Annual report 2016

Net sales
SEK 265.0 m (239.4)

Operating profit
SEK 74.2 m (65.5)

Rörelsemarginal
28.0 % (27.3)

Through innovative solutions, we optimize the process of blood analysis so that more patients can get better and faster care, implying cost-effectiveness in health care

CELLAVISION

Content

Activities

Annual report

While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

2016 in brief

Net sales increased by 11 % to SEK 265.0 million (239.4).

Operating profit increased by 13 % to SEK 74.2 million (65.5).

Operating margin increased to 28.0 % (27.3).

profit before tax increased by 15.5 % to SEK 75.8 million (65.6).

Earnings per share increased to SEK 2.51 (2.22).

The Board of Directors proposes a dividend of SEK 1.50 per share for 2016 (1.50).

(MSEK)	2016	2015	2014	2013	2012
Net sales	265.0	239.4	216.9	179.9	169.5
Gross profit	188.9	174.2	145.1	112.6	110.1
Opertaing profit	74.2	65.5	42.8	25.9	20.7
Profit before tax	75.8	65.6	43.4	24.7	18.6
Cash flow	25.8	54.8	-6.0	11.6	-10.6
Number of employees	85	75	72	69	65

2016 by quarter

Q1 Good sales with a turnover of 58.3 million and a growth rate of 12 percent. CellaVision's two largest markets, the Americas and EMEA, developed positively in the first quarter and CellaVision established a local organization for marketing support in Dubai.

Q2 America achieved sales growth of 17%. In APAC sales were eight times more than the same period in 2015. The company established a local organization for marketing support in Seoul, South Korea. The CellaVision® DM9600 received clearance by the China Food and Drug Administration (CFDA).

Q3 Organic growth of around 50 percent in the core business. Strong growth in APAC, and a record number of customer installations in the Americas. CellaVision established local organization for marketing support in France and Australia during the quarter.

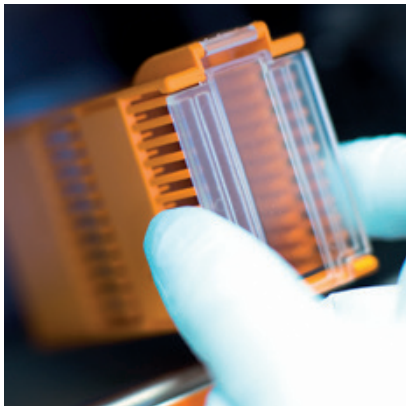
Q4 Strong year end good performance in the largest regions, Americas and EMEA. In the quarter CellaVison established partnership with two new distribution partners; Horiba in EMEA and Semacare for both human and veterinary market in Oceania. Cash flow from the year 2015 was primarily due to reduced trade receivables related to the strong sales in December 2014.

CellaVision 2016

Strong sales in the human market + 27 percent

Four new organizations for market support

Breakthrough in APAC with 70 percents growth



Global marketing campain showing the benefits with CellaVisions technology

Advanced technology platform under development

CellaVision ® Remote Review Software 6.0

Launch of CellaVision® Academy in Americas

CellaVision: CellaVision was formed in 1994 in Lund by the entrepreneur Christer Fåhraeus to develop an analyzer for automatic blood analysis. In 2001 the first analyzer was sold in Europe.

World leader. CellaVision develops and sells digital solutions for medical microscopy in hematology and is now a world leader in this segment. CellaVision replaces manual microscopes with analyzers based on digital image analysis, artificial intelligence and IT. The solutions contribute both to more effective workflows and higher quality in laboratory medicine.

Hematology. CellaVision's solutions are used in the field of hematology, which means the science of blood and its diseases. In healthcare hematology is a specialist area that researches and treats diseases of the blood and blood-forming organs. CellaVision operates in a sub-segment of the hematology market with great potential for continued growth

Innovation. CellaVision works continually to strengthen its offer to the market. During the year work continued to develop products for small and mid-size laboratories in addition to developing the product offer for large laboratories and the veterinary market.

Global partners. CellaVision's products are sold globally via the five foremost hematology companies in the world. Through strong partners CellaVision increases its visibility and its opportunities in the market.

Breakthrough in APAC and 27 percent global growth in the human healthcare market

2016 was another record year for CellaVision. In total, sales were SEK 265.0 million (239.4), representing growth of 11 percent. We succeeded in achieving this sound growth even though we could not repeat the sales in excess of SEK 30 million to the veterinary market that we had in 2015. The growth was instead the result of a breakthrough in APAC and the strong trend in the human healthcare market that grew by 27 percent during the year. The operating profit increased to SEK 74.2 million (65.5) and the operating margin to 28.0 percent (27.3). The year's good profitability also means that CellaVision has now absorbed all accumulated losses and will start paying tax in the future.

It is also very gratifying to note that all geographical regions grew in 2016. The strongest growth of 70 percent was in APAC, which accounted for 18 percent of our total sales during the year. The Americas developed well in the human healthcare market, where sales grew by 34 percent. In EMEA growth was four percent. In terms of individual countries, development was particularly positive in the USA and China. Thanks to our long-term and consistent efforts, China is now CellaVision's second largest market after the USA.

1. GEOGRAPHICAL EXPANSION

Continued concentration on market penetration and geographical expansion

CellaVision currently has more than 2,300 installed systems, corresponding to penetration of 16 percent (14) and about 25 percent of the laboratories that upgrade their analyzers in 2016 choose CellaVision's systems. In other words, we have good prospects of continuing to grow in large human healthcare laboratories, which are our most important market segment. A decisive factor in this success, as clearly shown by the progress made in 2016, is having a local presence in the form of local organizations for market support.

In 2016 we continued our consistent focus on market penetration by establishing market support organizations in the Middle East, South Korea, Australia and France, as well as considerable augmentation of our organization in China. We will continue this geographical expansion to all relevant markets. In the first quarter of 2017 we established a direct presence in Europe's German-speaking markets and we plan further establishments during the year.

Another way of growing in our current segment is well-developed collaboration with suppliers, for example by providing our distributors with professional tools for training, marketing and sales in the framework of the CellaVision® Academy. We also endeavor to link more attractive distributors to CellaVision, which in 2016 resulted in the expansion of our distributor partnerships with Horiba, which focuses on the West European market and Semacare, which is active in Oceania.

2. SEGMENT EXPANSION

CellaVision's technology, at present mainly directed at large human healthcare laboratories, is ideally suited to other segments of the market, and we are currently working to expand our business to two associated areas: laboratories for veterinary medicine and small and mid-size human healthcare laboratories.

New strategy for the veterinary market

In 2016 we did not succeed in repeating the sales successes of 2015 in the veterinary segment, but we see continued good prospects of long-term success in this market too. As part of our veterinary market ambitions, during the year we adjusted our strategy and will use an indirect business model, selling via distributors, just as for the human healthcare market. In 2016 this resulted in our signing an agreement with Semacare as distributor in Oceania, where the company will be a distributor for both the human healthcare and the veterinary markets. It is our ambition to find additional distributors to be able to address this segment successfully. Our activities directed at the veterinary market in 2016 also included participation in relevant trade fairs. The veterinary segment continues to be fragmented and our efforts to establish a strong presence in this market must continue to be regarded as a long-term investment.

3. INNOVATION

Innovation broadens the offer to new market segments

CellaVision's intensive innovation continued vigorously in 2016. The technology project to develop a solution for small and mid-size laboratories has continued according to plan and is now in an intensive phase covering both product development and launch preparations. The launch, as previously communicated, is planned for 2018. During the year we also launched upgraded veterinary software and a major upgrade of CellaVision® Remote Review Software with even better network potential for digitization between laboratories. With CellaVision Remote Review Software we have created a complete eco-system for efficient automation of blood analysis in geographically independent networks, which has been fantastically well-received by the market. It is worth noting as well that the DM9600 was approved during the year by the Chinese authorities, making all CellaVision's analyzers approved for sale in all relevant markets.

In autumn 2016 the U.S. Food and Drug Administration (FDA) carried out a careful review of CellaVision's quality system without any adverse remarks at all. We regard this as evidence that we operate a business characterized by professionalism and conscientiousness. At the same time, it is crucial that we continue to show humility towards the challenges all medical device companies face and never compromise on quality. Our customers' confidence and the confidence of authori-

ties is crucial for our continued development.

4. DEVELOPED PARTNERSHIPS

A critical factor for a successful collaboration between CellaVision and its distributors is CellaVision's ability to transfer knowledge of products and solutions, coupled with an ability to provide support in different parts of the sales process. To achieve this, we work through our local market support organizations, but also through our e-learning platform CellaVision® Academy.

The CellaVision Academy – our tool for the future

In 2015 we established our e-learning platform, the CellaVision Academy, aimed at offering professional training opportunities to our distributors and end customers. The CellaVision Academy expanded in 2016 and now includes 5 different programs. Given that CellaVision is active in a global market it is very important to be able to supply professional support to our partners, regardless of where in the world they are.

5. STREAMLINED SUPPLY CHAIN

In 2016 we streamlined our supply chain, which meant that we started to move remaining production in Lund to our sub-contractor. The change, which will be effective in 2017, means that we are further improving productivity and cost control with sound gross margins as a result.

Looking to the future

2016 was CellaVision's best year yet. Our ambition now is to build on what we achieved last year with continued focus on creating customer benefit by continually improving patient diagnostics, but also by helping to reduce costs and eliminate sources of error in healthcare. If we succeed in this, we will also achieve our financial targets of organic growth of at least 15 percent and an operating margin in excess of 20 percent. We are now looking to the future to focus fully on implementing all our exciting plans and meeting our long-term targets in 2017 as well.

Lund in April 2017
Zlatko Rihter, President and Chief Executive Officer

Strategic agenda

1
Geografic expansion

2
Segment expansion

Organic growth

CellaVisions financial targets is to increase sales yearly over an economic cycle by an average of at least

15%

3
Innovation

Profitability

CellaVision financial target is that the operating margin over an economic cycle is to exceed

20%

4
Developed partnerships

5
Streamlined supply chain

CellaVision's strategic agenda is divided into five initiatives - geographic expansion, expansion in new market segments, innovation, developed partnerships and improved supply chain – in order to secure the continued growth for the company. The five strategic initiatives are designed to fit the company's indirect business model and together with CellaVision's unique innovation lay the foundation for the strong performance of in sales and profitability..

Scalable business model and unique innovation create substantial value

CellaVision's core operations consist of digital image analysis. CellaVision's solutions allow healthcare and veterinary care laboratories to operate more effectively, with higher quality and shorter waiting times. To achieve scalability in manufacturing and sales CellaVision collaborates with strategic partners, giving an effective business model with small capacity limitations and great flexibility in both manufacturing and sales. The company's operations are based on innovation that develops products to create substantial value for both healthcare and veterinary care services.

Vision

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

Mission

CellaVision offers digital solutions for medical microscopy. We replace microscopes with analyzers based on digital image analysis, artificial intelligence and IT. The company's digital microscopy gives better diagnostics while improving workflows and reducing costs.

Innovation and know-how create value in hematology

CellaVision operates in the medical field of hematology, with core activities in digital image analysis of blood and other body fluids. Innovation is a crucial part of the company's business and its employees have a high educational level and sound experience of the biomedical sector. This broad competence in product development, quality assurance, market entry and market support continues to be crucial to the company's development.

Scalable business model

CellaVision's indirect business model means that the company can focus on its core operations while cost-effectively dealing with fluctuations in demand.

- **Innovation.** CellaVision's innovative products constitute the core of CellaVision's business and value creation.
- **Market support.** CellaVision works continually to strengthen its position in the market by establishing regional organizations for market support. The support targets both the company's distribution partners and end customers.
- **Manufacture.** CellaVision manufactures its products in collaboration with sub-contractors, which gives great flexibility and minimizes fixed costs.
- **Sales & distribution.** CellaVision's products are an integral final step in the blood analysis chain. Therefore the company cooperates on sales and distribution with the leading global manufacturers of cell counters.
- **End customer.** CellaVision's solutions for digital microscopy are used by large medical laboratories the world over and have meant that blood analysis can be performed more safely at lower cost.

Corporate culture focusing on the end customer

CellaVision's core values are Customer in Focus, Initiative and Responsibility and Simplicity and Quality. The corporate culture is characterized by understanding of the company's customers, quality awareness and ability to take action with responsibility. Along with objectives, vision and guidelines, the core values inform the daily work and form a profitable corporate culture.

CellaVisions indirect business model

Market support close to the customer is a requirement for long-term growth

One of the most important success factors for CellaVision is establishing local organizations for market support in markets with great potential. In 2016 the company established support organizations in four new markets and significantly strengthened the organization in China.

The strategy of consistently committing to local organizations for market support in selected markets accelerated in 2016, with establishments in Dubai for the market in the Middle East, South Korea, Australia and France. During the year the support organization in China was also augmented

1
Geografic expansion

Training and support

The task of the local organizations is to provide support in training and sales to CellaVision's distributors. This is done both through personal contacts and by introducing CellaVision's growing e-learning program, which was launched in 2015 and is continually expanding its content. The local organizations also act as support to CellaVision's end customers, who can receive help in implementing the new working method in their operations and training laboratory staff in using CellaVision's solutions. Considering that a majority of the company's distributors and customers are in North America and Asia, the CellaVision Academy initiative, with its training modules for distributors, and the CellaVision® User Club, with material for end users, are crucial in providing satisfactory support in all parts of the world.

Great successes in China

CellaVision's successes in the Chinese market are a good example of how crucial a local presence is for successful sales. When the company established itself in China in 2013 sales were in principle non-existent in that market. In recent years CellaVision has worked consistently to market its unique technology, for example through seminars in digital morphology, which proved to be in great demand and well-attended. The consistent and long-term addressing of the Chinese market has also brought results. In 2016 China was CellaVision's second largest market with sales of SEK 47.9 (27.6) million, corre-sponding to annual growth of 70 percent

Gradual build-up

The new organizations for market support are being built up gradually. Initially the organization consists of a very limited number of people. The numbers are then built up as warranted by the market and developments. Consequently, initial costs are limited.


Hosam Helal is responsible for CellaVisions market support in Middle east.


CellaVision established local presence with market support in South Korea in 2016.


Australia is a market with potential. The picture shows John Sneddon with customer.

In 2016 CellaVision launched a rapid expansion of the company's organization for local market support with offices in Dubai, South Korea, Australia and France. The company plans to continue expanding in 2017.

Expansion to new market segments increases potential

CellaVision's technology, through its digital flows and unique analysis methods, has revolutionized the market for large hematology laboratories in healthcare. The company is now working to expand its offer to related segments in the market, primarily small and mid-size laboratories in both human and veterinary medicine.

2
Segment expansion

The market for small and mid-size laboratories

CellaVision now has a strong position in the market for large hematology laboratories. This market consists of about 15,000 laboratories. Apart from the large laboratories, there are another 30,000 or so small and mid-size laboratories that are regarded as interesting for CellaVision. The annual sales potential for these laboratories is estimated to be half a billion Swedish kronor.

CellaVision has devoted a lot of time to fundamentally understand the market conditions for small and mid-size laboratories. What these laboratories demand in particular is a solution for digital blood analysis that is cheaper at a lower capacity, since the volume of samples is considerably lower, while maintaining image quality at the same level as in the rest of CellaVision's range.

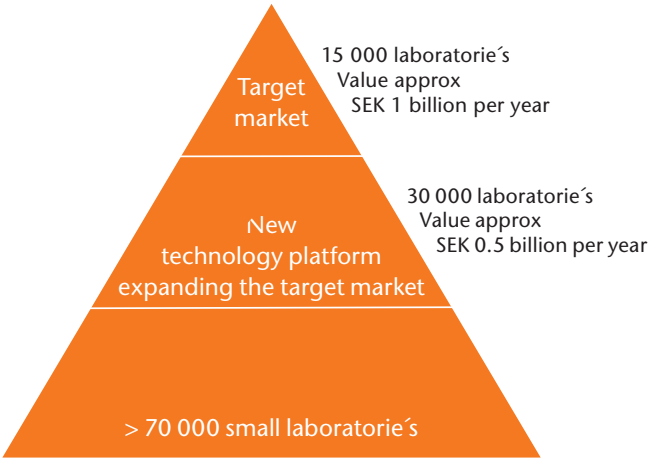
This is one of the drivers behind the development of the new technology platform for small and mid-size laboratories. The launch of the new platform is planned for 2018. In parallel with development of the new platform, CellaVision is also initiating collaboration with distributors with strong positions in this segment of the market.

The veterinary market

Veterinary laboratories are a relatively new market for CellaVision. The global target market is estimated to be about 500 large reference laboratories in North America and Europe. Total annual sales potential for full penetration is estimated to be SEK 100 million. There are also about 100,000 small laboratories for veterinary medicine.

The veterinary market is still fragmented, with a few large laboratories and a predominant element of small, independent laboratories. At the same time, there is ongoing market consolidation, not least in North America, which will make it simpler for CellaVision to address this market effectively.

Despite the fact that after two years of good sales CellaVision did not receive any orders from veterinary laboratories in 2016, the market is regarded as having considerable future potential and the company is working consistently to strengthen its market position. This work mainly includes development of the new technology platform, which will suit the smaller laboratories excellently, as well as continued updates of CellaVision's software in the veterinary area and efforts to find the best distributor partners for this market segment.



CellaVision is currently developing an advanced technology platform adressing small and mid-sized laboratories, a segment where the company currently is not present. The new product based on the new technology platform for small and med-sized laboratories will be launched in 2018.

CellaVision is expanding into new market segments. In 2015 came the first orders from laboratories in the veterinary medicine.

Unique innovation

16% of the revenue was invested in research & development

Advanced technology platform under development

Scientific knowledge and technological edge

Strong position

Since the listing on the Nasdaq Small Cap in 2010 CellaVision has invested approx. SEK 77 m into research and development. The long-term investments has laid the foundation for the company's world-leading position in digital morphology and has created the favorable conditions for future innovation.

Segment expansion

The new technology platform focuses on capacity needs of small and medium-sized laboratories. The image quality will be the same as in CellaVision's large systems. The new platform will allow the company to expand its market by expanding sales to small and medium-sized laboratories.

