



ContextVision

CONTEXTVISION AB FIRST QUARTER 2020

Q1 HIGHLIGHTS

- First quarter sales record within Medical Imaging
- Several new customer contracts signed
- Upcoming Digital Pathology product further tested and integrations with strategic partners ongoing

Q1 FINANCIAL DATA

- Sales of 29.2 MSEK (21.1)
- Operating result of 11.8 MSEK (4.3) and operating margin of 40.6% (20.4%)
- Earnings per share of 1.17 (0.43) SEK
- EBITDA of 13.8 MSEK (6.1)



NEW CONTRACTS IN Q1 PUSHED YET ANOTHER SALES RECORD DESPITE THE GLOBAL VIRUS OUTBREAK. CLOSING IN ON PRODUCT RELEASE OF THE FIRST DIGITAL PATHOLOGY PRODUCT FOR PROSTATE.

FREDRIK PALM, THE COMPANY'S CEO COMMENTED:

Despite the global challenges presented by Coronavirus/COVID-19, this year's Q1 sales are the best in our company's history. Sales ended at 29.2 MSEK, with an EBITDA of 13.8 MSEK. Meanwhile, we are steadily advancing towards the release of our first decision support product for diagnosis of prostate cancer. Product integration with several infrastructure partners is almost completed, opening up for wide distribution of our upcoming decision support tools.

Medical Imaging

Sales in the first quarter ended at 29.2 MSEK – an increase of 38.4% compared with Q1 2019. Business with existing customers was stable; paired with a significant revenue from the new customer contracts announced in February, this adds up to our best Q1 sales ever. The new contractual assets include imperative order commitments which will generate additional revenues during 2020.

Our X-ray and ultrasound products continue to be the main contributors for growth. Since our products are integrated into systems used for image-based diagnosis, we have also experienced several special requests related to an elevated need for systems and exams in the current pandemic situation. Both X-ray and ultrasound are used to diagnose lung disease, which is present in almost all serious cases of COVID-19-related illness. However, we do expect that the global measures taken to limit the spread of the virus will affect production capacity and financials among some of our customers. In addition, some new customer projects are currently on hold. We are carefully following the development and expect inevitable business challenges in the remainder of the year.

In February, our organization was strengthened by the addition of our new VP of Medical Imaging. Ola Lindblad will be a part of the management team, bringing extensive experience from business-leading positions within multinational companies such as Price Waterhouse Coopers, IBM and Boeing.

Digital Pathology

Development of our first decision support tool, for diagnosis of prostate cancer, is progressing smoothly.

During this quarter, we continued with beta tests and performance testing. In parallel, we have almost finalized integration of the upcoming product into several well-known PACS (picture archiving and communication systems) and LIS (laboratory information systems). Such systems, combined

with powerful decision support tools, create a comprehensive package enabling improved workflow and diagnostic confidence for digital pathology labs.

Coronavirus/COVID-19 update

The global outbreak of the Coronavirus is putting great stress on society and business all over the world. ContextVision places the highest value in the well-being of our employees, clients and partners. We carefully follow guidelines from expert authorities, comply with their recommendations, and take all necessary precautions to minimize spread of the Coronavirus.

In this challenging situation we are fortunate to have a business that can remain fully operational, keeping our financial situation stable. We are fully staffed; however, while travel and safety restrictions make personal visits impossible, we handle all customer services remotely.

Our products for ultrasound and X-ray can provide clinicians with valuable support in the detection of the virus. We remain committed in our strive to deliver and to provide our clients with the service they need, so that they in turn can help their customers to improve patient care.

We have great respect for the situation and send our warmest thoughts to those suffering from the coronavirus and its consequences. We would also like to express our deepest gratitude to the healthcare workers and others making huge efforts to manage the situation.

Summary

We are delivering better results than ever, with our Medical Imaging business area reaching a new level in terms of both sales and operating margin. Also, our management team has been further strengthened thanks to the addition of Ola Lindblad, new VP of Medical Imaging.

In Digital Pathology, we are making steady progress towards our first product release. We have also carried out important integrations with partners, resulting in a digitalization package that opens for a wide distribution of decision support tools within cancer diagnosis.

Finally, we are thankful for being able to continue making such progress despite a global crisis that came as a sudden surprise for most of us. While we expect to see temporary negative business effects during the year, we are entirely focused on continuing to drive business and deliver valuable solutions for superior imaging diagnosis and clinical decision support. Not only does the fundamental need for our products still remain – the current situation has made it greater than ever.

