair value including transaction costs. After the first date of recognition it is valued at acquisition value according to the effective interest rate approach. Derivative instruments classified at fair value over the income statement, except in the cases hedging contracts are applied.

Recognition of derivative instruments and hedge accounting

Derivative instruments comprise forward hedging contracts that is used to minimize the transaction exposure from foreign currencies. Derivative instruments are not used for speculative purposes. All derivative instruments are recognized at fair value in the statement of financial position.

Derivatives that has been entered with the purpose to ensure the currency risk in probable future commercial payments in foreign currency, meaning cash flow from sales, and that meet the requirement for hedging accounting, is recognized according to the principles for hedge accounting for cash flow hedges in the Group. The Group applies hedging accounting in accordance with IFRS 9. That means that the effective part of changes in fair value of the derivative instruments are recognized in the fair value reserve under other comprehensive income. The gain or loss that is related to the ineffective part is recognized over the income statement under other operating expenses. Fair value of the derivatives is calculated using current market prices for foreign currency and interest rates on the balance sheet date.

Accumulated amounts in other comprehensive income is returned to net sales in the income statement in the periods that the hedging contract is effecting the results, meaning in combination with settlement of the result. When a hedging instrument expires or is realized or when the hedging contract no longer meet the requirements for hedging accounting, and accumulated gains or losses referring to the hedging contract is recognized in other comprehensive income, these gains/losses remain in other comprehensive income and is recognized at the same time as the prognosticated transaction is finally recognized in the income statement. The effective part is recognized against net sales if the hedged item effects the result, while the ineffective part is recognized under other operating expenses. When a prognosticated transaction no longer is expected to be realized, the accumulated gain or loss that has been recognized under other comprehensive income, is immediately transferred to the income statement under other operating expenses.

Note 1 cont.

When hedging transactions are entered into, the relationship between the hedging instrument and the hedged risk is documented, as well as the purpose of the risk management and the strategy for taking different hedging measures. The Group also documents its assessment, both when entering the hedge and thereafter continuously, of whether the hedging instruments that are used in hedging transactions are effective when it comes to equalizing changes in cash flows or valuation. Changes in the fair value reserve and the translation reserve are shown under other comprehensive income.

Write-down of financial instruments

The Groups financial assets, except for those that is classified at fair value through profit or loss, is subject to write-down of expected credit losses.

A provision for credit losses is calculated and initially reported for expected credit losses for a period of twelve months. If the credit risk has increased significantly since the financial asset first was recognized, the provision for expected credit losses is calculated and reported based on expected credit losses for the entire remaining term of the asset. The calculation of expected credit losses is mainly based on an individual assessment of the current claim in combination with information on historical losses for similar assets and counterparties. The historical information is evaluated and adjusted continuously depending on the current situation and the expectation of future events.

The financial assets are recognized in the balance sheet at accrued acquisition value, meaning the net of gross value and provision for expected losses. Any changes in the provision for expected losses is recognized over the income statement.

Provisions

Provisions are reported on the balance sheet when the Group has an obligation (legal or informal) due to an occurrence, satisfying the obligation will probably mean an expenditure of economically valuable resources, and the amount can be calculated in a reliable manner.

Compensation to employees

Pensions and other obligations to supply benefits after the end of employment

Obligations relating to old-age pensions for salaried employees in Sweden are secured by insurance. This insurance is secured by defined contribution plans that are expensed on an ongoing basis. Pension payments to employees outside Sweden are handled according to local regulations. There are no defined benefit plans in the Group.

All employees of the company are part of an incentive program, represented by a profit-sharing foundation. The foundation receives funds if the company successfully reaches specified objectives, related to sales and operations. The foundation invests in COV shares, purchased on the stock market. The employees' share of the foundation is based on hours worked during the year.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Cash flow statement

The cash flow statement is prepared according to the indirect method used for operations. In addition to cash and cash equivalent, liquid funds also include short-term investments for which the original term is less than three months.

Government contributions

Government contributions are recognized in the income statement when it is secured that it will be submitted and that the conditions surrounding it will be fulfilled. When the contribution is associated with a specific cost, the revenue is systematically recognized to periodically match the cost.

Important judgments and estimates associated with accounting

Judgments and estimates related to accounting are continuously evaluated. They are based on historical knowledge and other factors as well as expected events that are likely to occur. Judgments and estimates made for accounting purposes may deviate from the actual outcome.

Impairment test of intangible assets

ContextVision evaluates on a regular basis if there are any indications of impairment for capitalized R&D. The company regularly analyses the need for write-down of development expenses for research and development. The evaluation means that the management makes assumptions that includes estimates and assessments on each product's expected future sales and profitability level. The used assumptions are based on historical experiences from development of similar products as well as expectations on the future. See the section on Tangible and intangible fixed assets above for further details. During 2019, write down of one intangible asset has been recorded.

Capitalization of development expenses

The assessment of whether and when a development project meets the criteria for capitalization as an intangible asset includes a number of different judgements from the management. See section Development expenses above for further details. The company has internal routines and processes to determine when the criteria for capitalization is met.

Note 1 cont.