The basis for innovation

CellaVision's strength lies in the interaction between different scientific disciplines. The unique solution that CellaVision offers includes in addition to the digital imaging also advanced precision engineering, optics, and user interface with an optimized workflow.

CellaVision's success rests on three pillars: scientific knowledge, technological excellence and collaboration with the customers. CellaVision has continuously invested in research and development and since the company was founded up until 2016, CellaVision has invested the equivalent of 16 percent of the revenue in various development activities. Capitalized development costs in 2016 amounted to SEK 12.3 million.

Focus on advanced technology platform for small and mid-size laboratories

Developing a reliable analyzer of the type offered by CellaVision is a major challenge. Success requires analyzers with high speed and image quality, technology for automatic classification of cells, precision mechanics and functions for integration of IT solutions.

Successful innovation builds on science and technology, but also on development together with customers. CellaVision has developed a technology platform that spans several scientific disciplines which include fine mechanics, optics, imaging, autofocus and artificial intelligence. In addition, the company is the sole player to have commercialized its products globally and has thereby met the requirements imposed by the respective safety and quality authorities.

3
Innovation

Continued intensive development work

CellaVision continually conducts intensive development work to increase its products' functionality and broaden its product offer to new, interesting markets and market segments.

New technology platform.

In 2016 much of the innovation has focused on developing a technology platform for small and mid-size laboratories in both human and veterinary medicine. The new technology platform will offer the same high analysis and image quality as the rest of CellaVision's range, but will be smaller and lighter, as well as having a lower capacity to suit the needs of smaller laboratories. The product will be available for both free-standing use and as part of large networks. The technical challenges in the project have been considerable and the development work has generated much knowledge and broken new ground in several important areas. A launch on selected markets is planned for 2018.

Software updates.

During the year CellaVision also completed updates of the company's software solutions and continued development of new applications. The largest update was made to the company's training software, and the new version satisfies priority requests from the fast-growing number of users.

Growing patent portfolio

Over the years, CellaVision has built up a technology platform that forms the basis of the company's product development. The technologies are patented and the patent portfolio now comprises 24 patent families and 58 registered patents, two of which were granted in 2016. Most of the patents are in the technology fields of image analysis and precision mechanics.

"2016 was a very exciting year for CellaVision. The development of our new technology platform has generated large amounts of new knowledge and broken new ground in several key areas. We have thus gained new knowledge and key insights that we will benefit greatly from in additional product development. I am also proud of how we managed to drive this challenging project. A relatively small number of people have, thanks to their professionalism and high level of expertise, delivered amazing results. For me personally, it has also been very satisfactory to lead a growing and successful innovation."

Adam Morell, VP Innovation & Engineering

Developed partnerships lay the foundation for continued growth

CellaVision's products are an integral final step in the blood analysis chain. Therefore the company cooperates on sales and distribution with leading global manufacturers of cell counters. This indirect sales model means that CellaVision has access to a far greater sales force than the company could establish by itself. At the same time, the model makes high requirements of CellaVision's ability to provide professional support to both partners and customers.

Expanded cooperation with distributors

CellaVision already collaborates with Sysmex, Beckman Coulter, Siemens and Abbot, and in 2016 started to work with Horiba for sales within EMEA and Semacare for sales in Australia and New Zealand. The new distributors are expected to strengthen CellaVision's capacity to address small and mid-size laboratories, which will be of great importance when launching the new technology platform in 2018. CellaVision's ambition also includes establishing partnerships with distributors operating in veterinary medicine, to be able to address this market segment successfully.

Developed partnerships

A decisive success factor in CellaVision's partnerships with its distributors is the company's ability to transfer knowledge of CellaVision's products and solutions and its ability to provide support at different stages of the sales process, as well as being able to help customers gain the maximum benefit of CellaVision's solutions.

Part of this work is CellaVision's expansion of local market support organizations. The possibility of supporting the company's distributors on site has proved crucial to effectively utilizing the opportunities offered by the market. The knowledge transfer and relations the local organizations can establish with both distributors and end customers has proved in many cases crucial to the sound growth shown by CellaVision.

4
Developed partnerships

Another part of the work of strengthening distributors' ability to successfully sell CellaVision's products is the CellaVision® Academy. This eLearning-based training platform was established in 2015 and in 2016 it gained a growing number of users. The target group is made up of the distributors' product and application specialists, salespeople and service engineers. Among customers, the target group is users of CellaVision's equipment. The overall purpose of the CellaVision Academy is to deal with knowledge transfer cost effectively. In 2017 CellaVision will also offer certification opportunities for end users as part of the CellaVision Academy.

In 2016 the CellaVision User Club was launched in North America. The aim is to satisfy users by means of professional training material and strengthen relations between CellaVision and its end customers. The CellaVision User Club will be launched in more markets in 2017.

"2016 was a successful year for CellaVision. When the year began, we had ambitious plans for what we wanted to achieve. The plans included both geographic expansion of our organization for the local market support and a more structured approach in our marketing. When we look back at 2016, it is clear that we not only achieved our goals, but the results in terms of sales success came faster than we had dared hope for. For me personally it's been very exciting to be part of building CellaVision's future with a highly motivated and professional marketing team."

Mattias Lundin, VP Global Sales

Streamlined supply chain with increased efficiency and decreased costs.

CellaVision is currently working with more than 100 suppliers. The company is implementing a streamlining of today's supply chain with the aim to decrease cost and increase efficiency and productivity.

Improved supply chain

The change of CellaVisions supply chain focuses mainly on a change in workflow, and more directly that CellaVision will not perform the end-product testing in the future. The end-product-testing is currently located at the company's site in Lund. CellaVision will move the end-product testing to the subcontractor responsible for the manufacturing of CellaVisions products. The change will also have the effect that the current stock being held in Helsingborg will no longer be needed, which will reduce the company's capital.

5
Streamlined supply chain

Extensive knowledge transfer

The streamlining of CellaVision's supply chain requires a more developed partnership with CellaVisions supplier on the assembly side and a comprehensive knowledge transfer. CellaVision is currently carefully monitoring the quality management system to ensure that all key documents such as work instructions and routines are being updated to the new workflow and that the transfer of knowledge is performed in a structured and efficient manner. It is essential that the supplier is provided with highly accurate information and education in order to be able to deliver the high level of quality CellaVision requires.

Developed partnerships

The aim is to optimize how the company is working with the suppliers and establish far-reaching partnerships with suppliers that are most central to the manufactoring of the CellaVision products. Suppliers include companies responsible for the assembly line and quality assurance, but also suppliers of key components such as microscopes and software. The partnerships will include, in particular, the implementation of a Lean-program, with cost gains that benefit both parties. CellaVision's supply chain will also be made more efficient through the strategic sourcing management that the company is planning, with the goal to find the right partners and implement continuous efficiency improvements and to lower the cost of manufacturing CellaVisions products.

"CellaVision's supply chain is currently undergoing a significant change. By concentrating all manufacturing and quality tests to our partner on the assembly side, and eliminating all non-value-adding elements in the company´s value chain, we will become more efficient and flexible. In the future we will be able, to an even greater extent than today, to build partnerships with our strategic suppliers in an efficient manner. We strive to decrease the total cost in the manufacturing process of our products without ever compromising on product quality"

Magnus Lindeberg, VP Supply & Sourcing

Products & solutions

World leading products & solutions

Digital image analysis

CellaVision's solution replace manual microscopy, and in the process achieves an effective analysis of blood and other body fluids. The solutions by CellaVision offers for both human and veterinary laboratories.

Advanced technology, simple analysis

Safe assessment at the computer screen

CellaVision's solutions identifies, photographs and pre-classifies cells in blood and other body fluids

Cost effective and safer health care

Significant advantages

CellaVision's automated analysis provide cost-effective, reliable test results, and response times are shorter. A digital cell image from a laboratory can be sent for assessment at another laboratory.

CellaVision offers mainly analysis equipment for the healthcare market, but also products for the substantially smaller veterinary market. CellaVision's unique system for digital image analysis is an integrated final stage of the blood analysis process (sampling - analysis in the cell counter - sample preparation - microscopy) and contributes to improving the quality of the analysis, while the cost of the analysis can be reduced significantly.

CellaVision has created a new global standard for digital microscopy in hematology

CellaVision's offer consists of analyzers, software and consumables, which together form a system that improves the effectiveness of the analysis process for blood and other body fluids. The advanced software performs a digital image analysis that separates and classifies the different cells.

Automation frees time for staff and makes the workflow effective. Studies show that analysis time can be cut by up to 50 percent. In addition, there are considerable ergonomic gains from studying images on a screen instead of sitting at a microscope.

Simulates human senses

To some degree CellaVision's analyzers imitate the human senses. The digital camera replaces the human eye's way of registering information and a neural network simulates a human brain's nervous system and its way of processing signals.

Inside CellaVision's analyzers an inbuilt microscope, a digital camera, high-precision mechanics and advanced image analysis interact with patented autofocus systems and artificial neural networks. Using these functions, the analyzer identifies, photographs and pre-classifies cells in blood and other body fluids.

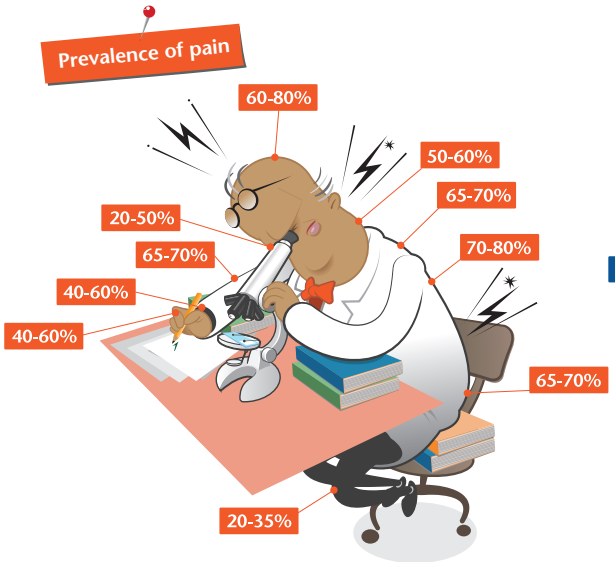
The software contains advanced algorithms for digital image processing and cell identification. Neural networks recognize, separate and classify cells in that the advanced algorithms discover white blood cells and separate them from the rest of the image.

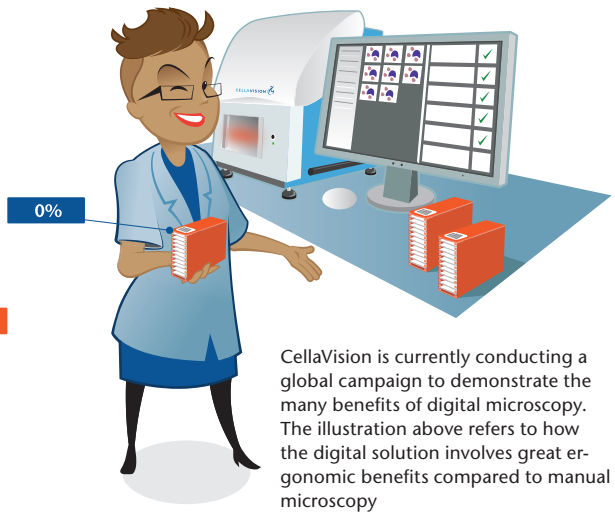
More effective assessments with higher quality

Since the system is independent of the training, experience and competence of the staff, the quality of analysis is higher and more standardized. The large cell images presented on the screen also mean that the final assessment is both simpler and more reliable.

Enables collaboration between laboratories

The digital cell images enable laboratories to easily collaborate with each other. A digital cell image from a laboratory can easily be sent for assessment at another laboratory. In that way the conditions are created for flexible staffing, while consultation with external experts is independent of geographical location. CellaVision also offers effective tools for training and competency development.





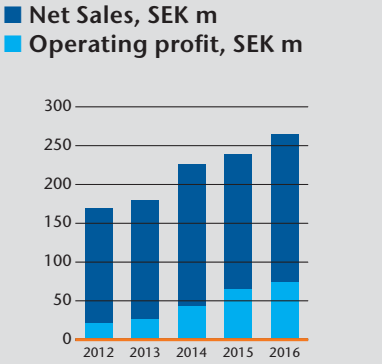
CellaVision is currently conducting a global campaign to demonstrate the many benefits of digital microscopy. The illustration above refers to how the digital solution involves great ergonomic benefits compared to manual microscopy

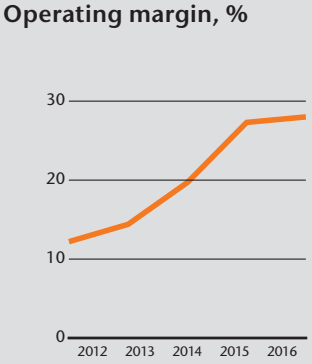
CellaVision´s market

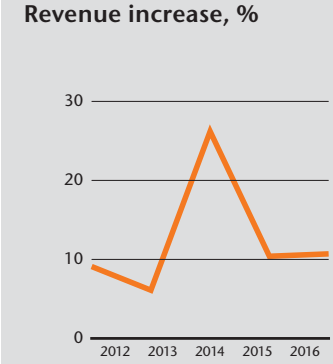
Strong growth in the human market

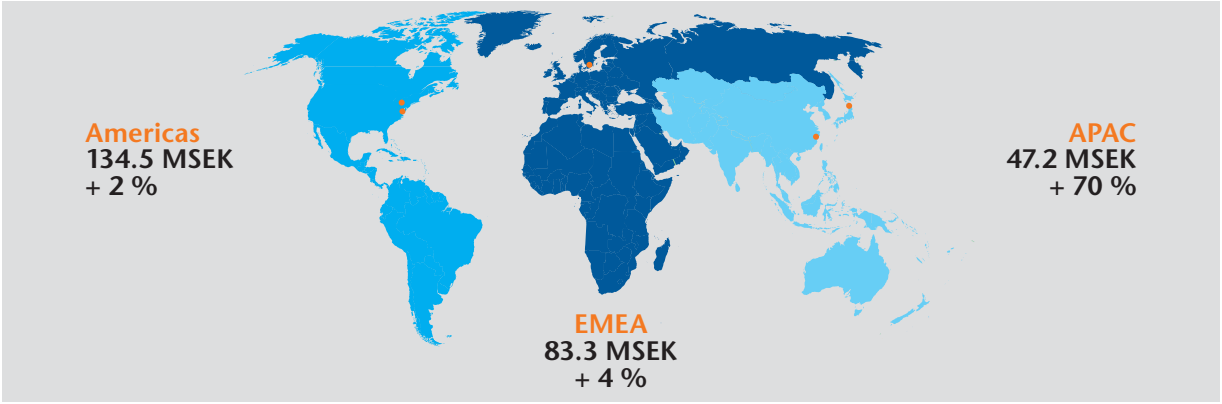
Breakthrough in APAC

Establishment in four new markets









CellaVision collaborates with all the leading distributors of cell counters for large laboratories and make continuous efforts to develop and deepen these partnerships. An example of this is CellaVision Academy, an e-learning platform which was launched in late 2015 and in 2016 attracted a large number of users. In 2016 CellaVision signed agreements with two new distributors, which means that the company is entering 2017 with a position that is stronger than ever.

Americas
Strong development in the human market

The Americas reported strong development in 2016 with growth of 34 percent in the human market. Sales amounted to SEK 134.5 million (129,9). Sound growth was achieved, even though the high 2015 sales figure in excess of SEK 30 million to the veterinary market was not repeated in 2016. Instead, sales were exclusively to the human healthcare market and the Americas accounted for 51 percent of CellaVision's sales.

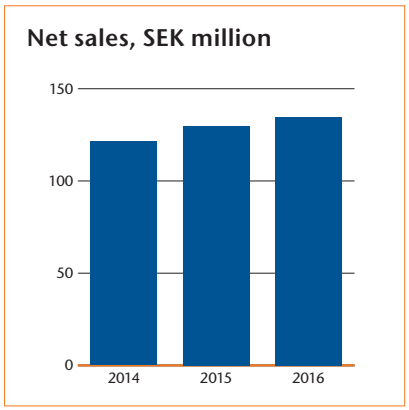
Activities
During the year CellaVision carried out a series of marketing activities in North America, including being present at the important 68th AACC Annual Scientific Meeting & Clinical Lab Expo in Philadelphia, where the company launched an upgraded version of the eLearning platform CellaVision Academy.

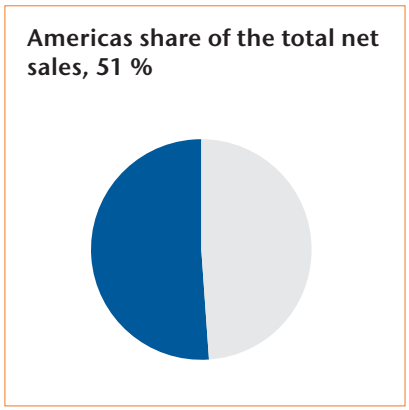
CellaVision's strategy delivers
CellaVision's strategy means that the company has an indirect sales model with different distribution partners. In Canada, where the company previously sold directly, the same indirect sales model as used on the Group's other markets was introduced at the beginning of the year. Specifically, this means that CellaVision gains access to the power of all its Canadian partners' sales forces, making sales more effective and creating considerably greater potential.

In 2016 a clearer strategy was also implemented for mature markets, in which CellaVision, along with its distribution partners, addressed in a structured way the areas in the USA and Canada where the company's penetration is relatively low. The positive development in the human healthcare market in the USA and Canada is partly a result of this strategy. Market penetration will be achieved in close collaboration between CellaVision's local organization for market support and the company's various distribution partners. Development has also benefited from an emerging replacement market that is gradually picking up speed.

The veterinary market continues to be of interest
Even though CellaVision did not make any sales to the veterinary market in 2016, the company still regards this market to be of interest, with long-term potential to substantially contribute to CellaVision's growth. Activities to create interest in CellaVision's solutions for the veterinary market therefore continued in 2016, for example through being present at various veterinary congresses. During the year CellaVision also started collaboration with a well-reputed veterinary university that plans to implement a study using CellaVision's analyzers. The veterinary segment continues to be very fragmented and CellaVision's efforts to establish a strong position in this market should be seen as long-term investments. The nature of the market makes it difficult to predict developments in the near future, but the overall assessment is that in the long term it constitutes a very interesting area of expansion.