FIRST QUARTER 2020

OPERATING SEGMENTS

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

NET SALES AND OPERATING PROFIT

NET SALES

- ContextVisions sales in the first quarter 2020 amounted to 29.2 MSEK (21.1 MSEK). This represents an increase of 38.4% compared to the same quarter previous year.
- All sales in the quarter was generated from the Business Unit Medical Imaging. All sales is generated outside Sweden and from external sales.
- The currency exchange rates had an average effect on sales of 3.4% in the quarter. There were positive effects from changes in all currencies; EUR, USD and JPY.

OPERATING PROFIT AND MARGIN

- The operating result for ContextVision was 11.8 MSEK (4.3) in the first quarter and the operating margin was 40.6% (20.4%).
- EBITDA for the first quarter reached 13.8 MSEK.
- Capitalization is recorded as intangible fixed assets only when product development meets certain requirements.
- Capitalized costs of total 4.1 MSEK (6.8 MSEK) originating in the development of two different products have been recorded during the first quarter. One project within the Business Unit Medical Imaging, and one within the Business Unit Digital Pathology.
- The decrease in the external costs mostly relates to lower costs for travels and exhibitions related to Covid-19 restrictions. A lower level of capitalization has also effected the costs for the period.

- The increase in personnel costs relates to the lower level of capitalization. The underlying cost is in line with the cost in same quarter previous year.

CASH-FLOW AND FINANCING

- The cash flow in the fourth quarter was -3.2 MSEK (-0.7 MSEK).
- Cash at period end amounted to 33.1 MSEK (37.2).
- Equity at period end amounted to 74.1 MSEK (61.4), giving an equity ratio of 68.9% (64.1%).

FINANCIAL INSTRUMENTS

- 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 fair value of financial instruments approximates the carrying amount as of March 31st, 2020.
- Derivatives refer to currency hedging contracts, which have been valued to market value on the balance sheet day and are included in the level 2 of the valuation hierarchy.
- Net derivative value at the balance sheet date amounts to -1 603 TSEK.

LEASING

- 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.
- The Company has chosen to use the modified retrospective model, which allows comparative figures for periods prior to January 1, 2019 not to be recalculated. IFRS 16 has primarily affected ContextVision through rental agreements for offices.
- ContextVision has decided to apply the exemption rules for short-term leases and leases where the underlying asset has a low value. These leases are not included in the right-of-use asset or the liability. For further details, please refer to the annual report.
- For lease agreements related to offices, an interest rate of 3% has been used, and for other lease agreements an interest rate of 5% has been used.
- In the Parent Company, the exception in RFR 2 regarding lease agreements will apply. This means that the Parent Company's principles for accounting of leases is unchanged.

	Opening balance, Jan 1, 2020	Closing balance, Mar 31, 2020
Right-of-use asset	9.5 MSEK	8.6 MSEK
Lease liability	8.6 MSEK	7.8 MSEK

EMPLOYEES AND MANAGEMENT

- At period end the company had 46 (45) employees of which 21 (21) are dedicated to research and development. 1 employee is located in the USA and 1 in China.

CONTEXTVISION GROUP

- The group consists of ContextVision AB (publ), company registration number 556377-8900 as parent company, and ContextVision Inc Corp registration number 36-4333625 State of Illinois, USA, as a wholly owned subsidiary.
- Operations in the group are conducted primarily in the parent company and consist of research and development, sales, marketing and administrative functions.

RISKS & UNCERTAINTIES

- ContextVision's major risk factors include business risks connected to the general global financial situation, to the level of healthcare investment on different markets, currency exchange risks, the company's ability to recruit and keep qualified employees and the effect of political decisions.
- The company's risk factors are described in more detail in the annual report 2019. The risks and uncertainties have not changed significantly since then.

BASIS OF PREPARATION

- The condensed consolidated financial statements for the 1:st quarter ended March 31st, 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting and recommendation RFR 1 of the Swedish Financial Reporting Board (RFR), and with regards to the Parent Company, RFR 2. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of December 31, 2019. Apart from the changes in accounting principles stated below, there have been no changes in the accounting principles or methods for calculation during the period.

DEFINITIONS

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.