Parent Company accounting

The Parent Company complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Reporting for Legal Entities. Application of RFR 2 entails that the Parent Company, in the annual report for the legal entity must comply with all EU-endorsed IFRSs and pronouncements as far as possible within the framework of the Annual Accounts Act, the Pension Protection Act and considering the relationship between reporting and taxation. The recommendation indicates which exceptions from and amendments to IFRS are to be made. The differences between the Parent Company's and Group's accounting policies are described below.

Subsidiaries and associates

Shares in subsidiaries are recognized in the Parent Company using the cost method.

Taxes

In the Parent Company, untaxed reserves are reported including deferred tax liability. In the consolidated financial statements, however, untaxed reserves are divided into tax liability and shareholders' equity.

Reserve related to R&D expenses

The Parent Company capitalizes R&D expenses in the balance sheet. From 2016 a restricted reserve is presented for internally generated R&D expenses, where an amount equal to this year's capitalization is transferred from free reserves to restricted reserves. The restricted reserve dissolves in line with amortizations.

New and changed accounting principles from 2020 and onward

See changed accounting principles for the Group above.

Note 2 ▪ Income from customer contracts / Segment reporting

All income is related to sales of licences.

	GROUP		PARENT COMPANY	
Net sales by region	2019	2018	2019	2018
Asia	55,915	49,687	55,915	49,687
Europe	26,884	30,362	26,884	30,362
America	12,513	10,853	12,513	10,853
Total	95,312	90,902	95,312	90,902

	GROUP		PARENT COMPANY	
Net sales by product	2019	2018	2019	2018
XR	16,680	12,776	16,680	12,776
US 2D	56,750	53,724	56,750	53,724
US 3D	10,898	16,481	10,898	16,481
MR	8,740	5,710	8,740	5,710
Others	2,244	2,211	2,244	2,211
Total	95,312	90,902	95,312	90,902

The Executive Management views the result of the Group as a whole. Sales are viewed on a geographical level and at product level. Since 2018 the company reports its sales, costs and results in two separate business units.

There are 2 (3) individual customers representing more than 10 percent each of the total revenue during the year. The first client representing 13 percent and the other one representing 12 percent of the total revenue during 2019. Asia is the largest region, sales wise, and represented 59 percent of the total revenue for the year. In that region sales from China, Japan and Korea is included. All sales income is generated outside Sweden.

The product names XR, US and MR refer to different imaging technologies, which are manufactured and sold by the company's OEM customers. XR refer to X-ray products, US means Ultrasound (two dimensional or volumetric) and MRI stands for Magnetic Resonance Imaging.

Business Unit /Operating segment (MSEK)	BUSINESS UNIT MEDICAL IMAGING		BUSINESS UNIT DIGITAL PATHOLOGY		GROUP	
	2019	2018	2019	2018	2019	2018
Net sales	95.3	90.9	–	–	95.3	90.9
Operating expenses	-61	-59.8	-24.2	-32.4	85.2	-92.2
Operating results	34.3	31.1	-24.2	-32.4	10.1	-1.3

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 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. The first product is a decision support tool for prostate cancer and is expected to be launched during 2020.

Note 2 cont.

Contractual balances	Dec. 31 2019	Dec. 31 2018
Contractual receivables	20,426	18,046
Contractual liabilities	1,738	732

Receivables relates to accounts receivables of KSEK 20,426 (18,046) and accrued income of 0 (0). Both accounts receivables and accrued income relates to receivables from customers where ContextVision has fulfilled its performance commitment and has an unconditional right to payment. Contract liabilities relates to prepayments from customers. All contractual liabilities at beginning of each fiscal year relates to performance commitments that has been fulfilled during the current fiscal year.

Note 3 ▪ Intra-group purchases and sales

Sales and marketing is handled by the Parent Company as well as by the foreign subsidiary. All R&D investments are concentrated to the parent company in Sweden. Total compensation from the Parent Company to the subsidiary amounts to KSEK 3,537 (3,486) There have been no other transactions with associates during 2019 and 2018 except from the transactions mentioned under note 5.

Note 4 ▪ Auditor's fees

Audit work involves the audit of the annual report and financial accounting as well as the administration by the Board and the CEO, as well as further work or consultation related to the duties of the company's auditors and resulting from observations noted during such examinations or implementation of such other tasks. All other tasks are defined as other work.

	GROUP		PARENT COMPANY	
Ernst & Young AB	2019	2018	2019	2018
Audit work	500	426	500	426
Audit work except from assignment	12		12	
Tax advisory				
Other work	25	32	25	32
Total	537	458	537	458

Note 5 ▪ Personnel

	GROUP		PARENT COMPANY	
Average number of employees	2019	2018	2019	2018
Men	29	28	27	26
Women	14	14	14	14
Total	43	42	41	40

	GROUP		PARENT COMPANY	
Salaries and other remuneration	2019	2018	2019	2018
Board Members and CEO	3,896	4,239	3,896	4,239
of which the CEO	(1,786)	(1,960)	(1,786)	(1,960)
Other employees	32,984	32,064	30,792	30,009
Total	36,880	36,303	34,688	34,248

	GROUP		PARENT COMPANY	
Social security expenses	2019	2018	2019	2018
Pension costs for Board Members and CEO	398	411	398	411
Pension costs for other employees	4,747	4,625	4,,628	4,937
Statutory and contractual social security expenses	11,512	10,912	11,378	10,398
Total	16,657	15,948	16,404	15,746

All pension plans are defined contribution plans and no outstanding obligations exists towards employees nor to the board of directors During the year capitalized development expenses of personnell costs have been recorded with total MSEK 12.3.