Geographical expansion
It is CellaVision's ambition to expand to new interesting markets and in 2016 evaluated the potential of expanding to Latin America. The company sees an opportunity to develop market support organizations in the region in 2017.





Americas is CellaVision's largest market, with sales amounting to 51 percent of CellaVision's total net sales in 2016.
The picture shows Area Director Americas, Ken Childs.

EMEA
Good 4th quarter gave growth for the full year

Development in EMEA was somewhat uneven in 2016. After a strong first quarter there followed two weaker quarters and then a very strong fourth quarter, with growth of 45 percent. Net sales amounted to SEK 83.3 million (80.3). Thanks to the strong close to the year, full-year sales grew by four percent and EMEAS sales for the full year amounted to 31 percent of CellaVisions total sales.

New sales strategy and high level of activity

At the beginning of the year, CellaVision started the work of establishing a new sales strategy for Western Europe. The goal of the strategy is to improve penetration in a number of large markets with good growth potential (Germany, France, Italy, the United Kingdom and Spain in particular) through a more structured working method. The very strong result in the fourth quarter was partly due to this new strategic focus. The activity level was high throughout the year, which can be illustrated by participation in the ISLH (International Society for Laboratory Hematology) XXIX International Symposium on Technical Innovations in Laboratory Hematology in Milan, where the interest in CellaVision's contributions was substantial. CellaVision has also held several user seminars together with the company's various West European distribution partners.

Geographical expansion

CellaVision's strategy is to establish a direct presence in the form of organizations for market support in countries with a substantial hematology market. A local presence makes it possible to successfully implement the same structured penetration strategy that has been successful in the USA and Canada.

During the year, CellaVision established its own organization for market support in France, which has a significant hematology market and towards the end of the year establishment in Europe's German-speaking countries was started. Both areas are regarded as having great untapped potential and CellaVision expects the local organizations that understand the market conditions and that can communicate in the customers' languages to have a positive impact on continued development.

In early 2016 CellaVision also established a Regional Office in Dubai, which will operate throughout the Middle East, a region where CellaVision sees good growth opportunities. The organization in Dubai was well received, both by the company's various distribution partners and end users. The advantages of a local presence were also shown during the year, when CellaVision together with its distribution partners has addressed several customers of interest.

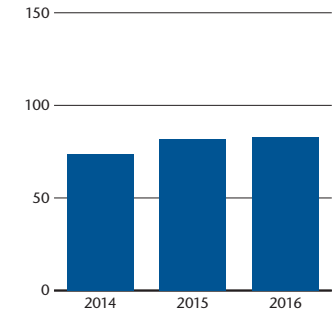
New distribution partner

At the end of the year CellaVision signed an agreement with a new global distribution partner, Horiba. Horiba is a Japanese company, but the hematology arm has its head office in France. The initial focus in the new partnership will be on selected key markets in Western Europe, where CellaVision sees major opportunities for increased sales.

The veterinary market is of interest in Europe as well

CellaVision's large sales to the veterinary market in 2015 were only in the USA. However, the company's assessment is that there is good long-term potential for this market segment in EMEA as well, particularly in Western Europe. CellaVision therefore carried out a number of activities in 2016 directed at leading laboratory chains in veterinary medicine to explain the advantages of CellaVision's digital solutions, thereby laying the foundation for future sales.

Net sales, SEK million



EMEA´s share of the total net sales, 31 %

EMEA growth amounted to four percent in 2016 despite two weaker quarters in the yaer and accounted for 31 percent of the company's net sales. The picture shows Area Director EMEA, Ola Andersson.

APAC
Breakthrough with 70% growth

APAC's performance was fantastic in 2016, with growth reaching a strong figure of 70 percent. Total sales for the year were SEK 47.2 million (27.8), which means that in 2016 the region accounted for 18 percent of CellaVision's total sales. The breakthrough in APAC is the result of several years' consistent work to establish CellaVision in this part of the world, with an initial focus on the Chinese and Japanese market.

Expansion in China

The strong growth in China in 2016 is the result of CellaVision's unique offer in combination with major efforts to establish good relations with the company's distributors and, not least, to train end users. During the year a number of well-attended user seminars on digital morphology were held, and the year's highlight was a seminar with 400 participants in Wenzhou in the eastern part of China. Confirmation that CellaVision's technology has been accepted in the Chinese market is also the prestigious order received during the year for the country's second largest hospital in Chengdu. The order is a milestone for CellaVision's operations in China and a very good reference for the future. During the year CellaVision extended its market support organization in Shenzhen.

Activities in other markets in the region

APAC offers many interesting opportunities even outside China. For example, during the year CellaVision implemented training in Singapore for the company's various distribution partners in South East Asia. CellaVision also established a market support organization during the year in South Korea, which is one of the most interesting markets in APAC. The immediate focus will be on establishing close local partnership with CellaVision's distribution partners in the country. In the slightly longer term, CellaVision will also actively address end users in the same way as is now done in China.

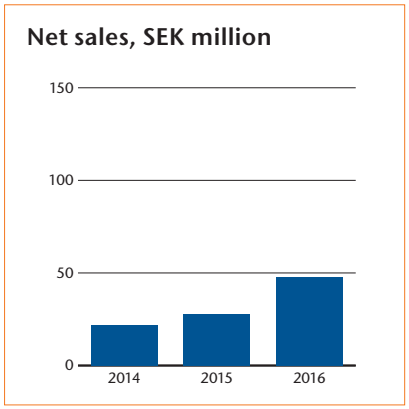
Establishment in Australia and agreements with a new distribution partner

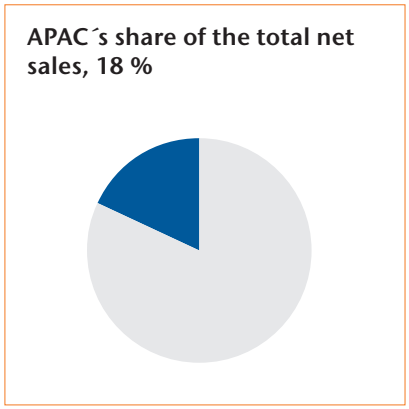
CellaVision continually addresses new markets in the region and made much progress during the year. For example, CellaVision received its first order from India, which in the long term has the potential to become a highly interesting market.

In line with CellaVision's strategy for geographical expansion, towards the end of 2016 the company established a market support organization in Australia. To date CellaVision has had weak sales in this part of the world, but now assesses that expansion opportunities are good throughout Oceania.

In connection with the establishment in Australia, CellaVision also signed an agreement with a local distribution partner, Semacare. Semacare will sell in both the human healthcare market and the veterinary market and thereby become the company's first distributor in the veterinary segment.

CellaVision regularly evaluates new markets to ensure continued growth. There are several countries of interest, where CellaVision is considering establishing a direct presence.





2016 became APAC´s breakthrough with growth for the region of 70 percent. The company has office in Shanghai and nine employees located in China, South Korea, Japan and Australia. Pictured shows Area Director APAC, Yve van Thornburg.

Sustainability

Environment

CellaVision is certified in the international environmental standard ISO 14001. CellaVision was audited with a succesful result during the year.

Social responsibility

Main sponsor of CellaVision Chess Cup (LASK), as well as sponsoring of the handball association, H43´s youth section, were some of the commitments CellaVision prioritized in 2016.

Social commitment

CellaVision supports the organization Hand in Hand, an organization focusing on creating jobs for the poorest by educating women in India, Africa and Afghanistan.

Employees

In the employee survey of 2016, 97 percent of the employees reported that CellaVision is a very good place to work at.

Anti-corruption

CellaVision's Code of Conduct has clear guidelines for its strict business ethics.

Corporate responsibility is important in CellaVision. On the basis of clear guidelines, Code of Conduct and objectives, the company is working to reduce its environmental impact, have high ethical standards and contribute to a sustainable society.

Corporate social responsibility

CellaVision's head office is in Sweden and its market offices in North America, Japan and China. Manufacture and sale of products is in collaboration with selected, globally established partners and CellaVision continually follows up their work and policies as regards central sustainability issues.

Development in 2016

During the year CellaVision continued to develop the company towards more sustainable enterprise as regards environmental responsibility and social impact. CellaVision's ambition is to ensure that the business is run responsibly and that efforts are towards continual improvement.

Environmental work

Since the end of 2013 CellaVision has worked on environmental issues in accordance with the international ISO 14001 standard. In brief, certification means that the company's environmental work must be well organized and lead to continual improvements, that current legislation and regulations must be followed and that internal environmental audits must be conducted regularly. CellaVision does not conduct any activities notifiable under the Environmental Code. The company's environmental policy is presented at http://www.cellavision.com/en/about-us/content/sustainability.

CellaVision conducts active and objectives-based environmental work in selecting suppliers and consumption of resources for product development.

Important advances to reduce environmental impact

In 2016 two environmental objectives were set for CellaVision in Lund, aimed at reducing the company's environmental impact. The two objectives referred to continuing work towards an integration of the environmental impact perspective in product development and existing systems and increasing environmental considerations in CellaVision's choice of suppliers. In total one of two objectives was achieved. Apart from CellaVision's environmental objectives set for 2016, significant environmental aspects, such as waste, production and transport, were followed up and evaluated. In the autumn a recertification audit was conducted to ensure that the environmental work complies with the requirements of the environmental standard and to examine the improvements made in the past three years. The audit resulted in a number of non-conformances that have since been dealt with and approved by the audit leader. Consequently, the certificate was renewed.

Climate compensation for carbon emissions

Carbon emissions caused by CellaVision's operations are mainly due to business trips by air. To compensate for these emissions, CellaVision decided, just as in previous years, to support a Clean Development Mechanism (CDM) project, which is a central part of the implementation of the Kyoto Protocol. The CDM project scheme has well-developed control mechanisms with independent authorized auditors that report directly to the UN. The CDM project that CellaVision again decided to invest in is also eligible for the environmental movement's "Gold standard", which means that the project contributes to sustainable development in a wider perspective. In 2016 CellaVision's management made a standing resolution to climate compensate annually for the amount of emissions reported.

Sustainable products

CellaVision's solutions make a positive contribution to society in that more patients can receive faster care at a lower cost to health care services. The products are safe, environmentally efficient and benefit the working environment in laboratories. To ensure sustainable design, in 2014 the company started work on integrating the environmental impact perspective into its procedures for product development. For 2016, one of the company's continued goals was to find alternatives for conducting a life-cycle analysis to obtain an overall picture of the total extent of environmental impact over the lifecycles of our products. Continued discussions have been held with external suppliers but at the time of writing no decision has been made to carry out this analysis.

Quality

CellaVision develops medical equipment in a highly regulated environment. The company is certified under the quality standard ISO 13485 and complies with the requirements of international legislation and product safety standards, such as IEC standards, the European Directive on in vitro diagnostics (IVD), American FDA quality system requirements and a number of national directives and laws. CellaVision is responsible for the products being safe for patients, users and technical service staff.

In November the FDA (the U.S. Food and Drug Administration) carried out an inspection of CellaVision's quality systems. The thorough inspection, which lasted for four days, did not give rise to any remarks at all on the part of the agency.

Environment

CellaVision's digital technologies create conditions for a reduced environmental burden. The company's software for cooperation and quality assurance is an environmentally efficient alternative to the hospitals' sample and patient transportation by road. For example, at a hospital operating in scattered geographical sites, samples that are difficult to assess are traditionally sent to an expert by courier. Using

CellaVision Remote Review Software for remote access, the samples can instead be examined electronically via the hospital network, a method that is both effective and environmentally friendly. Using the web-based CellaVision Proficiency Software for quality assurance, laboratory staff are trained and their knowledge is tested over the internet. Unlike a traditional test method with blood smears on microscope slides as practice slides, the software is simple to distribute and requires no transportation.

Work environment

Using CellaVision's technology, laboratories can create a more attractive working environment. Interest in the occupation is weak among young people but the new technology creates both interest and attraction. In addition, the hunched up posture at the microscope is replaced by a considerably more ergonomic working posture, which reduces the risk of repetitive strain injuries, mainly in the neck, back and eyes.

Business ethics and culture

Working together with CellaVision should imply a stamp of quality for customers, partners and employees. CellaVision's Code of Conduct describes values and guidelines for how the company's employees are to behave in various business situations. The Code is based on the UN Universal Declaration of Human Rights and together with CellaVision's core values and policies constitutes the foundation of how the company works. The fundamental principles of the Code of Conduct are justice, honesty and legal compliance. The Code covers all employees of the CellaVision Group and others who represent the company, for example members of the Board and consultants and all employees receive yearly training in the Code of Conduct.

Core values

CellaVision's strong corporate culture is an important factor behind the company's successes. Core values guide employees' conduct and decision-making in their day-to-day work. Together with objectives, vision and guidelines they constitute the company's corporate culture and form the basis of how work is carried out, the quality offered and how customers, partner, investors and employees are treated.

Customer in focus

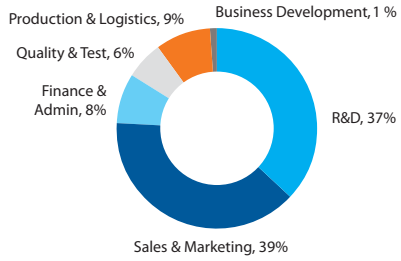
Customers' perceived relation to us as supplier impacts all parts of the company. Consequently, their needs drive all we do, from product development to delivery, service and relations. Our knowledge of our customers gives us the power of innovation to produce solutions that improve their operations.

Initiative and responsibility

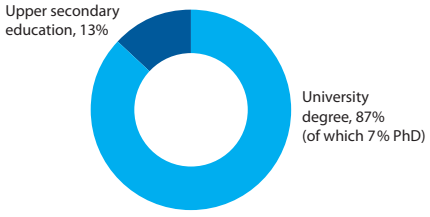
Good ideas, competence and independent work with responsibility are required to drive CellaVision's business forward. All employees of CellaVision have the task of continually developing their areas of work to the extent necessary to achieve the company's objectives.

Simplicity and quality

Employees per area of responsibility



Employees´ level of education



Social commitment

CellaVision's social commitment focuses on the core areas of education and entrepreneurship. For the past eight years CellaVision has supported the charity organization *Hand in Hand* instead of giving Christmas gifts to partners and customers. Hand in Hand, create jobs among the poor by educating women so that they can start companies and thereby work themselves out of poverty by their own efforts.

The company's contributions helped some ninety women to start their own company in 2016. The money provides women with training in entrepreneurship as well as education in reading, writing and arithmetic. Read more about how Hand in Hand operates on: www.handinhand.nu.

For the second year in a row, CellaVision was the main sponsor of the *CellaVision Chess Cup*. The chess cup is a competition in the Swedish Grand Prix series and is organized by *LASK (Lunds Academic Chess Club).*

CellaVision also sponsored the handball club *H43's* youth section in order for more young people to engage in physical activities.

CellaVision strives to maintain a high and long-term level of quality in all we do, an ambition that permeates the entire business. At the same time, it implies an aspiration towards renewal and development, using smart and simple solutions.

Responsible employer

CellaVision has a decentralized and flexible organizational structure, characterized by competence, entrepreneurship, management by objectives and short decision lines. As an employer CellaVision wants to offer a secure, stimulating and fulfilling workplace with opportunities for all employees to contribute to the company's continued development. The company works continuously to establish an even gender distribution in the organization. CellaVision believes that an even gender distribution enhances competence and creates a dynamic in working groups that in turn is positive for the work climate. When recruiting, one of the company's ambitions is to meet as many women as men. Of a total of fifteen new employees during the year, there were four women and eleven men.

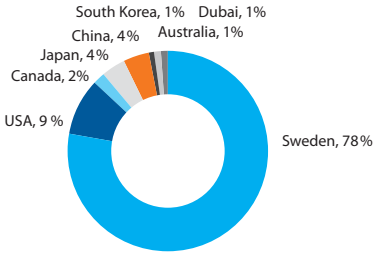
At year-end the total number of women was 28 (26), equivalent to 32 (35) per cent of the workforce. The total number of employees at year-end was 85 (75). Staff turnover during the year was just over 8 per cent (9) and sickness absence of 1–13 days was 1.2 per cent (1.4).

During the year CellaVision continued to establish a new global function-oriented organization, including market support organizations with a local presence in the company's key regions. Apart from this, CellaVision augmented the product manager organization and developed the research and development organization towards an agile working method. During the year the research and development organization was split into new development teams responsible for well-defined parts of CellaVision's system. The company's ambition was to get a fleet-footed organization in place with clear roles to meet the continued requirements and needs of the market.

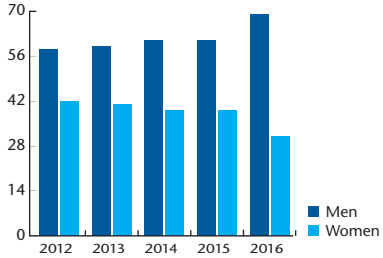
All employees have annual performance reviews and target discussions with their immediate manager. At these reviews individual targets are set, based on the overall objectives of the business and previous targets are followed up and evaluated. Individual development plans are linked to the targets to ensure continual competency development.

Annual employee surveys follow up how employees perceive CellaVision as a workplace. In the employee survey for 2016, 97 per cent (93 per cent in 2014) of employees at the head office and the subsidiaries agreed with the statement "All in all, I would say that CellaVision is a very good workplace". The employee survey, along with performance reviews, forms the basis of how CellaVision is to work to retain and improve employees' well-being, performance and commitment.

Employees´ per country



Distribution of men and women in percent



CellaVision´s share

Share price at beginning of the year, SEK

67.00

Share price at year-end, SEK

86.00

Increase in value during the year, %

23.3

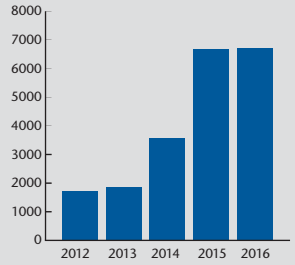
Market capitalization at year-end, SEK

2,051

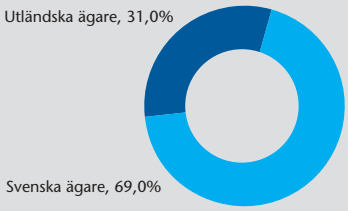
Proposed dividend SEK

1.50

Number of share-holders, 2012-2016



Owner structure



Listing

CellaVision´s share is listed on Nasdaq Stockholm, Small Cap since May 2010.