- Earnings per share after tax (Return on equity): Net result for the period as a percentage of the average equity, where average equity is calculated as the equity at beginning of period plus the equity at end of period divided by two.
- Operating margin: Operating income excluding non-recurring items as a percentage of net sales.
- Profit margin: Result after financial items as a percentage of net sales.
- Solidity (Equity ratio): Equity at period end as a percentage of total assets.
- EBITDA: Earnings before interest, taxes, depreciation and amortization

NEW AND CHANGED ACCOUNTING PRINCIPLES

- No new or changed accounting principles have had effect on the accounting for the period.

SUBSEQUENT EVENTS

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

This quarterly report provides a fair and true overview of the company's and the Group's activities, position and results, and describes the risks and uncertainties of significance faced by ContextVision and the companies in the Group.

The Board of Directors and the Chief Executive Officer of ContextVision AB
Stockholm 2020-04-23

This report has not been reviewed by the company's auditors.

PRESENTATION AND REPORTING DATES

This quarterly report will be published on the company's website on the 23rd of March 2020.

There will be a video presentation released on the 24th of March, at 09.00 CET.

Please follow the link: <http://webtv.nu/contextvisionq12020>

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

REPORTING DATES

Q4 and 12 months 2019	February 20, 2020
Annual report available on company's website	April 2, 2020
Q1 result 2020	April 23, 2020
Annual General Meeting	May 7, 2020
Q2 result 2020	August 13, 2020
Q3 result 2020	October 22, 2020
Q4 and 12 months 2020	February 18, 2021

FOR MORE INFORMATION PLEASE CONTACT:

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CONTEXTVISION FAST FACTS

- ContextVision is a medical technology software company that specializes in image analysis and artificial intelligence.
- ContextVision is the global market leader within image enhancement and is a software partner to leading medical imaging manufacturers all over the world.
- ContextVision are currently developing artificial intelligence-based decision support tools for digital Pathology to support the future of fast and reliable cancer diagnosis.
- The company is based in Sweden, with local representation in the U.S., Russia, Japan, China and South Korea.
- ContextVision is a spin-off from the Image Processing Laboratory at Linköping University, Sweden. The corporate identity was established in 1983 with the first OEM agreement in radiology in 1987.
- The company's share is traded on the Oslo Stock Exchange since 1997, under the ticker COV.

THE COMPANY OFFERS:

- 30 years of experience within software for medical imaging.
- Unprecedented image enhancement for ultrasound, Radiography, Mammography and MRI.
- Continuous reinvestment in R&D that ensures timely and rewarding upgrade paths.
- Strong customer relationships to ensure their success.
- Expert training in image processing for our customers.
- Compatibility across different image formats and major computer platforms.
- ContextVision's technology enables the company's customers to provide superior digital imaging solutions for hospitals and clinicians. Such solutions promise more rapid and accurate diagnoses, reduced operator eye fatigue, and ultimately, a greater return-on-investment for medical imaging users.

CONSOLIDATED INCOME STATEMENT (SEK 1000)

	Q1 2020	Q1 2019	FULL YEAR 2019
Net sales	29 151	21 062	95 312
Total revenues	29 151	21 062	95 312
Goods for resale	-831	-600	-2 289
Other external costs	-2 986	-4 564	-21 435
Personnel costs	-11 512	-9 771	-43 347
Depreciation	-1 987	-1 823	-8 170
Write-down of intangible assets	-	-	-10 000
Operating results	11 835	4 305	10 072
Interest income	-	-	25
Interest cost	-66	-94	-333
Results after financial items	11 769	4 211	9 763
Tax	-2 689	-918	-2 365
Net results	9 080	3 294	7 398

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK 1000)

	Q1 2020	Q1 2019	FULL YEAR 2019
Net result for the period	9 080	3 294	7 398
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)			
Effect of currency hedging	-1 164	-538	138
Translation difference	75	35	38
Total other comprehensive income	-1 089	-503	176
Total comprehensive income for the period	7 991	2 791	7 574

FINANCIAL HIGHLIGHTS

	Q1 2020	Q1 2019	FULL YEAR 2019
Earnings per share (SEK) before/after dilution	1.17	0.43	0.96
Average number of shares	7 736 750	7 736 750	7 736 750
Operating margin (per cent)	40.60	20.4	10.6
Solidity (per cent)	68.9	64.1	70.3

SALES BY REGION (MSEK)