Note 5 cont.

Salaries and remuneration for executive management and the Board 2019	Directors' remuneration[1]	Fixed salary	Variable salary	Pension	Other remuneration	Total
CEO Anita Tollstadius[3]	–	483	–	106	0	589
CEO Fredrik Palm[4]	–	1,294		292	8	1,594
Erik Danielsen, chairman[1]	300	–	–	–	–	300
Karin Bernadotte, member of the board	200	–	–	–	–	200
Martin Hedlund, member of the board/CTO[2]	–	1,588	–	–	23	1,611
Sven Günther-Hanssen, member of the board	–	–	–	–	–	–
Magne Jordanger, member of the board	–	–	–	–	–	–
Total	500	3,365	–	398	31	4,294

Salaries and remuneration for executive management and the Board 2018	Directors' remuneration[1]	Fixed salary	Variable salary	Pension	Other remuneration	Total
CEO Anita Tollstadius[3]	–	1,956	–	411	4	2,371
Erik Danielsen, chairman[1]	300	–	–	–	–	300
Karin Bernadotte, member of the board	200	–	–	–	–	200
Martin Hedlund, member of the board/CTO[2]	–	1,755	–	–	24	1,779
Sven Günther-Hanssen, member of the board	–	–	–	–	–	–
Total	500	3,711	–	411	28	4,650

1) The Chairman's remuneration is decided by the AGM, in 2019 the level was set at KSEK 300 (300).
At the same meeting, it was decided that the remuneration to other Board members, who are not also main shareholders, should be KSEK 200 (200)
There are 5 (4) members of the Board, 4 are men and 1 is a woman.
2) Salary, remuneration and pension to board member Martin Hedlund, who also has worked operationally in the company. Hedlund retired during fall 2019.
3) Former CEO Anita Tollstadius retired during 2019, which is why reported remuneration relate to part of the year. Tollstadius was entitled to 6 months of notice, both in case of termination by the company, or if she terminated her employment herself. Tollstadius had no individual bonus arrangements or variable salary.
The company runs a general incentive program, by yearly payments to a profit-sharing foundation. Tollstadius had the same share of the general incentive program (approximately 2.5%) as all other full-time employees.
Pension payments for Tollstadius has been KSEK 248 (412) during the year, which is in line with the pension policy of the company. The age of retirement of the CEO is 65 years.
4) CEO Fredrik Palm was elected in April 2019, which is why reported remuneration relate to part of the year. Palm is entitled to 6 months of notice, both in case of termination by the company, or if he terminates his employment himself. Palm has a fixed salary and an individual, performance-based bonus.
The company runs a general incentive program, by yearly payments to a profit-sharing foundation. Palm has the same share of the general incentive program (approximately 2.5%) as all other full-time employees. From the date of appointment, Palm does not earn any new shares in the foundation.
Pension payments for Palm has been KSEK 292 during the year, which is in line with the pension policy of the company. The age of retirement of the CEO is 65 years.

All the employees of the company are part of an incentive program, represented by a profit-sharing foundation. The foundation receives funds if the company succesfully reaches specified objectives, related to sales and operations. The foundation invests in COV shares, purchased on the stock market. The employees share of the foundation is based on hours worked during the year. Funds for the Foundation have been reserved for 2019 with KSEK 329.

Remuneration to the Board of Directors and senior executives
Due to the amendments to the Companies Act that came into force on June 10, 2019, the Board of Directors proposes the following guidelines for remuneration to senior executives. These guidelines should include the CEO. The guidelines do not include remuneration decided by the AGM. Determination of salary and other remuneration to the Board is decided by the AGM. The guidelines shall apply to remuneration that is agreed upon, and changes made to already agreed remuneration, after the date when the guidelines were adopted by the AGM and thus have no effect on previously agreed commitments.

Guidelines for promoting the company's business strategy, long-term interests and sustainability
Guidelines for promoting the company's business strategy, long-term interests and sustainability.

Successful implementation of the company's business strategy and assuring of the company's long-term interests, including its sustainability, requires the company to be able to recruit and retain qualified employees. Therefore, the company need to offer competitive compensation. These guidelines enable senior executives to be offered a competitive total remuneration. The company's business strategy is further described in the annual report.

Remuneration
Remuneration to senior executives may consist of fixed salary, variable remuneration, pension and other conventional benefits such as health insurance, life insurance and company car. The total cost of benefits may not exceed 15 percent of the fixed salary. The fulfillment of criteria for payment of variable compensation must be measurable over a period of one or more years. The variable remuneration shall be limited to a maximum annual payment and shall not exceed 10 per cent of the fixed annual salary. Variable remuneration must be linked to predetermined and measurable criteria that can be financial or non-financial. They can also be individualized quantitative or qualitative goals. The criteria must be designed so that the main company's business strategy and long-term interests are met, including its sustainability.

Pension
Pension benefits for senior executives must comply with the company's general pension plan, must be a defined contribution and amount to a maximum of 30 percent of the annual salary. The retirement age for the CEO is 65 years.

Termination of employment
If the company terminates the employment, a notice period of

Note 5 cont.

six months applies. In addition, the CEO is entitled to severance pay corresponding to a maximum of six monthly salaries.