CellaVision share

Ticker: CEVI
Sector: Health Care
ISIN code: SE0000683484

CellaVision's share is listed on Nasdaq Stockholm, Small Cap list since May 2010. The company's market capitalization at the end of 2016 amounted to SEK 2,051 million and the number of shareholders were 6,720. The Board proposes a dividend of SEK 1.50 per share to the 2017 Annual General Meeting in May 2017.

Share structure
Share capital in CellaVision AB at the close of 2016 amounted to SEK 3,577,732, distributed among 23,851,547 shares. The quotient value per share is SEK 0.15. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented. All shares confer an equal right to share in the company's assets and profits.

Price trend and share trading
The price of the CellaVision share increased during the year by 28.4 percent, from SEK 67.00 at the start of the year to SEK 86.00 at year-end. In the same period the index increased by 5.8 percent (Nasdaq Stockholm PI). The highest price paid during the year was SEK 96.5 (September 29, 2016), and the lowest was SEK 46.70 (February 17, 2016). The company's market value at year-end was SEK 2,051,233 million (1,664).

In 2016 a total of 20.7 million shares (40.9) were traded for a value of SEK 1,338 million (2,059).

Ownership structure
The number of shareholders at year-end was 6,720, which is an increase of just over 1 percent during the year. Of these, one shareholder has direct and indirect holdings that represent more than ten percent of the votes: CellaVision's founder Christer Fåhraeus (10.1 %). The ten largest shareholders controlled 35.9 percent of the company's shares on the balance sheet date. Swedish ownership was 69.0 percent of the votes. The total institutional ownership in Sweden was 38.3 percent. The Board of Directors and the management together owned, privately and through companies, about 11.8 percent of the shares.

Dividend
In 2016 a dividend of SEK 1.50 per share was paid. The Board of Directors proposes to the 2017 Annual General Meeting that a dividend of SEK 1.50 per share be distributed for 2016.

CellaVision's Board of Directors proposes to the General Meeting that a dividend policy be adopted stating that dividend shall correspond to 30 to 50 percent of net earnings, but always take into account the company's capital structure, acquisition requirements and long-term financing requirements.

Analyses
During the year analyses of CellaVision have been carried out by ABG Sundal Collier (Sten.Gustafsson@abgsc.se) and by Remium AB.

Share performance and turnover 2011-2016

CellaVisions largest 10 owners per 31/12/2016

Shareholders	Shares	Owner-ship, %
Christer Fåhraeus with companies	2,400,000	10.1
Livförsäkringsbolaget Skandia	967,776	4.1
Eklund & Peterson Aktiebolag	930,005	3.9
Försäkringsaktiebolaget, Avanza pension	919,585	3.9
Handelsbanken fonder	817,349	3.4
Grenspecialisten Förvaltning AB	767,235	3.2
State Street Bank & Trust Com., Boston	652,000	2.7
BPSS PAR/FCP ECHIQUIER	470,000	2
Pfizer Health AB	429,611	1.8
Clearstream Banking S.A., W8IMY	428,923	1.8
Övriga		
Totalt	23,851,547	100

Owner structure 31/12/2016

Size	Number of shares	%
1–500	4,597	68,4
501–1 000	951	14,2
1 001–5 000	860	12,8
5 001–10 000	131	2,0
10 001–15 000	35	0,5
15 001– 20 000	28	0,4
20 001-	118	1,8
Summa	6,720	100

Administration report

The Board of Directors and the President of CellaVision AB (publ), corporate identity number 556500- 0998, hereby submit the annual accounts and consolidated accounts for the financial year January 1, 2016 to December 31, 2016. All amounts are in millions of Swedish kronor (SEKm) unless otherwise stated. The corporate governance report is part of the administration report.

Activities

CellaVision is a world-leading supplier of digital solutions for blood and body fluid analysis. The company replaces manual microscopes with analyzers based on digital image analysis technology, artificial intelligence and IT. The solutions contribute to more effective workflows and higher quality in laboratory medicine in both human and veterinary laboratories for hematology.

Customers in human healthcare are mainly large hospital laboratories and commercial laboratories in North America, Europe, China and Japan. Growing interest can be seen in the Middle East, countries of South East Asia, Australia and South America. The market is driven by the health care sector's streamlining and quality assurance requirements.

The health care market
Hardware
CellaVision® DM9600
CellaVision® DM1200
DI-60 (Integrated into the Sysmex automated analysis line for blood, with sales via Sysmex.
Software
CellaVision® Advanced RBC Application
CellaVision® Peripheral Blood Application
CellaVision® Body Fluid Application
CellaVision® Remote Review Software
CellaVision® Server Software
CellaVision® Proficiency Software
CellaVision® Image Capture System
CellAtlas® mobile app

The veterinary market
Hardware
CellaVision® DM9600 Vet
CellaVision® DM1200 Vet
Software
CellaVision® Peripheral Blood Application
CellaVision® Remote Review Software Vet
CellaVision® Server Software Vet

In veterinary healthcare, which is considerably smaller than the human healthcare market, customers are mainly large commercial veterinary laboratories in North America. There is growing interest in CellaVision's products for the veterinary market in Europe, particularly in the Nordic countries and the United Kingdom. The veterinary market is driven by streamlining, centralization of expertise and the possibilities of consolidating smaller units into large laboratories that process large sample volumes. The veterinary market is fragmented and under commercial development. CellaVision's activities in the veterinary market are long-term investments.

The product offer consists of systems for digital microscopy in the sub-field of hematology, consisting of analyzers and supplementary software and peripheral equipment.

Sales

CellaVision's products for the human healthcare market are sold globally via the six foremost suppliers of blood analysis equipment: Sysmex, Beckman Coulter, Siemens, Abbott, Horiba and Semacare. CellaVision's own market office supports the respective partners' marketing. In the commercial veterinary market CellaVision sells directly to end customers. Revenues are mainly from sales of analyzers. Software, spare parts, consumables and service account for a minor but increasing part of the company's total sales.

Product development

Product development and technical innovation are part of CellaVision's growth strategy. CellaVision conducts parallel development projects continuously to strengthen the offer to customers in the existing area of hematology. The company primarily uses internal resources for its development, but the strategy also includes development through cooperation with partners.

During the year the CellaVision® Server Software for the human healthcare market was launched, as well as an upgrade of the CellaVision® Remote Review Software Vet for the veterinary market. Apart from this, a major upgrade of the CellaVision® Remote Review Software was launched to provide even better network potential. The products strengthen CellaVision's offer to the major laboratory chains by providing better database management and faster communication when working in large centralized networks.

During the year there was development of a product for small and mid-size laboratories. The long-term ambition is to be able to expand the company's product portfolio to include products for small and mid-size laboratories that are not included in the present target market. The company expects products to reach the market in 2018.

Patents

CellaVision's innovations are protected by 24 (23) patented inventions, which at the close of the year had generated 58 (57) national patents. The earliest patent expired in 2016, covering an invention no longer used in CellaVision's products, and

the most recent expires in 2035. Most of the company's patents are in the technology fields of image analysis and precision mechanics.

Product supply and manufacture
Manufacture of CellaVision's analyzers is carried out by a contract manufacturer. In 2016 all analyzers were transported to CellaVision in Lund for inspection and release before delivery to customers.

Legal structure
CellaVision is a group consisting of the parent company CellaVision AB and the four wholly-owned subsidiaries CellaVision Inc. (Durham, USA), CellaVision Canada Inc. (Toronto, Canada), CellaVision Japan K. K. (Yokohama, Japan) and CellaVision International AB. The subsidiaries' function is primarily market support to partners in regional markets, but also some direct sales of service, spare parts and consumables. For markets where local invoicing does not occur has CellaVision decided to hire staff via Business Sweden and can thus operate in these markets without starting a subsidiary. CellaVision co-operates with Business Sweden in China, Dubai, South Korea, Australia and France.

Employees
The number of employees of the Group, restated as full-time positions, was 85 (75) at the year-end. Of these, 57 (49) were men and 28 (26) women. More information can be found in the "Corporate Social Responsibility" section on pages 21-23.

Competition
In the healthcare sector manual microscopy is the most common method for blood and body fluid analysis. The market for digital microscopy is still immature but is constantly growing, with CellaVision as the world-leading supplier. The commercial competition is limited to a few products and companies, all with restrictions in market approval and sales.

Environment
The company's activities are not subject to licensing or reporting under Chapter 9, Section 6 of the Environmental Code (1998:808). CellaVision's environmental work is described in the section on corporate social responsibility on pages 21-22.

Significant events during the year
At the 2016 Annual General Meeting was Sören Mellstig elected new Chairman of the Board of CellaVision and Christer Fåhraeus, Åsa Hedin, Roger Johanson, Torbjörn Kronander, Anna Malm Bernsten and Niklas Prager were re-elected as Board Members

CellaVision established a local presence for market support in Dubai in the first quarter.

CellaVision established a local presence for market support in South Korea in the second quarter.

CellaVision established a local presence for market support in Australia and France in the third quarter.

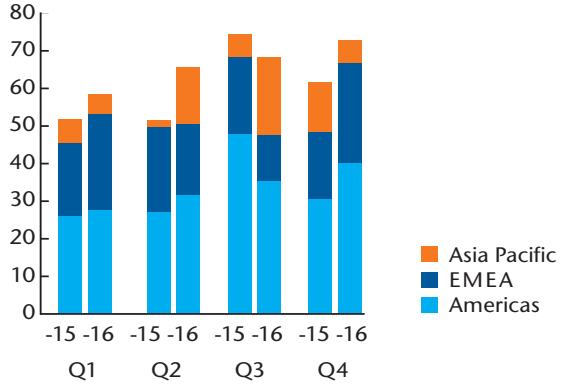
In the fourth quarter two new partnerships were initiated with different distribution partners; Horiba for the EMEA market, covering the human healthcare market and Semacare for the Oceania market, covering both the human healthcare market and the veterinary market

The Group's financial development
Seasonal variations
CellaVision has a somewhat unevenly distributed order flow over the year and the variation in order volumes in individual quarters may be great in the different geographical regions. In 2016 variations between quarters were great, mainly in the EMEA and APAC markets.

Sales, performance and investments
Sales in international markets are mainly in USD and EUR, which means that the company's sales and earnings are impacted by changes in these currencies. The company continuously hedges 40-70 percent of currency exposure in net flows 12 months forward and 13-24 months at 20-40 percent to compensate for any foreign exchange fluctuations. Net sales for the Group rose in 2016 to SEK 265.0 million (239.4), an increase of 11 percent compared with the previous year. The exchange rate effect on sales in 2016 was two percent. The gross margin for the year was 71 percent (73). The Group's operating profit for the year rose to SEK 74.2 million (65.5). Total operating expenses for the year increased to SEK 114.8 million (108.8).

Total cash flow amounted to SEK 25.8 million (54.8). Cash flow from the previous year was mainly due to reduced accounts receivable linked to strong sales in December 2014.

Sales per quarter and by region 2015-2016, SEK million



In 2016 CellaVision conducted several development projects, aimed at strengthening the product portfolio in relation to customers in the field of hematology. The costs of research and development were SEK 41.5 million (35.7), excluding amortization of capitalized development costs, equivalent to 16 percent (14) of sale. Capitalized expenditure for development projects during the year amounted to SEK 12.3 million (8.6), which corresponds to five percent (4) of sales. Investments in property, plant and equipment amounted to SEK 1.9 million (0.6).

Sales development in geographical markets
In the Americas sales were SEK 134.4 million (131.2), an increase of 2 percent in SEK and a decrease of 1 percent in local currencies. Sales in EMEA were SEK 83.3 million (80.3), an increase of four percent in SEK and three percent in local currencies. In Asia and the Pacific region sales increased to SEK 47.2 million (27.8), an increase of 70 percent and 69 percent in Swedish kronor.

Liquidity and cash flow
The funds at the disposal of the Group at the end of the year were SEK 132.5 million (106.7). The year's cash flow from operating activities was SEK 76.6 million (88.0). The total cash flow for the year was SEK 25.8 million (54.8). The deterioration in relation to 2015 is mainly attributable to the high invoicing in December 2014, which had a great effect on the previous year's cash flow.

Parent company
Parent company sales during the year were SEK 254.4 million (227.8). Profit before tax was SEK 58.9 million (63.8). The parent company's investments in property, plant and equipment and intangible assets during the year amounted to SEK 1,1 million (10.2) and the cash flow was SEK 24.1 million (58.8). In other respects, please refer to the information for the Group.

Risks and risk management
Changes in exchange rates and reduced demand due to increased competition or deterioration in the investment climate constitute factors of uncertainty but not material risks to CellaVision's operations. CellaVision is exposed to exchange rate fluctuations through its international operations and structure. The exposure mainly arises through costs in Swedish kronor against income in US dollars and euros. In the short term the effect of currency movements is dampened by forward cover. For a more detailed description of the operational and financial risks and uncertainties facing CellaVision, please refer to the risk analysis in Note 2.

Significant events after year-end
CellaVision announced to the market in its year-end bulletin that the company saw a very strong increase in sales for the first quarter compared with the same period in 2015.

Outlook for 2017
CellaVision's growth is driven by the growing rationalization requirements of healthcare and the veterinary market. The underlying demand for CellaVision's products is continually increasing and the company has a strong position in the market through a unique product offer and broad sales channels. After a strong close to 2016 CellaVision has confidence in the opportunities to utilize the great potential that exists for further market penetration in all geographical regions. Via profitable growth CellaVision endeavors to achieve the company's financial targets of average growth in excess of 15 percent over an economic cycle and an operating margin of more than 20 percent.

Proposed distribution of profit
The Board of Directors proposes to the 2017 Annual General Meeting that a dividend of SEK 1.50 per share be distributed for 2016, which means an unchanged dividend in relation to the previous year.

CellaVision's Board of Directors proposes to the Annual General Meeting of 2017, that a dividend policy be adopted stating that dividend shall correspond to 30 to 50 percent of net earnings, but always take into account the company's capital structure, acquisition requirements and long-term financing requirements.

Statement by the Board of Directors concerning the proposed dividend
In assessing the size of the dividend the Board of Directors has taken into account the Group's investment needs, consolidation needs and financial position in other respects, as well as the Group's ability to develop in the future while retaining financial strength and maintaining sound freedom of action. After the proposed dividend the Group's equity/assets ratio and liquidity are satisfactory and mean that all the Group's companies can meet their commitments in the short and long term. The proposed dividend can thus be justified under the prudence concept stipulated in the Swedish Companies Act (2005:551), Chapter 17, Section 3, paragraphs 2-3.

Appropriation of profits (SEK)	
The following profits are at the disposal of the Annual General Meeting:	
Profit brought forward	116,833,846
Net profit/loss for the year	46,215,656
Total	163,051,502
The Board of Directors proposes the AGM the following:	
Dividend to shareholders SEK 1.50 per share	35,777,321
To be carried forward	116,835,845
Total	152,613,166

Corporate Governance report 2016

CellaVision is a Swedish public limited liability company with its registered office in Lund. Apart from the parent company, the Group consists of four wholly-owned subsidiaries in Sweden, the USA, Canada and Japan and local market support organizations in China, Dubai, South Korea, Australia and France. The company's share is listed on NASDAQ Stockholm exchange. CellaVision applies the Swedish Code of Corporate Governance (the Code) since its shares were admitted to trading in 2010 and reports no deviations from the Code for 2016.

The term corporate governance normally refers to the rules and structure built up to govern and direct a limited liability company in an effective and controlled manner. Governance and control of CellaVision is divided between the shareholders at the Annual General Meeting, the Board of Directors and the President/CEO, and is regulated in legislation (including the Companies Act), the Articles of Association, the Nasdaq Stockholm rule book for issuers and the Swedish Code of Corporate Governance. The code is available at www.bolagsstyrning.se.

In addition to legal control and governance principles, CellaVision is also influenced by several internal policy documents, including instructions and rules of procedure for the President/CEO and Board of Directors, as well as internal policies and guidelines.

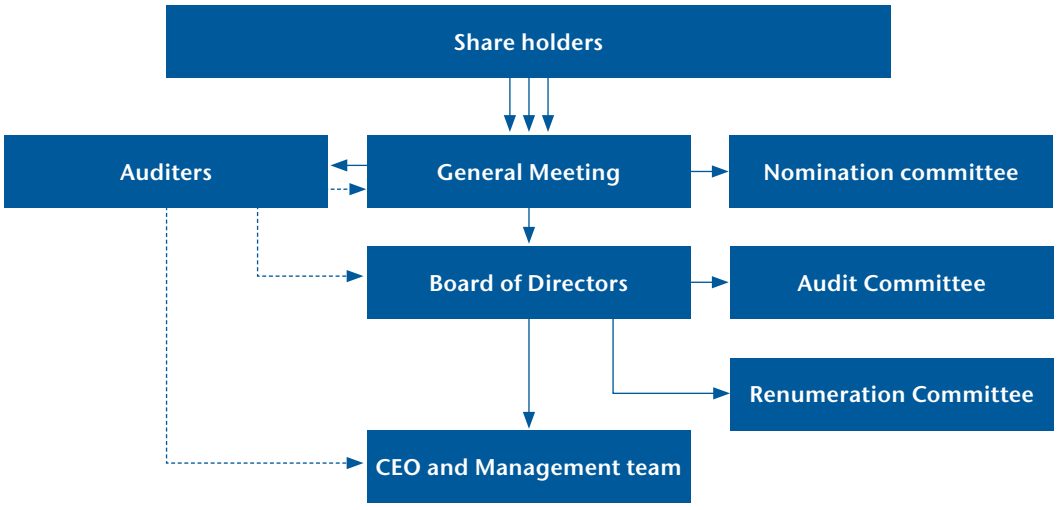
Shareholders

The share capital on December 31, 2016 was SEK 3,577,732, distributed among 23,851,547 shares. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. CellaVision had 6,720 (6,674) shareholders on the closing date. Of these, one shareholder has direct and indirect holdings constituting more than ten percent of the votes and capital: Christer Fåhraeus directly and indirectly through family and company (10.1 %). No shares are held by the company itself. For further information about the CellaVision share and shareholders please refer to pages 24-25 and CellaVision's website.