	Q1 2020	Q1 2019	FULL YEAR 2019
Asia	19.0	12.5	55.9
Europe	6.4	6.6	27.0
USA	3.8	2.0	12.4
Total	29.2	21.1	95.3

SALES BY PRODUCT (MSEK)

	Q1 2020	Q1 2019	FULL YEAR 2019
XR	9.2	2.6	16.6
US 2D	15.5	13.1	56.7
US 3D	2.6	2.4	11.0
MR	1.8	2.5	8.7
Others (iRV, CT, Mammo)	0.1	0.4	2.2
Total	29.2	21.1	95.3

BUSINESS UNITS / OPERATING SEGMENTS (MSEK)

	BUSINESS UNIT MEDICAL IMAGING		BUSINESS UNIT DIGITAL PATHOLOGY		GROUP TOTAL	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Net sales	29.2	21.1	-	-	29.2	21.1
Operating expenses	-13.3	-13.8	-4.1	-3.0	-17.4	-16.8
Operating results	15.9	7.3	-4.1	-3.0	11.8	4.3

	BUSINESS UNIT MEDICAL IMAGING		BUSINESS UNIT DIGITAL PATHOLOGY		GROUP TOTAL	
	FULL YEAR 2019	FULL YEAR 2018	FULL YEAR 2019	FULL YEAR 2018	FULL YEAR 2019	FULL YEAR 2018
Net sales	95.3	90.9	-	-	95.3	90.9
Operating expenses	-61.0	-59.8	-24.2	-32.4	-85.2	-92.2
Operating results	34.3	31.1	-24.2	-32.4	10.1	-1.3

CONSOLIDATED BALANCE SHEET IN SUMMARY (SEK 1000)

	MARCH 31 ST , 2020	MAR 31 ST , 2019		DECEMBER 31 ST , 2019
Intangible fixed assets	24 123	17 847		20 822
Tangible assets	2 478	3 233		2 677
Right-of-use assets	8 554	12 314		9 461
Other financial assets	737	436		522
Inventories	1 048	653		884
Current receivables	37 574	23 941		23 399
Cash and bank	33 094	37 228		36 329
Total assets	107 608	95 652		94 094
Equity	74 127	61 353		66 136
Deferred taxes	1 464	924		1 560
Non-current lease liabilities	3 831	7 480		4 734
Current liabilities	24 266	21 978		17 758
Current lease liabilities	3 920	3 918		3 906
Total equity and liabilities	107 608	95 652		94 094

CHANGE IN EQUITY IN SUMMARY (SEK 1000)

	Q1 2020	Q1 2019		FULL YEAR 2019
Opening balance	66 136	58 562		58 562
Total comprehensive income for the period	7 991	2 791		7 574
Closing balance	74 127	61 353		66 136

CONSOLIDATED STATEMENT OF CASH FLOWS (SEK 1000)

	Q1 2020	Q1 2019	FULL YEAR 2019
Result after financial items	11 769	2 376	9 763
Depreciation and write-down of assets	1 987	1 823	18 170
Unrealized gain/loss on current investments	-1 164	-538	138
Income tax paid	-2 107	1 330	-6
Cash flow from operating activities before change in working capital	10 485	4 991	28 065
Change in working capital			
Increase (-)/decrease (+) inventories	-164	60	-170
Increase (-)/decrease (+) current receivables	-12 115	-1 721	-1 526
Increase (+)/decrease (-) liabilities	3 844	3 775	-1 293
Cash flow from operating activities	2 050	7 105	25 076
Investing activities			
Investments in intangible assets	-4 112	-6 815	-22 583
Investments in tangible assets	-26	-103	-247
Other financial assets	-259	-	-199
Cash flow from investing activities	-4 397	-6 918	-23 029
Financing activities			
Payments of lease liabilities	-888	-905	-3 663
Cash flow from financing activities	-888	-905	-3 663
Cash flow for the period	-3 235	-718	-1 616
Change of liquid assets			
Liquid assets at beginning of period	36 329	37 945	37 945
Liquid assets at period end	33 094	37 228	36 329

PARENT COMPANY INCOME STATEMENT (SEK 1000)