Salary and terms of employment for employees
When preparing the proposal for guidelines, salaries and terms of employment for the Group's employees have been taken into account and formed part of the decision basis.

Decision-making process for establishing, reviewing and implementing the guidelines
The guidelines shall apply until new guidelines have been adopted by the AGM, but no longer than until the AGM 2024. The Board is responsible for creating proposals for new guidelines at least every four years and submitting the proposal for resolution at the AGM. The Board shall follow up and evaluate the application of the guidelines and shall prepare a remuneration report for each financial year which shall be made available on ContextVision's website no later than three weeks before the AGM.

Deviation from guidelines
The Board of Directors may deviate from these guidelines for remuneration to senior executives, if there are special reasons for this in an individual case and a deviation is necessary to meet the company's long-term interests.

Note 6 ▪ Tax on result for the year

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Current tax	-1,825	-50	-1,619	18
Deferred tax	-540	162	–	–
Total tax on profit for the year	-2,365	112	-1,619	18

The difference between recorded tax costs and tax costs based on the applicable tax rates consists of:

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Pre-tax profit/loss	9,763	-1,291	7,211	-194
Tax according to the applicable tax rates	-2,089	284	-1,542	43
Non-taxable income	–	–	–	80
Non-deductible cost	-83	-133	-83	-133
Effect from different tax rates in the Group	-169	-67	–	–
Income on tax allocation reserve	-5	-6	-5	-6
Other	9	13	9	13
Tax referring to previous periods	-28	22	2	22
Recorded tax expense	-2,365	112	-1,619	18

The applicable tax rate for the Group is 21.4% (22) and for the Parent Company 21.4% (22).

	GROUP		PARENT COMPANY	
Deferred tax receivables/tax liabilities	2019	2018	2019	2018
Deferred tax liability on fair valuation on currency hedging	–	–	–	–
Deferred tax liability on reserves	-1465	-924	–	–
Deferred tax receivable on fair valuation on currency hedging	-95	-44	-95	-44
Total deferred tax	-1,560	-968	-95	-44

Note 7 ▪ Leasing agreements

Leasing is reported in accordance with IFRS 16 Leasing agreements, see Note 1 Accounting principles.

The transition method that the Group has chosen to apply in the transition to IFRS 16 means that the comparative information has not been restated to reflect the new requirements.

Since ContextVision is a lessee, the leasing assets are reported as a right of use in the statement of financial position, while the future obligation to the lessor is reported as a liability in the report on financial position. The Group mainly has lease agreements for office premises. The agreements normally have maturities between 3 to 5 years, with opportunities for extension and termination to create flexibility. Management continuously assesses whether it is likely that the extension or termination conditions will be utilized. ContextVision uses the exception rule for short-term leases and leases where the underlying asset has a low value, such as certain office equipment where the amounts have been assessed not significant. ContextVision is not a lessor and does not sub-lease.

In the Parent Company, the exception in RFR 2 regarding leasing agreements has been applied. This means that the accounting principles for the Parent Company is unchanged.

Right-of-use assets per asset category (KSEK)	Dec. 31 2019	Dec. 31 2018
Office and storage premises	9,176	–
Office equipment	285	–
Total right-of-use assets	9,461	–

Note 7 cont.

In 2019, the Group had costs for short-term leasing contracts and leasing of low-value assets amounting to KSEK 55.

No write-downs of right-of-use assets have been made during 2019.

Change in right-of-use assets (KSEK)	Offices	Equip-ment	Total
Opening balance, Jan 1, 2019	12,790	475	13,266
New leasing agreements	–	–	–
Terminated leasing agreements	–	–	–
Depreciation	-3,480	-183	-3,663
Write down	–	–	–
Closing balance, Dec 31, 2019	9,176	285	9,461

Leasing liabilities (KSEK)	Dec. 31 2019	Dec. 31 2018
Current leasing liabilities	-3,906	–
Non-current leasing liabilities	-4,734	–
Total leasing liabilities	-8,640	–

Interest expenses relating to leasing liabilities of total KSEK 331 have effected the results for 2019.

During 2019, the Group had cash flow-effecting leasing and rental expenses amounting to KSEK 4,294 (3,856).

Change in leasing liabilities (KSEK)	Offices	Equip-ment	Total
Opening balance, Jan 1, 2019	-11,845	-458	-12,303
New leasing agreements	–	–	–
Amortization	3,480	183	3,663
Write down	–	–	–
Closing balances, Dec 31, 2019	-8,365	-275	-8,640

Amounts reported in Report on income and other comprehensive income	2019	2018
Depreciation of right-of-use assets	-3,663	–
Interest on leasing liabilities	-331	–
Cost for short-term leases and leases of low value	-55	–
Total	-4,049	–

	GROUP		PARENT COMPANY	
Leasing agreements 2018	Equipment	Premises	Equipment	Premises
Fees due in 2019	231	3,793	231	3,793
Fees due 2020 – 2022	353	11,186	353	11,186
Fees due 2023 or later	–	–	–	–

Note 8 ▪ Capitalized expenditure for development work

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Opening balance acquisition value	54,619	47,664	54,619	47,664
Investments for the year	22,583	6,955	22,583	6,955
Closing balance accumulated acquisition value	77,202	54,619	77,202	54,619
Opening balance depreciation	-42,938	-36,886	-42,938	-36,886
Depreciation for the year	-3,442	-4,383	-3,442	-4,383
Closing balance accumulated depreciation	-46,380	-41,269	-46,380	-41,269
Opening balance write-downs	-1,669	–	-1,669	–
Write-downs of the year	-10,000	-1,669	-10,000	-1,669
Closing balance accumulated write-downs	-11,669	-1,669	-11,669	-1,669
Closing balance according to plan residual value	20,822	11,681	20,822	11,681

Capitalized development costs during 2019 refer mainly to 3 different projects. In Q2 2019, the development of a new generation of AI-based X-ray products, that was ongoing at year-end 2018, was completed. The product, Altumira, has been launched to the market and a number of customer contracts have been signed for the new product.