Articles of Association

The Articles of Association of CellaVision stipulate that the company shall develop, market and sell products and systems for automated digital microscopy, specializing in software applications for the medical market. The registered office of the company is in Lund and the company's financial year is a calendar year. In other respects the Articles of Association contains provisions concerning the number of shares, number of board members and auditor and the Annual General Meeting. The Articles of Association contain no separate provisions concerning the appointment or removal of members of the Board or concerning amendments to the Articles of Associa-

Overall governace structure for CellaVision



CellaVision's operations are governed by a Board of Directors elected by the shareholders. This Board in turn exercises control over the company management. The administration of the Board of Directors and the President/CEO and financial reporting is examined by the external auditors elected by the Annual General Meeting.

tion. The complete Articles of Association can be downloaded from www.cellavision.se.

General Meeting of Shareholders

Shareholders exercise their influence over CellaVision at the General Meeting of Shareholders, which is the highest decision-making body in CellaVision. The General Meeting is called at least once a year and among other things passes resolutions on the treatment of the company's and Group's balance sheet and income statement including the appropriation of the company's profits, discharge from liability of the Board of Directors and President/CEO, election of the Board of Directors and auditor, fees to the Board of Directors and auditor and appointment of the Nomination Committee. Amendments to the Articles of Association require a resolution by the General Meeting of Shareholders. To participate in the General Meeting the shareholder must attend the Meeting, in person or via a representative, and be entered under his or her own name in the register of shareholders at least five business days before the Meeting and notify the intention to attend to the company at the latest on the date specified in the notice to attend.

The Annual General Meeting is held in Lund during the first half of every year. In connection with the third quarterly report CellaVision's shareholders are informed of the time and place of the Annual General Meeting and of their right to bring a matter before the Meeting. A notice to attend the Annual General Meeting is published no earlier than six and no later than four weeks before the Meeting. An extraordinary general meeting may be held if the Board of Directors considers it necessary or if the company's auditors or shareholders holding at least 10 percent of the shares so requests.

Annual General Meeting 2016

CellaVision's Annual General Meeting was held on Wednesday, May 4, 2016 at CellaVision's premises at Ideon in Lund. The Meeting was attended by 45 (30) shareholders, in person or through representatives. They represented about 21 (18) percent of the total votes. The Board of Directors, management, Nomination Committee and auditor of the company were present at the Meeting. Essentially, the following resolutions were passed:

- The parent company and consolidated income statements and balance sheets were adopted. It was further resolved that a dividend of SEK 1.50 per share will be distributed for the 2015 financial year.
- Discharge from liability of the members of the Board of Directors and the President.
- Re-election of Christer Fåhraeus, Torbjörn Kronander, Anna Malm Bernsten, Roger Johanson, Niklas Prager and Åsa Hedin as members of the Board and new election of Sören Mellstig. Sören Mellstig was elected as Chairman of the Board. Re-election of Deloitte AB as auditor.
- Fee to the Board of Directors, presented in the table on page 29 and in Note 15 of the annual report.
- Guidelines for remuneration to senior management. A resolution was also passed concerning an incentive program for the company management.
- Principles for the Nomination Committee.

No authorizations for the Board of Directors to issue new shares or acquire own shares were resolved. The minutes of the Annual General Meeting were presented on the website within a week of the Meeting. Material from the Meeting, such as the notice to attend, the minutes and information on the Nomination Committee is available to read on CellaVision's website. The full resolutions of the Meeting as above are available from the Company at the address Mobilvägen 12 in Lund and will be sent to any shareholder who so requests.

Nomination Committee

The main task of the Nomination Committee is to propose to the Annual General Meeting the composition of the Board of Directors, which is then decided by the Annual General Meeting. The work of the Nomination Committee starts by studying the evaluation of the work of the Board of Directors commissioned by the Board of Directors. The work of the Nomination Committee is characterized by transparency and discussion to achieve a well-balanced Board. The Nomination Committee then nominates members to the Board for the next term of office and submits proposals for remuneration to the Board of Directors and auditors and, where applicable, also for election of auditor.

Nomination Committee for the 2017 Annual General Meeting

In accordance with a resolution of the 2016 Annual General Meeting CellaVision's Nomination Committee ahead of the 2017 Annual General Meeting shall consist of the Chairman of the Board, Sören Mellstig, and one representative of each of the four largest shareholders in terms of voting rights at the end of September 2016. The composition of the Nomination Committee was announced on October 27 in connection with the interim report for January-September 2016. The members of the Nomination Committee and the shareholders who appointed them is presented in the table below. The chairman of the Nomination Committee for the 2017 Annual General Meeting was Christer Fåhraeus, which is motivated by him being the largest share holder of the company.

Nomination Committee for the 2017 Annual General Meeting

Name/Representative	Vote
Sören Mellstig, as Chariman of the Board	
Christer Fåhraeus, Christer Fåhraeus with company´s	10.1 %
Bo Lundgren, Swedbank Robur Funds	5.5 %
Caroline Sjösten, Skandia	3.4 %
Joel Eklund, Eklund & Peterson AB	3.9 %
Totalt	22.9 %

In 2016 the Nomination Committee held two meetings, as well as a number of email and telephone contacts. The Nomination Committee proposals are presented in the notice to attend the 2017 Annual General Meeting and are also available on the company's website together with an explanatory statement concerning the proposed Board.

Board of Directors

The Board of Directors and ultimately the President/CEO administers the affairs of the company on behalf of the shareholders. The Board of Directors appoints the President/CEO, who is responsible for the day-to-day management of the company. The division of duties and responsibilities between the Board of Directors and the President/CEO is clarified in the Board's Rules of Procedure and the Instructions to the President/CEO.

The Board of Directors is appointed by the shareholders at the Annual General Meeting with a term of office up to and including the next Annual General Meeting. The Board of Directors manages the company on behalf of the owners by establishing goals and strategy, evaluating the operative management and ensuring that there is an effective system for follow-up and control of the established goals. It is also the responsibility of the Board to ensure that the company's information provision is correct, relevant and reliable.

The Board of Directors forms a quorum when more than half of its members are present. Under CellaVision's Articles of Association the Board of Directors must consist of a minimum of three and a maximum of nine members with a maximum of two alternates. The Board holds an inaugural meeting directly after the Annual General Meeting.

Chairman of the Board

CellaVision's Board of Directors has been chaired since 2016 by Sören Mellstig. The Chairman of the Board is appointed by the Annual General Meeting. The Chairman of the Board organizes and leads the work of the Board, ensures that the Board continually develops its knowledge of the company, communicates shareholders' views to the Board and is a support to the President/CEO. The Chairman of the Board and the President/CEO prepare proposed agendas for the Board meetings. It is the responsibility of the Chairman of the Board to verify that the Board's decisions are effectively implemented and that the work of the Board is evaluated annually and that the Nomination Committee is informed of the results of this evaluation.

The Board's Rules of Procedure

The Board of Directors adopts rules of procedure for its work annually. The current rules of procedure were adopted on May 4, 2016. In addition to that, the Rules of Procedure are revised as necessary. The Rules of Procedure include a description of the responsibilities and duties of the Board, the duties of the Chairman of the Board, audit issues and specify the reports and financial information that the Board must receive before each ordinary Board meeting.

Evaluation of the work of the Board

Under the leadership of the Chairman, the Board conducts an annual evaluation of its work. The evaluation refers to forms of work and work climate, emphasis of the Board's work and access to and need for special competence in the Board. The evaluation is used as an aid for developing the work of the Board. In accordance with the Swedish Code of Corporate Governance, relevant parts of the results are made available to the Nomination Committee.

Attendance and renumeration to the Board in 2016

Name	Independence in relation to the company	Independence in relation to the company´s major shareholders	Audit Committee	Renumeration Committee	Board fee SEK thousands	Attendance at Board meetings
Lars Gatenbeck	Yes	Yes			133	4/10
Sören Mellstig	Yes	Yes	•		267	7/10
Christer Fåhraeus	Yes	No		•	200	10/10
Roger Johanson	Yes	Yes	•		200	9/10
Torbjörn Kronander	Yes	Yes		•	200	9/10
Anna Malm Bernsten	Yes	Yes			200	10/10
Niklas Prager	Yes	Yes	•		200	9/10
Åsa Hedin	Yes	Yes		•	200	10/10
Totalt					1,600	

- Committee menber
- Committee Chairman

A more detailed presentation of the members of the Board can be found on page 36 and on the company website *www.cellavision.se*.

Board meetings 2016

December 15
Budget & business plan

October 26
Interim report

September 2
F/U Strategy meeting

July 14 (telco)
Interim report

February 11
Year-end bulletin
Audit report

February 29 (telco)
Budget Update

May 2 (telco)
Interim report

May 4
Board meeting prior to AGM

May 4
Inaugural meeting

June 14i
Strategy meeting

Composition of the Board of Directors in 2016

The Board of Directors consists of seven members with no alternates. The Annual General Meeting in 2016 re-elected Christer Fåhraeus, Torbjörn Kronander, Anna Malm Bernsten, Roger Johanson, Niklas Prager and Åsa Hedin and elected Sören Mellstig as members of the Board. Sören Mellstig was elected Chairman of the Board. The members of the Board have great experience and competence in medicine and technology as well as business and international operations. The composition of the Board complies with the requirements of the Code regarding independent members. The information that is to be provided under point 10.2 of the Code concerning members of the Board can be found on page 34.

Work of the Board in 2016

In 2016 CellaVision's Board of Directors held a total of ten minuted meetings, two of which by telephone. Four of the meetings were held in connection with the approval of the year-end bulletin and the interim reports. On occasions when any member has been prevented from attending the Chairman of the Board has obtained views concerning the decision in advance. Important questions during the year included strategy, market assessments and material risks.

The company's President/CEO and CFO participate regularly in the Board meetings. Other members of senior management participate in the board meetings as necessary. The company's auditor participated in the February Board meeting, when the year-end bulletin was approved.

Audit Committee

Risks concerning CellaVision's financial reporting are monitored and evaluated by the Board's Audit Committee, whose main task is to support the Board in quality assurance of the financial reporting. The Audit Committee has no decision-making authority, it prepares and reports matters to the Board as a whole.

The Audit Committee consists of three members who are all independent in relation to the company and its management as well as being independent in relation to the company's major shareholders: Sören Mellstig, Roger Johanson and Niklas Prager. Roger Johanson chairs the Committee. During the year the Committee met once. Questions dealt with are mainly internal control in the subsidiaries, risks, audit planning and governance and follow-up of operations. The company's auditor and CFO participate regularly at the Audit Committee meetings.

Remuneration Committee

The Board of Directors also has a Remuneration Committee, whose main task is to propose principles for remuneration and other conditions of employment for the President/CEO and other senior management in the Group. Ahead of each

Annual General Meeting the Committee submits its proposals, in accordance with Chapter 8, Section 51 of the Swedish Companies Act.

In 2016 the Remuneration Committee consisted of members of the Board Christer Fåhraeus, Torbjörn Kronander and Åsa Hedin, who are all independent of the company and the company management. Torbjörn Kronander and Åsa Hedin are also independent in relation to the company's major shareholders. Christer Fåhraeus chairs the Committee. During the year the Committee has held three minuted meetings, and conducted several telephone and email contacts. In addition to guidelines and principles of remuneration to the President/CEO and other senior management, during the year the Committee discussed the company's incentive program for the President/CEO, management and other staff.

President/CEO and Executive Group Management

The President/CEO is appointed by and receives instructions from the Board of Directors.

CellaVision's President/CEO in 2016, Zlatko Rihter, was responsible for the day-to-day management as well as strategic and operational direction of the company in accordance with the Board's guidelines and directions. The current Instruction to the President/CEO was adopted by the Board on May 4, 2016. The President/CEO prepares information and decision-making data for the Board meetings and is presenter at the meetings. The Board of Directors continuously evaluates the work of the President/CEO through monitoring against goals set. Once a year a formal evaluation is made, which is discussed with the President/CEO.

Composition of the management in 2016

The President/CEO has appointed a management team to be responsible for various parts of CellaVision's business. In 2016 the Executive Group Management consisted of seven people besides the President/CEO:

- Chief Financial Officer (CFO)
- VP Supply & Sourcing (from 5 September 2016)
- VP Quality (from 5 September 2016)
- VP Business Development (from 15 August 2016)
- VP Human Resources & Corporate Communications
- VP Global Sales
- VP Global Marketing
- VP Innovation & Engineering

All the members of the Executive Group Management were at the company's head office in Lund, Sweden. The Executive Group Management holds minuted meetings at which operative issues are discussed. The Executive Group Management draws up a business plan annually, which is adopted by the Board. A more detailed presentation of the President/CEO and the management team can be found on page 35. The information on the President/CEO stipulated in item 10.2 of the Code can also be found there.

Auditor

The administration of the Board of Directors and the President/CEO and financial reporting is examined by the external auditor elected by the Annual General Meeting. The auditor is proposed by the Nomination Committee and elected by the Meeting for one year. At the 2016 Annual General Meeting Deloitte was re-elected as auditor up to and including the 2017 Annual General Meeting.

The auditor in charge is authorized public accountant Maria Ekelund. The task of the auditor is to audit CellaVision's annual accounts, accounting records and the administration by the Board of Directors and President/CEO on behalf of the shareholders. Besides the annual audit, the auditor reviews at least one interim report per year. Remuneration to the auditor is payable in accordance with the approved invoice. For amounts please see Note 16.

Remuneration

Salaries, remuneration and other benefits to the Board of Directors, President/CEO and other senior management are reported in Note 15 in the annual report. Remuneration to the Board of Directors can also be followed in the table on page 29.

Guidelines for remuneration to senior management in 2016

The 2016 Annual General Meeting resolved to approve the Board's proposed guidelines for remuneration to senior management of CellaVision AB as follows: The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, benefits in kind, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary.

The fixed salary is to take account of the individual's areas of responsibility and experience and be reviewed annually. The distribution between the fixed salary and variable remuneration must be in proportion to the responsibility and authority of the person holding the position. The variable remuneration must always be subject to predetermined limits and be linked to predetermined and measurable performance criteria. The variable remuneration to the President/CEO must be based on individual targets established by the Board. These targets shall be linked to the company's overall targets including earnings, sales and/or cash flow. For other senior management variable remuneration is to be based on equivalent targets and targets within their own area of responsibility.

Pension conditions must be commercial in relation to market conditions applicable to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years. Severance pay for a mem-

ber of the management can be payable in an amount equivalent to a maximum of 12 months' salary. The total of the fixed salary during the period of notice and severance pay may not exceed an amount equivalent to two years' fixed salary for the member of management. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors.

The Board of Directors may deviate from these guidelines if there are special grounds for this in an individual case."

Long term incentive program for senior management
The Annual General Meeting held on May 4, 2016 adopted the Board's proposed incentive program for the company's senior management in 2016/18, which is share-price based. Those eligible are the CEO and members of the management team.

The resolution entails by and large a renewal of the incentive program previously applied in the company for 2011/2013, 2012/2014, 2013/2015, 2014/2016 and 2015/2017. The resolution means that the company, provided profitability and sales targets set by the Board at the start of 2016 have been achieved, will set aside 3 monthly salaries for the CEO and 1.5 monthly salaries for other senior management participating in the incentive program in 2016.

The outcome depends on a comparison of the ratio between the company's average share price and the Nasdaq Stockholm PI average for two different periods; Q4 2016 and Q4 2018. The ratio for Q4 2018 must exceed that for Q4 2016 by at least 30 percent to trigger any right to payment. Any payment will be made in 2019. An increase of a minimum of 30 percent but maximum of 50 percent, in the above ratio results in a bonus equivalent to 3 monthly salaries for the CEO and equivalent to 1.5 monthly salaries for other senior management. An increase of a minimum of 50 percent but maximum of 100 percent will result in a bonus of 4,5 monthly salaries for the CEO and 2,25 monthly salaries for other senior management. The outcome of the incentive program is maximized to an amount equivalent to 6 monthly salaries for the CEO and an amount equivalent to 3 monthly salaries for other senior management participating in the incentive program if the increase in the ratio is at least 100 percent.

In order to participate in the incentive program for the period 2016/2018, the member of senior management must have been employed for six months on December 31, 2016 and his/her employment contract on the same date may not be under notice of termination. The Board of Directors determines the profitability and sales targets applicable to the program, the individual members of senior management in the group CEO and management team who are eligible to participate in the program, and decide whether the conditions that confer the right to payment of bonus under the incentive program for an individual member of senior management have been met.

For maximum outcome the company's costs for the program are estimated to be SEK 3.2 million (excluding social security contributions), based on participation of eight members of senior management in the program.

Staff incentive scheme
Moreover, the Board approved an incentive program for staff in 2016 that runs for the current year, January 1, 2016 to December 31, 2016. Eligible staff are those who are not senior management and who consequently are not eligible for the incentive scheme for senior management resolved by the 2016 Annual General Meeting.

The decision means that the employee will receive 0.5 of a monthly salary in the case of maximum outcome. The size of the share depends on the company's performance and sales in 2016. To participate in the incentive program the employee must have been employed for at least six months in 2016 and be employed on December 31, 2016. The program for 2016 achieved the profitability and sales targets set up to 53 percent and therefore the cost to the company for the outcome of the bonus program to staff was SEK 0.8 million.

Proposed guidelines for remuneration to senior management in 2017
The Board of Directors proposes the following guidelines for remuneration to senior management in 2017, as in last year's proposal:

"The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, benefits in kind, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary.

The fixed salary is to take account of the individual's areas of responsibility and experience and be reviewed annually. The distribution between the fixed salary and variable remuneration must be in proportion to the responsibility and authority of the person holding the position. The variable remuneration must always be subject to predetermined limits and be linked to predetermined and measurable performance criteria. The variable remuneration to the President/CEO must be based on individual targets established by the Board. These targets shall be linked to the company's overall targets including earnings, sales and/or cash flow. For other senior management variable remuneration is to be based on equivalent targets and targets within their own area of responsibility.

Pension conditions must be commercial in relation to market conditions applicable to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years.