	Q1 2020	Q1 2019		FULL YEAR 2019
Net sales	29 151	21 062		95 312
Total revenues	29 151	21 062		95 312
Goods for resale	-831	-600		-2 289
Other external costs	-4 742	-6 263		-28 117
Personnel costs	-10 799	-9 115		-40 827
Depreciation	-1 036	-872		-4 365
Write-down of intangible assets	-	-		-10 000
Operating results	11 744	4 212		9 713
Interest income	-	-		25
Interest cost	-1	-1		-2
Results after financial items	11 743	4 211		9 736
Provision for tax allocation reserve	-	-		-2 525
Tax	-2 677	-932		-1 619
Net results	9 066	3 280		5 592

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK 1000)

	Q1 2020	Q1 2019		FULL YEAR 2019
Effect of currency hedging	-1 164	-538		138
Total other comprehensive income	-1 164	-538		138
Net result for the period	9 066	3 280		5 592
Total comprehensive income for the period	7 902	2 742		5 730

FINANCIAL HIGHLIGHTS

	Q1 2020	Q1 2019		FULL YEAR 2019
Average number of shares	7 736 750	7 736 750		7 736 750
Operating margin (per cent)	40.3	20.0		10.2
Solidity (per cent)	68.3	68.3		70.9

SALES BY REGION (MSEK)

	Q1 2020	Q1 2019	FULL YEAR 2019
Asia	19.0	12.5	55.9
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SALES BY PRODUCT (MSEK)

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MR	1.8	2.5	8.7
Others (iRV, CT, Mammo)	0.1	0.4	2.2
Total	29.2	21.1	95.3

PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK 1000)

	MAR 31 ST 2020	MAR 31 ST 2019	DEC 31 ST 2019
Intangible fixed assets	24 123	17 847	20 822
Tangible assets	2 478	3 233	2 677
Other financial assets	954	653	739
Inventories	1 048	654	884
Current receivables	38 536	24 885	24 361
Cash and bank	32 593	36 548	35 450
Total assets	99 732	83 820	84 933
Equity	68 137	57 247	60 235
Untaxed reserves	6 725	4 200	6 820
Current liabilities	24 870	22 373	17 878
Total equity and liabilities	99 732	83 820	84 933

CHANGE IN EQUITY IN SUMMARY (SEK 1000)

	Q1 2020	Q1 2019	FULL YEAR 2019
Opening balance	60 235	54 505	54 505
Total comprehensive income for the period	7 902	2 742	5 730
Closing balance	68 137	57 247	60 235

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® (GENERAL OPERATOR PROCESSOR)

ContextVision's methodology and technology base for image analysis and image enhancement, detecting structures in an image and relating them to their wider context in order to increase visualization accuracy.

GOPICE® (IMAGE CUBICLE ENHANCMENT)

ContextVision's real-time 3D volumetric image enhancement product, for OEM embedded software.

GOPVIEW® / PLUSVIEW®

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

HANDHELD ULTRASOUND

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

IMAGE ANALYSIS

Processing a digital image in order to describe/classify its contents or to extract quantitative measurements.

IMAGE PROCESSING

A generic term used to describe the computation of digital images, typically to enhance or analyze them.

IMAGE ENHANCEMENT

To improve the visual quality of a digital image by increasing the visibility of relevant structures, as in edge/contrast enhancement and the suppression of noise or artifacts.

MACHINE LEARNING

Machine learning is the study of computer algorithms that improve automatically through experience.

MAMMOGRAPHY

An X-ray method used to examine the human breast.

MODALITY

A device that generates internal images of the body, such as X-ray, ultrasound, magnetic resonance imaging, and computed tomography.

MRI (MAGNETIC RESONANCE IMAGING)

A non-invasive procedure, generated by variations in strong magnetic fields, that produces a two-dimensional view of an internal organ or structure, especially the brain and spinal cord.

OEM

The acronym for Original Equipment Manufacturer.

REALICE™

REALICE is a volume enhancement and rendering product package for 3D and 4D fetal volume visualization.

RIVENT™

ContextVision's coming image enhancement product for 2D ultrasound with extended processing possibilities.

US (ULTRASOUND)

A procedure in which high-energy sound waves are bounced off internal tissues or organs to create echoes. The echo patterns are displayed on the screen of an ultrasound machine, forming a picture of body tissues called a sonogram.

VOLARVIEW™

ContextVision's image enhancement product for handheld ultrasound units.

XR (X-RAY)

A diagnostic device in which radiation is used to create images for examination of soft and hard tissue, such as muscle and bone.



ContextVision 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