The product development of the first product for the business unit Digital Pathology, a product for decision support in prostate cancer, has been ongoing throughout 2019. Beta tests of the product where ongoing at the end of 2019 and the product is expected to be completed in 2020.

Another development project has begun in 2019, regarding a new 2D ultrasound product. This project is expected to be completed in 2020.

Capitalized costs from previous years refer to various products related to the company's core technology GOP View, mainly within Ultrasound.

Depreciation of R&D is 5 years. Straight line depreciation is applied from the product launch to the end of the period. Fair values are estimated for all capitalized costs, to make sure that the fair value of any product does not fall below book value. Out of this year's capitalized R&D costs, MSEK 12.3 (4.0) refers to personnel costs.

In the end of 2019, the management decided upon a write down of one separate product intended for the business unit digital pathology, when it was assessed that the extended development time no longer corresponds to the estimated time and thus the calculated costs. The long development time is largely due to high internal performance requirements. A write down of MSEK 10 was recorded and effected the year's results.

Note 9 ▪ Equipment

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Opening balance acquisition value	10,227	9,682	10,227	9,682
Investments for the year	247	546	247	546
Closing balance accumulated acquisition value	10,474	10,227	10,474	10,227
Opening balance depreciation	-6,874	-5,939	-6,874	-5,939
Depreciation for the year	-923	-935	-923	-935
Closing balance accumulated depreciation	-7,797	-6,874	-7,797	-6,874
Closing balance residual value according to plan	2,677	3,353	2,677	3,353

The period of use for equipment is 5 years. Depreciation is linear.

Note 10 ▪ Shares in group companies

Subsidiaries	Corporate registration no.	Share capital/ Voting rights, %	Number of shares	Recorded value
ContextVision Inc, State of Illinois, USA	36-4333625	100/100	1,000	217
Total				217

The subsidiary has during the year paid a dividend of KSEK 0 (364) to the Parent Company.

Note 11 ▪ Other long-term receivables

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Depositions	522	323	522	323
Total	522	323	522	323

Note 12 ▪ Inventories

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Inventories (hardware)	884	714	884	714
Total	884	714	884	714

Expense of goods for resale, totals to KSEK 2,199 (2,099) for both the Parent Company and the Group.

Note 13 ▪ Accounts receivable and other receivables

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Accounts receivable	20,426	18,180	20,426	18,180
Less: reservation for uncertain accounts receivables	0	-134	0	-134
Other receivables	942	1,637	942	1,636
Total	21,368	19,692	21,368	19,691

During the year, the accrual for bad debt loss decreased to KSEK 0 (previous year: KSEK 134). See note 21 for additional information on accounts receivables.

Note 14 ▪ Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Prepaid rent	0	998	462	998
Other items	303	649	804	649
Total	303	1,647	1,266	1,647

Note 15 ▪ Equity

The company's number of shares is 7,736,750 (7,736,750). The quota value is SEK 0.27 (0.27). All shares carry equal voting rights.

Total shares and share capital (KSEK)	Total shares	Total share capital (KSEK)
31 Dec 2019	7,736,750	2,084
31 Dec 2019	7,736,750	2,084

Additional paid in capital – Refers to additional paid in equity from shareholders, reduced with repurchased shares and dividends.

Translation difference – Contains all currency translation differences arising from the translation of financial statements of foreign subsidiaries not reporting in SEK.

Currency hedging – Contains the effective part of the accumulated net change in the fair value of cash flow hedging related to transactions that has not yet occurred.

Retained earnings and net result for the year – Contains retained earnings in the Parent Company and its subsidiary.

Reserve related to R&D expenses - Refers to the reserve equal to the capitalization, that is transferred from free reserves to restricted reserves.

Note 16 ▪ Accounts payable and other debts

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Advance payment from customers	1,738	732	1,738	732
Accounts payable	3,839	4,233	3,815	4,233
Liabilities to subsidiaries	–	–	557	1,080
Other debts	1,373	984	1,211	972
Total	6,950	5,949	7,321	7,017

Note 17 ▪ Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Salaries, vacation pay and payroll overhead	7,467	9,269	7,467	9,269
Other accrued cost	2,060	2,085	1,808	1,854
Total	9,527	11,354	9,275	11,123

Note 18 ▪ Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Mortgage	2,000	2,000	2,000	2,000
Depositions	522	323	522	323
Total	2,522	2,323	2,522	2,323

The company has a mortgage of 2 MSEK in favor of Svenska Handelsbanken as a security for currency hedging contracts. Depositions refer to amounts deposited as a security for salary payments to employees abroad.