Severance pay for a member of the management can be payable in an amount equivalent to a maximum of 12 months'

salary. The total of the fixed salary during the period of notice and severance pay may not exceed an amount equivalent to two years' fixed salary for the member of management. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors.

The Board of Directors may deviate from these guidelines if there are special grounds for this in an individual case.

The Board intends to implement a long-term cash-based incentive program for senior management. The outcome of the program will depend on how the average annual growth of earnings per share developed. Maximum compensation is based on the annual average growth rate of earnings per share for the period January 1, 2017 - December 31, 2019 amounts to at least 15% annually. At maximum number of shares the company's costs for the incentive program amounting to SEK 2.7 million (excluding social security contributions), based on the nine senior executives participating in the program. In order to receive an outcome from the incentive program the member of senior management must be employed on December 31, 2019. Any payment from the program will take place in 2020.

The Board's report on internal controls and risk management referring to financial reporting

This report on internal control referring to financial reporting is submitted by the Board of CellaVision and has been drawn up in accordance with the Swedish Code of Corporate Governance.

Background
Under the Companies Act and the Swedish Code of Corporate Governance the Board is responsible for internal control.

Control environment
The basis of internal control is the overall control environment. A good control environment builds on an organization with clear decision lines where responsibility and authority is clearly defined. In CellaVision there are policies, guidelines and process descriptions for the different parts of the business flow from transaction management to bookkeeping and preparing external reports. In the company's financial and accounting manual, Administrative Guidelines, which is updated annually, these process descriptions are presented in all essentials.

Risk assessment
The Board and Audit Committee are responsible for identifying and managing all material financial risks and risks of misstatements in the external reporting. The Audit Committee evaluates the risk management requirements annually and draws up written principles both for overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk and investment of surplus liquidity. These principles are then adopted by the Board.

Control activities
The main purpose of control activities is to prevent and discover errors as soon as possible in order to rectify any deficiencies. Procedures and activities have been designed to discover and deal with the most material risks related to financial reporting. Group companies are followed up by the CEO and CFO through regular reports and personal meetings with the management of the respective subsidiary. The Board receives monthly reports in which the CEO and CFO give an account of the past period regarding the Group's and each respective business area's results and financial position. The work on monthly closings and annual accounts is well-defined and reporting is in accordance with standardized reporting templates including comments regarding all material income and balance sheet items. There are CFOs and controllers with functional responsibility for accounting, reporting and analysis at both parent company and subsidiaries. In this way the company's financial reports are checked several times, which reduces the risk of error.

At present neither the size of the company nor its risk exposure warrant a separate internal audit function. The Board assesses that with the procedures in place for follow-up and control there is currently no necessity for this.

Information and communication
CellaVision's procedures and systems for provision of information are aimed at supplying the market with relevant, reliable, correct and current information about the company's development and financial position. The Board has adopted an information policy that specifies what is to be communicated, by whom and in what way the information is to be published, to ensure that external information is correct and complete. Financial information is published regularly in the form of interim reports, annual report and press releases on price-sensitive news. The material is published in Swedish and English on the company's website.

Follow-up
Compliance and effectiveness of internal controls are followed up regularly. The company's financial situation and strategy regarding its financial position is dealt with at each Board meeting, when the Board receives detailed monthly reports regarding the financial position and development of operations. Each interim report is analyzed by the Audit Committee, discussed with the CFO and then approved by the Board before publication.

Activities in 2016
CellaVision works constantly to minimize risks by removing superfluous manual steps from the company's processes.

Board of Directors and Auditors

SÖREN MELLSTIG
Elected and Chairman of the Board since 2016
Year of birth: 1951

Other directorships
Chairman of Trelleborg AB (publ), Ellevio AB, Textilia AB and Impilo AB, Member of the Board in Ferrosan MD A/S. Former positions include managemt positions at AkzoNobel, CFO and vice CEO in Incentive, CFO, business development and finally CEO and President of Gambro 2000-2006.

Education
MBA.

CellaVision shares
42,944

CHRISTER FÅHRAEUS
Founder of CellaVision. Member of the board since 1994.
Year of birth: 1965

Other directorships
CellaVision's founder and CEO until June 1998. CEO of EQL Pharma AB. Former positions include CEO of Anoto Group AB and Flatfrog Laboratories AB. Founder of Anoto Group AB, Precise Biometrics AB, Agellis Group AB and Flatfrog Laboratories AB among others.

Chairman of the Board of Longboat laboratoriesof, Respiratorius AB and Flatfrog Laboratories AB. Member of the Board of EQL Pharma AB, Lunds universitets innovationssystem AB, Fårö Capital AB, Reccan AB.

Eduaction
M.Sc. Bioengineering, B.Sc. Mathematics, Ph.D. (hc).

CellaVision shares
2,400,000 (incl. companies

ROGER JOHANSON
Elected 2011.
Year of birth: 1959.

Other directorships
Partner at Caram Alternative Investments AB. Former Head of Venture Capital & Direct Investments at Skandia Liv.

Former positions include CEO and President at Medicarb AB and management positions at DAKO A/S and Becton Dickinson AB.

Member of the Board of Skandia Fastighets AB.

Eduaction
M.Sc. Chemical Engineering.

CellaVision shares
3,000

TORBJÖRN KRONANDER
Elected 2007.
Year of birth: 1957.

Other directorships
President and CEO of Sectra AB. Founder of Sectras' medical division and cofounder of the research center, CMIV (Center for Medical Image science and Visualization) in Linköping. Member of the Board in Sectra and Shannon AB. Honorary Doctor of Medicine and Member of the Board in IVA.

Eduaction
Doctor of Technology, MBA.

CellaVision shares
278,000.

ANNA MALM BERNSTEN
Elected 2010.
Year of birth: 1961.

Other directorships
CEO of Bernsten Konsult AB. Former positions include President and CEO of Carmeda AB and management positions at Pharmacia & Upjohn and GE Healthcare Life Sciences.

During 2016: Chairman of the Board of Oatly AB

Current: Chairman of the Board of Medivir AB and Björn Axén Institute AB. Member of the Board in Pågengruppen AB.

Eduaction
M.Sc. Chemical Engineering.

CellaVision shares
–

NIKLAS PRAGER
Elected 2014.
Year of birth 1970

Other directorships

During 2016: President and CEO of Medivir AB.

Former position as CEO of Envirotainer AB, Qbtech AB and Pfizer AB.

Member of the Board of Qbtech AB and Adero AB.

Educations
MBA

CellaVision shares
1,720

ÅSA HEDIN
Elected 2015.
Year of birth: 1962.

Other directorships

Member of the Board of Nolato AB, Immunovia AB, Fingerprint AB and Tobii AB.

Former leading positions at Elekta AB being responsible for strategy, marketing and training, moreover leading positions at Siemens Healthcare and Gambro.

Education
MBA.

CellaVision shares
–

AUDITOR
MARIA EKELUND
Authorised Public Accountant, Deloitte AB.
Auditor of CellaVision since 2013.

Management

ZLATKO RIHTER
President and CEO.
Employed in 2015.
Year of birth: 1970.
Previous experience
Has more than 20 years of experience from the medtech industry, holding leading positions at Gambro and Arjo-Huntleigh. His most recent position was as Executive Vice President at Origio A/S. Member of the Board of ETAC AB and Malmö FF.
Education: M.Sc. Mechanical Engineering, Economics.

CellaVision shares. 70,000

PETER WILSON
VP Global Marketing.
Employed: 2000.
Year of birth: 1967
Previous experience
Many years experience of global launching of new technologies and new products. Former positions include Foss, among others. Peter Wilson was head of CellaVisions subsidiary in North America in the years 2012-2014.
Education: M.Sc. Chemistry.

CellaVision shares: 6,000

MAGNUS JOHNSSON
VP Quality.
Employed in:: 2000-2008, 2016
Year of birth: 1975

Previous experience. More than 15 years experience in med. tech industry from companies such as ArjoHuntleigh and Xellia Pharmaceuticals. Most recent position was at Xellia Pharmaceuticals.
Education. M.Sc. Chemistry,
B Sc. Information Systems.

CellaVision shares: . –

MARIA MORIN
VP HR & Corporate Communications.
Employed in 2009.
Year of birth: 1974.
Previous experience
Has extensive experience from various positions and companies within the field of human resources. Her most recent position was at Gambro AB.
Eduaction: B Sc Economics and Business Administration and
B.Sc. Human Resources

CellaVision shares: –

JEPPE BRANDSTRUP
VP Business Development
Anställd: 2016
Född: 1984

Previous experience: Many years of experience in business development and acquisitions in the life sciences. Most recently as Senior Acquisition Manager at Novozymes in Copenhagen.
Education: M. Sc Finance.

CellaVision shares: 1,200

MAGNUS BLIXT
CFO.
Employed in 2013.
Year of birth: 1966.
Previous experience
Has extensive experience of developing small and medium sized companies focusing on business performance and process improvements, within the SKF Group and Rotaform AB among others. He most recently held the position as Business Demand Manager at SKF AB.
Eduaction: MBA.

CellaVision shares 8,000

MATTIAS LUNDIN
VP Global Sales.
Employed: 2015.
Year of birth: 1968
Previous experience
Many years experience from the medtech industry, holdning leading positions in sales and marketing. Most recent position as VP Commercial for internatial and mature markets at ArjoHuntleigh, a company within Getinge group.
Education: Diploma in Business Administration & Marketing Management.

CellaVision shares: 900

ADAM MORELL
VP Innovation & Engineering.
Employed in: 2001-2003, 2006.
Year of birth: 1976.
Previous experience: Many years experience as R&D Manager at CellaVision. Adam has extensive expertise in the field of digital imaging and and has been a co-inventor on several patents.
Education: Lic. of Engineering Mathematics, M.Sc. Engineering Physics,
B.Sc. Medicine

CellaVision shares: –

MAGNUS LINDEBERG
VP Supply & Sourcing
Employed in 2016
Year of birth: 1975

Previous experience: More than 17 years experience in the medical device industry in various senior positions in the supply chain and production included Gambro. Comes from a position as Manager Materials Supply Baxter (formerly Gambro AB).
Education. M.Sc. Mechanical Engineering.

CellaVision shares. –

Consolidated statement of comprehensive income, Group

SEK thousands	Note	2016	2015
Net sales	8	265,038	239,390
Cost of goods sold	18	-76,102	-65,157
Gross profit		**188,936**	**174,233**
Selling expenses		-56,859	-47,851
Administrative expenses		-28,670	-33,788
Research and development expenditure		-29,239	-27,124
Operating profit/loss	10, 13, 14, 15, 16, 17, 18, 24, 25	**74,168**	**65,470**
Profit/loss from financial items			
Interest income and other financial gains	21	3,663	2,008
Interest expense and other financial losses	22	-2,056	-1,925
Profit/loss before tax		**75,775**	**65,553**
Income tax	23	-15,975	-12,731
Net profit for the year		**59,800**	**52,822**
Other comprehensive income:			
Components not to be reclassified to net profit:		0	0
Components to be reclassified to net profit:			
a) Cash flow hedges			
Reclassified to operating profit		-249	3,753
Revaluation of financial assets		-2,721	249
Tax effect on cash flow hedges		653	-828
b) Translation differences			
Exchange rate differences on translation of subsidiaries		951	78
Total components to be reclassified to net profit:		-1,366	3,252
Total other comprehensive income for the year		-1,366	3,252
Total comprehensive income for the year		**58,434**	**56,074**
Earnings per share (SEK)		2.51	2.22
Earnings per share after dilution (SEK)		2.51	2.22
Number of shares in issue (thousands)		23,852	23,852
Average number of shares in issue (thousands)		23,852	23,852
Net profit for the year is in total attributable to the parent company's shareholders			
Total comprehensive income for the year is in total attributable to the parent company's shareholders			

Consolidated statement of financial position, Group

SEK thousands	Note	2016	2015
ASSETS	1		
Non-current assets			
Capitalised expenditure for development	9, 24	34,724	29,400
Equipment		3,270	2,652
Deferred tax assets	23	0	9,902
Deposits	27	2,025	1,195
Total non-current assets		**40,019**	**43,149**
Current assets			
Inventories	26	36,275	24,624
Current receivables			
Trade receivables	29	33,238	35,498
Current tax receivables		3,700	2,297
Other receivables		5,499	4,173
Prepayments and accred income	30	5,260	3,992
Total current receivables		**47,697**	**45,960**
Cash and cash equivalents	1	132,454	106,695
Total current assets		**216,426**	**177,279**
TOTAL ASSETS		**256,445**	**220,428**
EQUITY AND LIABILITIES	1		
Shareholders' equity			
Share capital	31	3,578	3,578
Other contributed capital		10,800	10,800
Reserves		1,693	3,059
Accumulated profit/loss including profit for the year		190,104	166,081
Total equity attributable to the parent company's shareholders		**206,175**	**183,518**
Current liabilities			
Trade payables		16,451	7,338
Warranty provisions	32	1,248	1,110
Other current liabilities		5,054	1,136
Accrued expenses and deferred income	33	27,517	27,326
Total current liabilities		**50,270**	**36,910**
TOTAL EQUITY AND LIABILITIES		**256,445**	**220,428**

Consolidated statement of cash flows, Group

SEK thousands	Note	2016	2015
Operating activities	1		
Profit/loss before tax		75,775	65,553
Paid tax		-6,225	-957
Adjustments for non-cash items	35	7,322	4,080
Cash flow from operating activities before changes in working capital		**76,872**	**68,676**
Change in inventories		-11,505	517
Change in operating receivables		-2,214	25,665
Change in operating liabilities		13,414	-6,861
Cash flow from changes in working capital		**-305**	**19,321**
Cash flow from operating activities		**76,567**	**87,997**
Investing activities			
Capitalisation of development expenditure and technology aquisition	24	-12,276	-8,593
Purchases of property, plant and equipment	25	-1,925	-605
Acquisition of non-current financial assets		-830	-157
Cash flow from investing activities		**-15,031**	**-9,355**
Financing activities			
Dividend		-35,777	-23,852
Cash flow from financing activities		**-35,777**	**-23,852**
CASH FLOW FOR THE YEAR		**25,759**	**54,790**
Cash and cash equivalents (opening balance)		106,695	51,905
Cash and cash equivalents (closing balance)		132,454	106,695
Supplementary disclosures, cash flow statement			
Interest received during the year		1	4
Interest paid during the year		-37	-10
Exchange rate difference on cash and cash equivalents		876	89

Consolidated statement of changes in equity, Group

SEK thousands, Note 1	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings	Total shareholders' equity
Opening balance at 1 January 2014	3,578	10,800	2,858	-3,051	137,111	151,296
Comprehensive Income						
Net profit for the year					**52,822**	**52,822**
Other Comprehensive Income						
Cash flow hedges, after tax				3,174		3,174
Exchange rate differences, after tax			78			78
Total Other Comprehensive Income	**0**	**0**	**78**	**3,174**	**0**	**3,252**
Total Comprehensive Income	**0**	**0**	**78**	**3,174**	**52,822**	**56,074**
Dividend to Parent Company's shareholders					-23,852	-23,852
Closing Balance at 31 December 2015	**3,578**	**10,800**	**2,936**	**123**	**166,081**	**183,518**
Opening balance at 1 January 2016	3,578	10,800	2,936	123	166,081	183,518
Comprehensive Income						
Net profit for the year					**59,800**	**59,800**
Other Comprehensive Income						
Cash flow hedges, after tax				-2,317		-2,317
Exchange rate differences, after tax			951			951
Total Other Comprehensive Income	**0**	**0**	**951**	**-2,317**	**0**	**-1,366**
Total Comprehensive Income	**0**	**0**	**951**	**-2,317**	**59,800**	**58,434**
Dividend to Parent Company's shareholders					-35,777	-35,777
Closing Balance at 31 December 2016	**3,578**	**10,800**	**3,887**	**-2,194**	**190,104**	**206,175**

Income statements, Parent company

SEK thousands	Note	2016	2015
Net sales	8, 11	254,395	227,839
Cost of goods sold	19	-96,348	-81,303
Gross profit		**158,047**	**146,536**
Selling expenses		-30,708	-22,033
Administrative expenses		-28,668	-33,783
Research and development expenditure		-41,445	-27,124
Operating profit/loss	11, 13, 14, 15, 16, 17, 19, 24, 25	**57,226**	**63,596**
PROFIT/LOSS FROM FINANCIAL ITEMS			
Interest income and other financial gains	21	3,624	1,990
Interest expense and other financial losses	22	-1,901	-1,804
Profit/loss before tax		**58,949**	**63,782**
Income tax	23	-12,733	-11,775
Net profit for the year		**46,216**	**52,007**
Statement of Comprehensive Income			
Net profit for the year		**46,216**	**52,007**
Other comprehensive income		0	0
Sum of other comprehensive income		**0**	**0**
Total comprehensive income for the year	20	**46,216**	**52,007**

Balance Sheets, Parent Company

SEK thousands	Note	2016	2015
ASSETS	1		
Non-current assets			
Capitalised expenditure for development	24	22,518	29,400
Equipment	25	2,047	1,756
Shares in subsidiaries	28	106	106
Deferred tax assets	23	1,248	9,880
Deposits	27	1,929	1,083
Total non-current assets		**27,848**	**42,225**
Current assets			
Inventories	26	32,167	21,352
Current receivables			
Trade receivables	29	25,894	30,417
Receivables from group companies		5,693	2,478
Current tax receivables		3,700	2,297
Other receivables		5,331	3,924
Prepayments and accred income	30	3,883	2,551
Total current receivables		**44,501**	**41,667**
Cash and bank balances	1	123,924	99,782
Total current assets		**200,592**	**162,801**
TOTAL ASSETS		**228,440**	**205,026**
EQUITY AND LIABILITIES	1		
Shareholders' equity			
Restricted equity			
Share capital (23 851 547 shares, quota value 0,15 kr)	31	3,578	3,578
Statutory reserve		10,780	10,780
Non-restricted equity			
Profit brought forward		116,836	100,606
Net profit for the year		46,216	52,007
Total shareholders' equity		**177,410**	**166,971**
Provisions			
Warranty provisions	32	1,248	1,110
Total provisions		**1,248**	**1,110**
Current liabilities			
Trade payables		16,076	7,138
Liabilities to group companies		11,465	6,751
Other current liabilities		993	886
Accrued expenses and deferred income	33	21,248	22,170
Total current liabilities		**49,782**	**36,945**
TOTAL EQUITY AND LIABILITIES		**228,440**	**205,026**

Cash flow statement, Parent company

SEK thousands	Note	2016	2015
Operating activities	1		
Profit/loss before tax		58,949	63,782
Paid tax		-5,503	0
Adjustments for non-cash items	35	3,757	2,969
Cash flow from operating activities before changes in working capital		**57,203**	**66,751**
Change in inventories		-10,815	396
Change in operating receivables		-99	33,309
Change in operating liabilities		15,645	-7,678
Cash flow from changes in working capital		**4,731**	**26,027**
Cash flow from operating activities		**61,934**	**92,778**
Investing activities			
Purchases of financial assets		-917	-8,592
Purchases of property, plant and equipment	25	-1,098	-1,580
Cash flow from investing activities		**-2,015**	**-10,172**
Financing activities			
Loans repaid		0	0
Dividend		-35,777	-23,852
Cash flow from financing activities		**-35,777**	**-23,852**
CASH FLOW FOR THE YEAR		**24,142**	**58,754**
Cash and cash equivalents (opening balance)		99,782	41,028
Cash and cash equivalents (closing balance)		123,924	99,782
Supplementary disclosures, cash flow statement			
Interest received during the year		0	3
Interest paid during the year		-37	-10

Statement of change in equity, Parent company

SEK thousands, Note 1	Share capital	Other contributed capital	Retained earnings	Total shareholders' equity
Opening balance at 1 January 2015	3,578	10,780	124,458	138,816
Net profit for the year	**0**	**0**	**52,007**	**52,007**
Other Comprehensive Income				
Other Comprehensive Income	0	0	0	0
Total Other Comprehensive Income	**0**	**0**	**0**	**0**
Total Comprehensive Income	**0**	**0**	**52,007**	**52,007**
Dividend to Parent Company's shareholders			-23,852	-23,852
Closing Balance at 31 December 2015	**3,578**	**10,780**	**152,613**	**166,971**
Opening balance at 1 January 2016	3,578	10,780	152,613	166,971
Net profit for the year	0	0	46,216	46,216
Other Comprehensive Income				
Other Comprehensive Income	0	0	0	0
Total Other Comprehensive Income	**0**	**0**	**0**	**0**
Total Comprehensive Income	**0**	**0**	**46,216**	**46,216**
Dividend to Parent Company's shareholders	0	0	-35,777	-35,777
Closing Balance at 31 December 2016	**3,578**	**10,780**	**163,052**	**177,410**

Notes

Not 1. General information, accounting policies and valuation principles

Accounting policies

CellaVision AB's consolidated accounts were prepared in accordance with the Annual Accounts Act (ÅRL), International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee approved for use within the EU. The Swedish Financial Reporting Board recommendation RFR 1 "Supplementary accounting rules for groups" has also been applied. The parent company's annual accounts were prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 "Accounting for legal entities". The consolidated and annual accounts are stated in SEK thousands and refer to the period 1 January-31 December for income statement related items and December 31 for balance sheet-related items. Assets and liabilities are recorded in accordance with the historical cost method with the exception of certain financial assets recorded at fair value through profit or loss.

New and amended standards and interpretations in 2016
New and amended standards and improvements that came into force in 2016 have not had any impact on the Group's financial reporting for the financial year.

New and amended standards and interpretations not yet in force
The International Accounting Standards Board (IASB) has issued a number of new and amended standards, which have not yet come into force. None of these have been applied in advance. A description is given below of new and amended standards and interpretations that are considered to have an impact on the Group's financial reporting in the period they are applied for the first time. IFRS 15 Revenue from contracts with customers will become effective for fiscal years beginning January 1, 2018. CellaVision has in 2016 conducted a preliminary assessment of the impact of IFRS 15. The assessment is facilitated by the fact that the majority of customer contracts and revenue streams are tied to the parent company and a limited number of major customers. The assessment is that the adoption of IFRS 15 will not have any material impact on the consolidated financial statements. This assessment is subject to change depending on the outcome of a pending more detailed analysis. IFRS 9 Financial instruments will become effective for fiscal years beginning January 1, 2018. Consequently no investigation has been made into its expected impact on the Group. The company management considers that other new and amended standards and interpretations, which have not yet come into force, will not have any material impact on the Group's financial reports in the period they are applied for the first time.

Group accounting policies

Consolidated accounts
CellaVision AB is a Swedish public limited liability company with its registered office at Mobilvägen 12 in Lund. The consolidated accounts include the parent company CellaVision AB and the wholly owned subsidiaries CellaVision Inc., USA, CellaVision Canada Inc., CellaVision Japan K.K. and CellaVision International AB. The consolidated accounts were prepared in accordance with the acquisition accounting method. This means that consolidated subsidiaries' identifiable assets, liabilities and contingent liabilities are recognized at fair value at the time of acquisition. If the cost of acquisition exceeds net assets recorded as above, the difference constitutes goodwill. Internal invoicing and internal financial dealings within the Group are eliminated in the consolidated accounts.

Translation of foreign operations
The functional currency is determined for each foreign operation. The foreign subsidiaries, which have a functional currency different from CellaVision's functional currency, which is Swedish kronor, are translated at the closing day rate for all balance sheet items and at the average rate for income statement items. The translation differences thereby arising are an effect partly of the net profit/loss being translated at different rates in the income statement and balance sheet respectively, and partly of the net assets being translated at a different rate at the end of the year than at the beginning of the year. Translation differences are reported in "Other comprehensive income". For other exchange rate differences please see under the heading "Exchange rate gains and losses".

Revenue recognition
For sales of instruments and/or software, the revenue includes both the instrument and/or the software. The entire revenue referring to the system, instrument plus software, is recognized when the significant risks and rewards associated with the instrument are transferred to the customer, which normally coincides with delivery to the customer. For services to end consumers the revenue constitutes payment for servicing the instrument. This revenue is accrued over the period of the service agreement. This may refer to one occasion or run for a longer period of time. For software upgrades (new functions, technology or applications) to end consumers the revenue constitutes payment for software upgrades and is recognized at the time of delivery or distribution of a license key.

Interest income is recognized on a time-proportion basis using the effective interest method. Effective interest is the interest rate that makes the present value of the total future cash flows during the interest rate fixing period equal to the carrying amount of the receivable

Operating Segments
An operating segment is a part of an entity that conducts business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker, and for which discrete financial information is available. The entity's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function, who is assessing the performance of the operating segments and allocating resources. The entity's assessment is that the group executive board is the chief operating decision-maker. CellaVision's business operations comprise one operating segment; automated microscopy systems in the field of hematology, and refers to the income statement and balance sheet for reporting of operating segments.

Expenditure on research and development
Research expenditure is expensed as it is incurred. Expenditure for development of future products is expensed up to and including the prototype stage. Expenditure thereafter and until commercialization is capitalized, to the extent it is probable that the product will be commercially viable. Expenditure for developing already existing applications and hardware platforms is expensed as it arises. In order to handle this effectively, the company applies a project accounting system in which all research and development expenditure is allocated to projects. Examples of such expenditure are:

- Goods and materials
- Consultant fees for conception and design
- Salaries and payroll overheads

Depreciation on equipment and computer equipment is not capitalized. Financial year borrowing costs for qualified assets for newly started projects are capitalized. Since the company did not incur any borrowing costs no such costs have been capitalized. The financial costs undertaken by the company do not refer to development activities and their costs.

Exchange rate gains and losses
Realised and unrealized exchange rate differences attributable to operating costs and transactions are reported among other operating income or expenses. Exchange rate differences referring to short-term and long-term financial transactions are recorded as financial items.

Leases
A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset from the lessor to the lessee. Leases that are not finance leases are classified as operating leases. Assets held under a finance lease are recognized at the beginning of the lease term at their fair value or, if lower, at the present value of the minimum lease payments. The liability of the lessee in relation to the lessor is recognized in the balance sheet. Lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to periods over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Group does not hold any finance leases as at the balance sheet date. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The operating leases refer mainly to premises, vehicles, computers and some office equipment.

Employee benefits
Employee benefits in the form of salaries, bonus, paid holiday, paid sick leave etc., as well as pensions, are recognized as they are earned. In regards to pensions and other post-employment benefits, they are classified as defined contribution or defined benefit pension plans.

Pensions
All employees of the Parent Company are covered by the ITP plan administered by Alecta, apart from staff employed before 1 May 1999. These employees are covered by "alternative ITP", where the employees themselves may choose the insurer. These have the same amounts at their disposal as if they had been part of the ITP plan. Employees

with an income in excess of 10 price base amounts are offered "tenfold earners" solutions. This means that they can choose the insurer for a part of the ITP contribution. Both these solutions are classified and reported as defined contribution plans. The ITP plan administered by Alecta is a defined benefit pension plan. However, in accordance with a statement by the Swedish Financial Reporting Board (UFR 10), this plan is reported as a defined contribution plan as Alecta cannot produce sufficient information for reporting it as a defined benefit plan. For further information please refer to the note on employee benefits. The Group's American employees are covered by a 410K plan, which is a defined contribution plan. All pension commitments have been taken over by insurance companies and thus all pension plans are reported as defined contribution plans and pension premiums are recognized as expenses in the period in which the employees render the related services.

Share-price related remuneration
The Group has a share-price related incentive program in which settlement will be in cash. The outcome of the program is dependent on a comparison between the company's share price and the NASDAQ OMX general index over the duration of the program. Any remuneration will be paid in the year after the program expires. At the close of each reporting period the company will review the fair value of the liability including social security costs. A change in the liability equivalent to the earnings at the close of each reporting period will be reported in the income statement. The following programs have been approved and refer to:

Duration	Refers to
2014–2016	Executive Group Mgmt
2015–2017	Executive Group Mgmt
2016-2018	Executive Group Mgmt

Apart from the share-price related program, the Group has a bonus program covering all employees in which any payment is made the year after the vesting period. At the close of each reporting period the company evaluates the debt including provision for social security contributions. The debt corresponding to the incremental amount at the close of each reporting period is recognized in the income statement.

Income taxes
Income tax recognized in revenue includes tax to be paid or received for the current year, adjustments of previous years' current tax and changes in deferred tax. The valuation of all tax liabilities/assets is at nominal amounts and is done in accordance with the tax regulations and tax rates that have been adopted. Deferred tax is estimated in accordance with the balance sheet method on all temporary differences existing between the reported and tax base values for assets and liabilities. Deferred tax assets referring to loss carry forwards or other future tax-related deductions are only reported to the extent that it is probable that they can be applied in the future.

Intangible assets
Intangible assets consist of capitalized expenditure for development that is recorded at cost of acquisition less accumulated amortization. Development expenditure recognized as an asset is amortized over the estimated useful life of five years. CellaVision's products are replaced by new models at intervals of about five years. Amortization is started on market introduction of the respective product.

An intangible asset is removed from the statement of financial position on retirement or disposal or when no future economic benefit is expected from the use or retirement/disposal of the asset. The gain or loss arising when an intangible asset is removed from the statement of financial position, consisting of the difference between the net disposal proceeds and the asset's carrying amount, is recognized in the income statement when the asset is removed from the statement of financial position.

Property, plant and equipment
Property, plant and equipment, consisting of instruments, equipment and computer equipment, is reported at cost of acquisition less accumulated depreciation.

The carrying amount of an item of property, plant and equipment is removed from the statement of financial position on retirement or disposal, or when no future economic benefit is expected from the use or retirement/sale of the asset. The gain or loss arising on retirement or disposal of the asset, consisting of the difference between any net disposal proceeds and its carrying amount, is recognized in the income statement in the period when the asset is removed from the statement of financial position.

Depreciation
Depreciation/amortization is based on the historical cost and estimated useful life of the assets:
- Development projects 5 years
- Instruments 5 years
- Equipment 5 years
- Computer equipment 3 years

The estimated useful life of analyzers and development work is consistent with the estimated product life cycle.

Impairment of property, plant and equipment and intangible assets
On each balance sheet date the Group analyzes the carrying amounts for property, plant and equipment and intangible assets to establish whether there is any indication of value impairment. If this is the case, the asset's recoverable amount is calculated in order to establish the value of any impairment loss. Where it is not possible to calculate the recoverable amount for an individual asset, the Group calculates the recoverable amount for the cash-generating unit to which the asset belongs.

Intangible assets with an indefinite useful life and intangible assets not yet ready for use must be tested for impairment annually, or when there is an indication of impairment.

The recoverable amount is the higher of fair value less selling costs and value in use. When calculating value in use estimated cash flows are discounted to present value using a discount rate before tax that reflects the current market assessment of the time value of money and the risks associated with the asset.

If the recoverable amount of an asset (or cash generating unit) is established as a lower value than the carrying amount, the carrying amount of the asset (or cash generating unit) is written down to the recoverable amount. An impairment loss must be recognized immediately in the income statement.

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revalued recoverable amount, but the increased carrying amount may not exceed the carrying amount that would have been determined if no impairment loss had been recorded for the asset (cash generating unit) in previous years. A reversal of an impairment loss is recognized immediately in the income statement.

The company management has set budgeted gross margins based on its expectations of market developments. The weighted average rate of growth used is in line with forecasts in industry reports. Taking the above into account, the company management considers that no impairment loss exists.

Inventories
Inventories are recorded at the lower of cost according to the first-in, first-out method (FIFO) and net realizable value (lower of cost or market). The inventories contain finished products and input components for additional instruments.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method. Cash and bank balances are counted as cash and cash equivalents.

Classification of assets and liabilities
Non-current assets and liabilities consist in all essentials only of amounts expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and liabilities consist in all essentials only of amounts expected to be recovered or paid within twelve months of the balance sheet date.

Provisions
A provision is reported when an obligation exists as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount. Warranty provisions are made for products sold. The warranty period is one year. Warranty costs are reported under "Cost of goods sold".

Related party transactions
For reporting any transactions with related parties please refer to note Employee benefits and other related party transactions.

Financial instruments
A financial asset or financial liability is recognized on the balance sheet when the company becomes a party to the contractual provisions of the instrument. A financial asset or part of a financial asset is to be removed from the balance sheet when the contractual rights are realized, expire or when the company loses control over it. A financial liability or part of a financial liability is to be removed from the balance sheet when the obligation in the contract is discharged or otherwise cancelled.

Notes

On every balance sheet date the company evaluates whether there are objective indications that a financial asset or group of assets is impaired due to past events. Examples of such events are significant deterioration in the financial position of the counterparty or non-payment of amounts due. Financial assets and financial liabilities that are not measured at fair value through profit or loss on subsequent recognition are recognized at fair value on initial recognition, adding or subtracting transaction costs. Financial assets and financial liabilities that are not measured at fair value through profit or loss on subsequent recognition are recognized at fair value on initial recognition. In subsequent recognition financial instruments are measured at amortized cost or fair value depending on the initial classification under IAS 39.

On initial recognition, a financial asset or financial liability is classified in one of the following categories:

Financial assets
- Fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available for sale financial assets

Financial liabilities
- Fair value through profit or loss
- Other financial liabilities measured at amortized cost

Fair value of financial instruments
The fair value of financial assets and financial liabilities are determined as follows:
- The fair value of financial assets and liabilities with standard conditions traded on an active market is determined with reference to listed market price (level 1).
- The fair value of other financial assets and liabilities is determined in accordance with generally accepted valuation models based on data obtained from observable current market transactions (level 2).
- The fair value is determined based on valuation models in which material inputs are based on non-observable data (level 3). The Group has no financial instruments classified at level 3.

For all financial assets and liabilities, the carrying amount is assessed to be a good approximation of its fair value, unless otherwise stated in subsequent notes.

Amortized cost
Amortized cost refers to the amount at which the asset or liability was initially recognized less principal repayments, plus or minus cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the initial carrying amount of the financial asset or financial liability.

Offset of financial assets and liabilities
Financial assets and liabilities are offset and recognized net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and an intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

The Group's financial instruments mainly comprise trade receivables, cash and cash equivalents, trade payables, other short-term liabilities and financial derivatives in the form of currency forwards.

Cash and cash equivalents
Cash and cash equivalents include cash funds, bank balances, and other short-term investments that can easily be converted to cash and that are subject to an insignificant risk of changes in value. For classification as cash and cash equivalents, the original maturity may not exceed three months. Cash funds and bank balances are categorized as "Loans and receivables" which means measurement at amortized cost. Since bank balances are payable on demand the amortized cost is equivalent to the nominal amount. Short-term investments are categorized as "Held for trade" and measured at fair value with value changes recognized in the income statement. At the close of 2015 and 2016 the Group had no short-term investments.

Trade receivables
Trade receivables are categorized as "Loans and receivables" which means measurement at amortized cost. However, the expected maturity of trade receivables is short and therefore the value has been recognized at the nominal amount without discounting. Deduction is made for doubtful receivables. Impairment of trade receivables is recognized under operating expenses.

Trade payables
Trade payables are categorized as "Other financial liabilities", which means measurement at amortized cost. However, the expected maturity of trade payables is short, and therefore the value has been recognized at the nominal amount without discounting.

Liabilities to credit institutions
At the close of 2015 and 2016 the Group had no pledged trade receivables and no liabilities to credit institutions.

Derivative financial instruments and hedge accounting
The currency forwards used for hedging future cash flows and forecast sales in foreign currency are recognized in the balance sheet at fair value, in accordance with level 2 above. The effective portion of the changes in value are reported in other comprehensive income until the hedged flow affects the income statement, when the hedging instrument's accumulated changes in value are recognized in the income statement, where they meet and match the effects on earnings of the hedged transaction. The ineffective portion of the value changes is recognized directly in the income statement.

Parent company's accounting policies

The parent company applies the Annual Accounts Act and the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for legal entities. Application of RFR 2 means that the parent company as far as possible applies all the IFRS adopted by the EU within the framework of the Annual Accounts Act and the Act on Safeguarding Pension Obligations, taking into account the relationship between accounting and taxation. The differences between the accounting policies of the parent company and Group are described below:

Classification and formats
The parent company's income statement and balance sheet follow the format of the Annual Accounts Act schedules. The difference in relation to IAS 1 Presentation of Financial Statements applied when preparing the Group's financial statements mainly concerns reporting of financial income and expense, non-current assets, equity and the existence of provisions under a separate heading.