Note 19 ▪ Tax allocation reserve

	PARENT COMPANY	
	2019	2018
Tax allocation reserve Tax 2015	900	900
Tax allocation reserve Tax 2016	1,700	1,700
Tax allocation reserve Tax 2017	1,600	1,600
Tax allocation reserve Tax 2020	2,525	0
Total	6,725	4,200

Note 20 ▪ Proposed appropriation of earnings

Proposed Appropriation of Earnings 2019 At the General Meeting's disposal SEK	
Retained earnings and fair value reserve	17,722,798
Profit/loss for the year	5,591,770
Total	23,314,568

The Board proposes that SEK 23,314,568 is carried forward to the 2020 accounts.

Note 21 ▪ Financial risks

A financial policy adopted by the board of directors constitutes the framework for how the company manages financial risks. The Group's financial instruments consist of cash and bank deposits, accounts receivable (trade), accounts payable, other short-term liabilities relating to operations and derivatives (primarily forward exchange contracts).

The following is a summary of the company's financial risks:

Interest rate risk

The Group's market risk exposure relates only to holdings at bank accounts, why the interest rate risk is limited to changes in the market interest rate.

Note 21 cont.

Reported and fair value is included in the balance sheet according to the below:	Derivate instrument used in the accounting of currency hedging	Loan and trade receivables	Financial debts valued at accrued acquisition value	Total reported value	Total fair value
Group 2019					
Other long-term receivables		522		522	522
Accounts receivables and other receivables		20,426		20,426	20,426
Right-of-use assets		9,461		9,461	9,461
Derivates	446			446	446
Cash		36,329		36,329	36,329
Leasing liabilities			-8,640	-8,640	-8,640
Accounts payable and other debts			-6,448	-6,448	-6,448

Reported and fair value is included in the balance sheet according to the below:	Derivate instrument used in the accounting of currency hedging	Loan and trade receivables	Financial debts valued at accrued acquisition value	Total reported value	Total fair value
Group 2018					
Other long-term receivables		323		323	323
Accounts receivables and other receivables		19 683		19 683	19 683
Derivates	205			205	205
Cash		37 945		37 945	37 945
Accounts payable and other debts			-5 949	-5 949	-5 949

The categories “Financial assets available for sale” and “Financial assets valued at fair value through the income statement” is not represented in the Group’s financial accounts during 2018 and 2019

Change in liabilities from financing activities	GROUP	PARENT COMPANY
Opening balance January 1, 2018	–	–
Cash flow	–	–
Currency exchange rate differences	–	–
Closing balance December 31, 2018 / Opening balance January 1, 2019	-12,303	–
Cash flow	–	–
Leasing liabilities	3,663	–
Currency exchange rate differences	–	–
Closing balance December 31, 2019	-8,640	–

	2020		2021-2022		2023 or later		TOTAL	
Interest-bearing liabilities	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
Liabilities to credit institutions								
Leasing liabilities	-3,710	-218	-4,734	-126	–	–	-8,640	-344
Total liabilities to credit institutions	-3,710	-218	-4,734	-126	–	–	-8,640	-344
Other interest-bearing liabilities	–	–	–	–	–	–	–	–
Total interest-bearing liabilities	-3,710	-218	-4,734	-126	–	–	-8,640	-344

	GROUP		PARENT COMPANY	
Age analysis of reported assets past due date but not-written down	2019	2018	2019	2018
Non past due	14,337	15,843	14,337	15,843
< 30 days	818	741	818	741
30–90 days	466	1,172	466	1,172
91–180 days	4,805	290	4,805	290
Total	20,426	18,046	20,426	18,046

Note 21 cont.

Change in bad debts

Provision for bad debts	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Opening balance	134	193	134	193
Provision for bad debt	0	58	0	58
Provisions written off	-134	-117	-134	-117
Closing balance	0	134	0	134

* Provision for bad debt

The Group's write-down of accounts receivable is carried out in accordance with the simplified approach for reporting expected credit losses. This means that a provision for expected credit losses is booked for the remaining term, which is expected to be less than one year for all receivables above. The Group books a provision for expected credit losses based on individual assessments of receivables where known information about the counterpart and forward-looking information is taken into consideration. ContextVision writes off a receivable when it no longer can be expected to receive payment and when active measures to receive payment have been finalized.

The increase in overdue receivables relates mainly to receivables from three different customers. Most of these receivables were settled shortly after the year-end.

Customers

There are 2 (3) individual customers representing more than 10 percent each of the total revenue during the year. The largest customer representing 13 percent and the other one representing 12 percent each of the total revenue during 2019.

By year-end, there where 4 individual customers that each represented 10 percent or more of the accounts receivable. These 4 customers together represented 68 percent of the accounts receivable. The company has had a long relation with most of the customers and consider them financially stable. The creditability of the accounts receivable is considered high.

Fair value and reported value

IFRRS 13 Valuation at fair value contains a valuation hierarchy regarding input data for the valuations. This valuation hierarchy is divided into three levels:
Level 1: according to prices quoted on an active market for the same financial instrument.
Level 2: based on directly or indirectly observable market data that is not included in level 1.
Level 3: based on input data that is not observable in on the market.
The company applies level 2 according to the valuation hierarchy, when valuing derivatives (forward exchange contracts) at fair value by using current market prices and currencies on the balance sheet date.

Currency risk

Transaction exposure

During 2019 the invoicing in EUR represented about 60 percent (64) of total invoicing, the invoicing in USD represented about 20 percent (17), and the invoicing in JPY represented 20 percent (19). The Group hedges its foreign currency exposure on a regular basis. By Dec 31, 2019, there were currency hedging contracts for KEUR 3,050 to an average exchange rate of 10,58 SEK/EUR, and currency hedging contracts for KUSD 1,020 to an average exchange rate of 9,36 SEK/USD.

Translation exposure

Only a small part of the Group's operations is conducted abroad. Therefore, the exposure to translation differences is considered limited.

Sensitivity analysis	2019	2018
A 1% change in interest rates on liquid funds, is estimated to effect the calculated result after tax/effect equity per December 31 2019 by:	+/-360	+/-380
A change in the exchange rate EUR / SEK with 5% is expected to effect the recalculated result after tax/effect equity at December 31 2019 with:	+/-695	+/-615
A change in the exchange rate of USD / SEK by 5% is expected to effect the recalculated result after tax/effect equity at December 31 2019 with:	+/-125	+/-100
A change in the exchange rates JPY / SEK by 5% is expected to effect the recalculated result after tax/effect equity at December 31 2019 with:	+/-165	+/-160

Credit risk

In connection with the signing of an agreement with a customer, an individual assessment of the solvency of that customer is conducted. When there is some question as to a customer's solvency, a letter of credit or pre-payment is used.

Note 22 ▪ Significant events after the balance sheet date

After the end of the financial year, a number of new customer contracts have been signed, which will likely have a positive effect on sales in 2020.

The outbreak of Covid-19 (Corona virus) that started in early 2020 is continuously being analyzed and the company is closely following developments. Initially, the impact on the business is expected to be small, but if the situation becomes protracted or worsens, it will eventually effect the company's customers, which in turn can have an effect on ContextVision's sales.

Signatures

The undersigned hereby assures that the Group financial statement and the annual report is prepared in accordance with international accounting standards, IFRS, as approved by EU, and generally accepted accounting principles. Hence giving a true and fair description of the Company's financial status and result, as well as a directors' report fairly describing the business, financial condition, result, risks and uncertainties associated with the company.

Linköping on April 1, 2020
(Signatures on original document)

Erik Danielsen
Chairman of the Board

Martin Hedlund
Member of the Board

Sven Günther-Hanssen
Member of the Board

Karin Bernadotte
Member of the Board

Magne Jordanger
Member of the Board

Fredrik Palm
CEO

Our audit report was rendered on April 3, 2020.
Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of ContextVision AB (publ), corporate identity number 556377-8900

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of ContextVision AB (publ) except for the corporate governance statement on pages 35-37 for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 28-59 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 35-37. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Capitalized development costs

Description

Capitalized development costs amount to SEK 20.8 million in the balance sheet for the parent company and the group as per 31 December 2019 corresponding to 22 % of total assets for the parent company and 24% for the group. Capitalized development costs during 2019 amount to SEK 22.6 million. The company's accounting principles for development costs are described in note 1 on page 46.

Note 1 describes judgements and estimates necessary to asses if the conditions for capitalization are met. Judgments and estimates are based on historical knowledge from similar products as well as assumptions on the product's expected future sales and profitability levels. Furthermore, the company assess each product's useful life in order to determine amortization period. Applied amortization periods are described in note 8. The company evaluates, on a regular basis, if there are indications of impairment for capitalized costs. If indications of impairment exist, an impairment test is prepared to determine if value in use are below carrying value.

Judgments and estimates needed to determine whether development costs are to be capitalized, which amortization periods to use for products and if indications of impairment exist are of significant importance for financial position for the parent company and the group. Consequently, we have assessed accounting and valuation of development costs as a key audit matter in the audit.

How our audit addressed this key audit matter

Our audit procedures in order to address this area, included, but are not limited to:

- Review of the company's process to analyze and assess accounting for development costs, including determination of the timing for capitalization of development projects.
- Review of the company's routines and reassessment of project development compared to the original project plan.
- Review of the company's judgments that form the basis of applied depreciation periods for capitalized development costs as well as recalculation of posted depreciations.

- Review and evaluation of the company's assumptions and estimates when determining if impairment indications exist or not.
- Review of disclosures in the financial statements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-27. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen och koncernredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a

going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ContextVision AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 35-37 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, PO BOX 7850, SE-103 99 Stockholm, was appointed auditor of ContextVision AB (publ) by the general meeting of the shareholders on the 8 May 2019 and has been the company's auditor since the 26 April 2001.

Stockholm April 1, 2020
Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Board of Directors

Erik Danielsen

Chairman
Danielsen (born 1963) was elected to the Board in 2004 and appointed chairman in 2010.

As of Dec 31, 2019, Danielsen owns 4,500 shares in ContextVision through ORCA Ventures AG, a closely held investment company.

Sven Günther-Hanssen

Günther-Hanssen (born 1954) is one of the founders of Context-Vision and he has previously served as CEO for the company, as well as Board member. He was re-elected to the Board in 2011.

As of Dec 31, 2019, Günther-Hanssen holds 851,667 shares, (11 percent) in ContextVision.

Karin Bernadotte,

Bernadotte (born 1963) was elected to the Board in 2011.

As of Dec 31, 2019, Bernadotte owns 7,500 shares in ContextVision.

Martin Hedlund

Hedlund (born 1952) is one of the founders of ContextVision. Hedlund has been a member of the Board since the Company went public in 1997.

As of Dec 31, 2019, Hedlund holds 831,666 shares (10,7 percent) in ContextVision.

Magne Jordanger

Jordanger (born 1953) was elected to the Board in 2002.

As of Dec 31, 2019, Jordanger owns 2 248 750 shares (29,1 percent) in ContextVision through Monsun AS.

Management team

Fredrik Palm
CEO

Ann-Charlotte Linderoth
CFO

Lena Kajland Wilén
Director of Business unit Digital Pathology

Ola Lindblad
Vice President and Director of Business unit Medical Imaging

Started on Feb 5, 2020

Arto Järvinen
Director of Research & Development

Johanna Karling
Director of Regulatory Affairs and QA

Anita Tollstadius
CEO until March 2019, when she retired.

Martin Hedlund
CTO until August 2019. when he retired.

Glossary

Altumira
ContextVision's next generation image enhancement for X-ray systems. Altumira is designed with AI (deep learning) technology in combination with ContextVision's leading GOP technology.

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®
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®
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, to visualize internal organs or structures.

OEM
The acronym for Original Equipment Manufacturer.

REALICE™
REALiCE is a rendering and visualization product package for 3D/4D ultrasound.

Rivent™
ContextVision's new image enhancement product for 2D ultrasound with extended processing possibilities.

US (Ultrasound)
An imaging procedure where images are created from echoes of high-energy sound waves (ultrasound).

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

XR (X-RAY)
An imaging technique that uses electromagnetic radiation to visualize the internal structures of the body.

AGM and Financial calendar

Financial calendar 2020

The Annual General Meeting will be held at the company's premises on Klara Norra Kyrkogata 31, Stockholm on Wednesday, May 6th, 2020, at 10:00 am.

1st quarter 2020 Report	April 23
2nd quarter 2020 Report	August 13
3rd quarter 2020 Report	October 23
4th quarter and 12 months 2020	February 18, 2021

Ordering financial Information

The annual report and other financial reports can be found on our website, or can be ordered by e-mail: shareholderinfo@contextvision.com

Dividend

The board of directors proposes that no dividend shall be paid.

Participation and notification

Shareholders who wish to participate in the annual general meeting with the right to vote shall

- be recorded as shareholder in the share register kept by Euroclear Sweden AB on April 29th, 2020, temporary registration for shareholders registered at Norska Verdipapirsentralen (VPS) is made by DNB Bank ASA, see below; and
- give notice of attendance to the company in writing at the latest on April 29th, 2020 (by e-mail: ann-charlotte.linderoth@contextvision.se or by post: Klara Norra Kyrkogata 31, 111 22 Stockholm).

Shareholders whose shares are registered in the name of a nominee through the trust department of a bank or similar institution in Sweden must, in order to participate in the annual general meeting, request that their shares are temporarily re-registered in their own names. Such registration must be enforced by Euroclear Sweden AB not later than on April 29th, 2020. This means that shareholders who need such registration must well in advance of April 29th, 2020 notify the nominee thereof.

Particular for shareholders registered at Norska Verdipapirsentralen (VPS)

- Shareholders registered at Norska Verdipapirsentralen (VPS) who are not registered at Euroclear Sweden AB, Sweden, and wish to be entitled to vote at the annual general meeting must give notice of attendance to DNB Bank ASA at the latest on April 26th, 2020, at 12:00 local time. The notice of attendance is made on a specific application form which will be sent by post to the shareholders and also be available on the company's website. The notice of attendance shall be sent to DNB Bank ASA, Verdipapirservice, PB 1600 Sentrum, N-0021 Oslo, or by e-mail to vote@dnb.no
- DNB Bank ASA will temporarily record the shares at Euroclear Sweden AB in the name of the shareholder. Shareholders recorded at VPS must also, as described above, give notice of attendance to the company in order to obtain the right to vote at the annual general meeting. Shareholders recorded at VPS which only have given notice of attendance to the company may participate in the annual general meeting without any right to vote.

Distribution policy

Notice to attend the annual general meeting will be published four weeks before the meeting in Post och Inrikes Tidningar as well as on the company's website: www.contextvision.se

There will also be a notification in Svenska Dagbladet that notice to attend the AGM has been published.

Contact person for investor relations

Fredrik Palm, CEO
fredrik.palm@contextvision.se

ContextVision

ContextVision is a medical technology software company specialized in image analysis and artificial intelligence. As the global market leader within image enhancement, we are a trusted partner to leading manufacturers of ultrasound, X-ray and MRI equipment around the world.

Our expertise is to develop powerful software products, based on proprietary technology and artificial intelligence for image-based applications. Our cutting-edge technology helps clinicians accurately interpret medical images, a crucial foundation for better diagnosis and treatment.

ContextVision is now entering the fast-growing digital pathology market. We are re-investing significantly in our product portfolio of decision support tools and we are dedicated to becoming a leading resource for pathologists to radically develop cancer diagnosis and improve patient care.

The company, established in 1983, is based in Sweden with local representation in the U.S., Japan, China and Korea. ContextVision is listed on the Oslo Stock Exchange under the ticker COV.

FOR MORE INFORMATION, PLEASE VISIT WWW.CONTEXTVISION.COM

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