Financial instruments
The parent company does not apply IAS 39 Financial instruments: recognition and measurement. The parent company applies hedge accounting based on cost of acquisition in accordance with the Annual Accounts Act. The net value of CellaVision's derivatives was SEK -2.7 million (0.2) at December 31, 2016.

Intangible assets
Before January 2016 expenditure for product development was reported in the form of capitalized development expenditure in the parent company, but per January 1st 2016 these expenditures are reported as expensed cost in accordance with current accounting standards.

Participations in group companies
Participations in group companies are recorded at cost of acquisition in the parent company's financial statements. Acquisition related costs for group companies that are recognized in the consolidated accounts, are included as part of the cost of acquisition of participations in group companies.

Amendments to RFR 2 and the Annual Accounts Act that have not yet come into force
Approved amendments to RFR 2 that have not yet come into force are not expected to have any material impact on the parent company's financial statements when they are first applied.

Not 2. Financial risk management and financial instruments

In its operations, the Group is exposed to various types of financial risk such as market risk, liquidity risk and credit risk. Market risks mainly consists of interest rate risk and currency risk. The Board of Directors of the company is ultimately responsible for exposure, management and follow-up of the Group's financial risks.

CellaVision works continually to balance its capital and financing risk by means of timely establishment of sufficient credit facilities for the needs that can be foreseen, monitoring cash flows, and working to optimize working capital. The overall goal is to ensure a capital structure that supports long-term profitable growth. Given that the company's operations have good profitability, the company's financial position is satisfactory. In the view of the Board, the company's financing and capital structure does not prevent the company from meeting its commitments in the short and long term, nor from implementing necessary investments.

Market Risks

Currency risk

Currency risk refers to the risk that fair value or future cash flows will fluctuate as a result of changed exchange rates. Exposure to currency risk mainly derives from payment flows in foreign currency, called transaction exposure, and from translation of balance sheet items in foreign currency as well as translation of foreign subsidiaries' income statements and balance sheets to the Group's presentation currency, which is Swedish kronor, called balance sheet exposure.

The Group operates internationally and is exposed to currency risk from various currency exposures, mainly in USD and EUR. The company's purchases are mainly in SEK. Sales are predominantly in USD and EUR. The currency risk arises through future business transactions, reported assets and liabilities and net investments in foreign operations. At present the net exposure in each respective currency is limited, as the Group uses currency forwards to hedge contracted inflows of foreign currency. Derivatives held for foreign currency hedging are valued at level 2, financial instruments where fair value is determined on the basis of valuation models based on other observable data for the asset or liability than listed prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Currency forwards are valued on the basis of observable information referring to exchange rates on the balance sheet date and market rates for remaining maturities. The amount referring to ineffectiveness of cash flow hedges recognized in the income statement is SEK 0 (0). CellaVision continuously hedges 40–70 per cent of currency exposure in net flows 12 months forward and a further 20–40% for months 13–24. Balance sheet exposure is not hedged.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will vary due to changes in market interest and that the Group's interest expense will increase as a consequence of increased market rates. The Group's financial assets consist of deposits. The assets' value is so insignificant that a very low risk is considered to exist. The Group has no interest-bearing liabilities.

Liquidity and financing risk

Prudence in management of liquidity risk entails holding sufficient liquid assets and realisable securities or agreed lines of credit to be able to fulfil obligations. CellaVision minimizes this risk by holding sufficient cash. At present the liquidity risk is deemed to be reasonably low, mainly due to the Group's liquidity.

Credit and counterparty risk

Credit risk refers to the risk that the counterparty in a transaction will cause loss to the Group by not fulfilling its contractual obligations. The Group's exposure to credit risk mainly refers to trade receivables. CellaVision collaborates with triple A distributors and established hematology companies. In the Nordic countries the customers are publicly funded hospitals. There is some concentration of credit risk relating to trade receivables but historically these customers have not had any payment difficulties.

The credit risk in liquid funds is limited because the Group's counterparties are banks with high credit rating.

The Group's and the parent company's maximum exposure to credit risk is assessed to correspond to book values of all financial assets.

Classification of financial instruments

Classification of financial assets and liabilities and their fair value is presented below.

2016	Assets and liabilities recognized at fair value through income statement	Interest bearing debts and trade receivables	Financial liabilities at accrued acquisition value	Total carrying value	Fair value
Trade receivables	0	33,238	0	33,238	33,238
Other receivables	0	5,499	0	5,499	5,499
Cash and cash equivalents	0	132,454	0	132,454	132,454
Total financial assets	**0**	**171,191**	**0**	**171,191**	**171,191**
Liabilities to credit institutions	0	0	0	0	0
Trade payables	0	0	16,451	16,451	16,451
Other liabilities	2,721	0	1,082	3,803	3,803
Total financial liabilities	**2,721**	**0**	**17,533**	**20,254**	**20,254**

2015	Assets and liabilities recognized at fair value through income statement	Interest bearing debts and trade receivables	Financial liabilities at accrued acquisition value	Total carrying value	Fair value
Trade receivables	0	35,498	0	35,498	35,498
Other receivables	249	5,007	0	5,256	5,256
Cash and cash equivalents	0	106,695	0	106,695	106,695
Total financial assets	**249**	**147,200**	**0**	**147,449**	**147,449**
Liabilities to credit institutions	0	0	0	0	0
Trade payables	0	0	7,338	7,338	7,338
Other liabilities	0	0	1,136	1,136	1,136
Total financial liabilities	**0**	**0**	**8,474**	**8,474**	**8,474**

There have been no reclassifications between the valuation categories above during periods.

Fair value measurement of financial instruments

Financial liabilities measured at fair value in the balance sheet consist only of currency forwards. The currency forwards mature within 12 months and are recorded as other current liabilities in the balance sheet. For other financial assets and financial liabilities the carrying amounts are assessed to be a good approximation of the fair values because the maturity and/or interest rate fixing is less than three months, which means that a discount based on current market conditions is not expected to have any material effect.

Financial assets and financial liabilities measured at fair value in the balance sheet are classified into one of three levels based on the information used to establish the fair value. The Group's hedging instruments are measured at fair value in accordance with Level 2 below. During the periods there have been no material transfers between levels.

Level 1 – Quoted prices in an active market. The Group has no financial instruments measured at fair value at Level 1.

Level 2 - Financial instruments, where fair value is determined on the basis of valuation models based on other observable data for the asset or liability than quoted prices included in Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Group's currency forwards are classified at Level 2 via the Group's statement of comprehensive income and recorded as other current liabilities in the Group's statement of financial position.

Level 3 – Financial instruments where fair value is determined on the basis of valuation models in which material inputs are based on non-observable data. The Group has no financial instruments measured at fair value at Level 3.

Notes

Not 3. Important estimates and assumptions for accounting purposes

Establishment of reports and application of different accounting policies are often based on management's estimates or assumptions considered to be reasonable under the current circumstances. These assumptions and estimates are often based on experience but also on other factors, including expectations of future events. For CellaVision, the following area is worth noting:

Capitalized development expenditure
The recoverable amount of capitalized development costs is determined based on the estimated economic life and volume. This calculation is based on estimated future cash flow based on financial forecasts approved by management and reflects product lifecycles.

Not 4. Capital structure

CellaVision defines managed assets as the sum of the Group's net debt and equity. At the end of 2016 managed assets were 73,721 thousand (76,823).

The Group's objectives regarding capital structure are to secure the Group's ability to continue operations to generate returns for shareholders and benefits to other stakeholders and to ensure that the capital structure is optimal considering the cost of capital.

When managing the capital, the Group follows up on metrics such as sales growth and operating margin. The objective is to increase sales by an average of 15% per year with an operating margin exceeding 20% over a business cycle. In 2016 the company achieved sales growth of 11 per cent (10) and the operating margin was 28.0 per cent (27.3).

CellaVision has a strong financial position that allows investment in product development as well as geographic market expansion. The Board proposes that the General Meeting to adopt a dividend policy corresponding to 30-50 percent of net income, but always take into account the Company's and the Group's financial position, capital structure, acquisitions and long-term financing needs.

Not 5. Operational risk factors

Distributors
CellaVision's strategy is to establish strategic alliances with global players in medical technology. CellaVision operates through distributors in all markets except Canada. This means that Cella Vision's future expansion depends on successful distributors. The company mainly distributes its products through the primary hematology companies in the world; Sysmex, Beckman Coulter, Siemens Healthcare Diagnostics, Abbott, Horiba and Semacare. CellaVision is dependent on their successes in the field of hematology, where CellaVision's products are marketed. Despite the fact that CellaVision has well-functioning and extensive contractual relationships with its distributors, these partnerships can be terminated. There is no guarantee that the distributor will sign a new agreement with CellaVision. Discontinued cooperation with a major distributor could have a negative impact on CellaVision's sales and earnings. All contracts are non-exclusive and run for 2–3 years.

Suppliers
The company's strategy is to enter into strategic partnerships, in which the partners handle the manufacturing of the products. This means that CellaVision will be dependent on a number of suppliers of key components such as cameras, microscopes and control equipment as well as companies that manage the assembly and final inspection of the systems. The company has collaborated with a contract manufacturer since 2006 and has long-term cooperation and contracts with its most important subcontractors. Despite this, contracts can be terminated. There is no guarantee that the suppliers will subsequently decide to sign a new agreement with the company. Suspension of deliveries due to terminated contracts or discontinued cooperation with a subcontractor may have a negative impact on CellaVision's sales and earnings.

Dependence on key personnel
CellaVision has a distinct high-tech specialization and is therefore dependent on being able to recruit and retain highly qualified employees.

Cost savings in health care
For economic and political reasons, measures are being taken to reduce costs in the health care sector in Western Europe and the US, for example. Ongoing changes and rationalization, despite CellaVision's efforts at developing cost-effective solutions, may have a negative impact on the company's future sales and earnings.

Product development
Continued development of existing and new products and solutions is of great importance to CellaVision. If the company's ability to develop products ceases, or if products cannot be introduced in accordance with established schedules, or if the market reception is worse than expected, this may result in a negative impact on CellaVision's sales and earnings.

Competition
There is a risk that new competitors with a greater resource base in terms of skills and capital may establish themselves in CellaVision's market and offer better methods and more effective products than CellaVision. Increased competition could result in price pressure on CellaVision products. In order to counteract this, the company constantly monitors competition.

Product liability
Testing, marketing and selling medical devices and solutions entails a risk of claims for damages and there is no guarantee that claims for compensation linked to product liability will not be made against CellaVision. The company has extensive insurance coverage for such claims.

Patents and rights
CellaVision conducts an active patent strategy to protect investments in core technology by applying for patents for new inventions. However, it cannot be guaranteed that current or future patent applications will lead to patents or that approved patents will offer sufficient protection against competitors. In addition, there is always a risk that disputes referring to patent infringement and other intellectual property rights may be started against or by CellaVision. The company has extensive insurance coverage for such claims.

Legislation and regulatory framework
Manufacture, marketing and distribution of medical devices and equipment takes place on a regulated market where such bodies as the FDA (US Food and Drug Administration) and the EU have rules for clinical evaluation, approval and quality testing. CellaVision meets the current requirements in Europe and USA for CellaVision DM. If CellaVision's operations were to be subject to restrictions by government agencies or if the company did not receive necessary future official approval, it could have a negative impact on CellaVision commercially and financially.

Not 6. Information on operating segments

CellaVision's operations comprise only one segment; analyzers for microscopy systems in the field of hematology, and therefore reference is made to the consolidated statement of comprehensive income and financial statement regarding segment reporting. CellaVision sells an analyzer in which software is included. The software and the tool CellaVision Image Capture System do not function as stand-alone products. Other sales such as spare parts, service etc. total less than 10% of total sales.

Not 7. Information on major customers

The products are sold globally via partners and in selected markets also via CellaVision's own sales companies. CellaVision has three customers that each account for more than ten per cent of the company's total sales. The largest customer with sales of SEK 92 million and the other two with sales of SEK 54 million and SEK 35 million.

Note 8. Income by geographical area

	2016		2015	
	Group	Parent company	Group	Parent company
EMEA	83,325	81,848	80,337	81,399
North America	134,419	127,396	131,234	122,986
APAC	47,294	45,151	27,819	23,454
Total	**265,038**	**254,395**	**239,390**	**227,839**

Income from external customers is reported by geographic area based on the delivery address. Group sales of SEK 265,038 thousands of which SEK 257,036 thousand refers to system sales (hardware and software) and SEK 8,002 thousand refers to sales of services. Parent company sales of SEK 254,395 thousands of which SEK 253,436 thousand refers to system sales (hardware and software) and SEK 959 thousand refers to sales of services.

Note 9. Non-current assets by geographical area

Group	2016	2015
EMEA	36,771	31,156
North America	1,198	896
APAC	25	0
Total	**37,994**	**32,052**

Note 10. Expenses classified by nature of expense

	2016	2015
Depreciation, amortisation and impairment (Note 18, 20)	8,260	7,572
Costs for remuneration to employees (Note 13, 14, 15)	74,106	67,007
Changes in inventories of finished goods and work in progress	398	3,055
Raw materials	68,752	55,686
Transport costs	1,074	729
Capitalized expenses	-12,277	-8,593
Premises costs	5,389	5,556
Travel expenses	6,391	6,251
Other expenses	38,777	36,657
Total cost of goods sold, selling, administrative and R&D expenses	**190,870**	**173,920**

Not 11. Intra-Group transactions

SEK 8,842 thousand (10,851) of the parent company's invoicing refers to subsidiaries. Invoicing from subsidiaries to the parent company amounted to SEK 24,294 thousand (21,019).

Note 12. Employees

		2016		2015
Average number of employees	Number employees	Of whom men	Number employees	Of whom men
Parent company, Sweden	67	48	61	41
Subsidiaries, USA	7	4	7	4
Subsidiaries, Canada	2	1	2	1
Subsidiaries, Japan	3	2	3	2
Total	**79**	**55**	**73**	**48**

		2016		2015
Number of women in senior management:	Board of Directors	Other positions	Board of Directors	Other positions
Parent company	2	1	2	1
Subsidiaries	0	0	0	0
Total	**2**	**1**	**2**	**1**

Note 13. Salaries and other remuneration, distributed

	2016		2015	
Salaries and other remuneration:	Board, CEO	Others	Board, CEO	Others
Parent company	3,727	35,391	3,043	32,382
Subsidiaries	0	13,428	0	12,144
Total	**3,727**	**48,819**	**3,043**	**44,526**

Note 14. Social security and pension costs

	2016		2015	
Social security and pension costs:	Social security costs	Of which pension costs	Social security costs	Of which pension costs
Parent company	18,185	5,894	16,955	5,910
Subsidiaries	2,902	210	2,483	412
Total	**21,087**	**6,104**	**19,438**	**6,322**

For employees in Sweden the pension obligations of the defined benefit ITP 2 Plan for old-age and family pension (or family pension) are vested through insurance with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR10 Classification of ITP Plans financed through insurance in Alecta, this is a defined benefit plan covering several employers. For the 2016 financial year the company has not had access to information that makes it possible to report its proportionate share of the plan obligations, plan assets and costs, which means that it is not possible to report the plan as a defined benefit plan. The ITP 2 pension plan, which is vested through insurance with Alecta, is therefore reported as a defined contribution plan. The premium for the defined benefit old-age and family pension is calculated individually and depends among other things on salary, accrued pension and expected remaining working life. Expected contributions in the next reporting period for ITP 2insurance with Alecta amount to SEK 2.3 million (2016: 1.8 million).

The collective solvency level comprises the market value of Alecta's assets as a percentage of its insurance commitments calculated in accordance with Alecta's actuarial methods and assumptions, which do not comply with IAS 19. Normally the collective solvency level should be allowed to vary between 125 and 155 per cent. If Alecta's collective solvency level falls short of 125 per cent or exceeds 155 per cent measures must be taken to allow the solvency level to return to its normal interval. If the solvency level is low, one measure could be to increase the agreed price for writing of new business and increasing existing benefits. If the solvency level is high one measure could be to introduce premium reductions. At the end of 2016 Alecta's surplus in the form of the collective solvency level was 148 per cent (2015: 153 per cent).

Notes

Note 15. Remuneration to senior management

Salaries, remuneration and other benefits:	2016 Salary	2016 Pension	2015 Salary	2015 Pension
Board of Directors:				
Lars Gatenbeck	133	0	267	0
	267	0	0	0
Christer Fåhraeus	200	0	133	0
	200	0	133	0
Roger Johanson	200	0	133	0
Torbjörn Kronander	200	0	133	0
Anna Malm Bernsten	200	0	133	0
Niklas Prager	200	0	133	0
CEO	2,600	435	1,976	640
Other senior management	7,778	2,114	8,466	2,269
Total	**11,978**	**2,549**	**11,509**	**2,909**

In accordance with a resolution of the Annual General Meeting, remuneration is payable to the Board of Directors of SEK 1,600 thousand (1,600), of which SEK 400 thousand (400) to the Chairman of the Board and SEK 200 thousand (200) to each of the other board members. No other fees have been paid. There are no agreements on pensions, severance pay or other benefits. During the year the Board of Directors comprised of 7 members (7).

The President/Chief Executive Officer's period of notice is twelve months for termination by the company and six months for termination by the President/ Chief Executive Officer. For termination by the company, or by the President/Chief Executive Officer for material breach of contract by the company, the President/Chief Executive Officer is entitled to severance pay equivalent to twelve months' salary. No further severance pay is payable.

There is an incentive program for senior management consisting of a long-term share-price related program and an annual individual program. The outcome is capped to 6 months' salary for the CEO. Half goes into the annual individual program and the other half goes to the share related program where it can be doubled if CellaVision's share price development exceeds the index by 100%. For other members of senior management, the outcome is capped at 3 months' salary. Half goes into the annual individual program and the other half goes to the share related program where it can be doubled if CellaVision's share price development exceeds the index by 100%. During the year reservations related to incentive programs where made to the amount of SEK 1,566 thousand (1,169). See also the description in the corporate governance report.

In 2016 the CEO was paid a fixed salary including remuneration for paid leave of SEK 2,127 thousand (1,976), plus benefits mainly comprising car benefit valued at SEK 0 thousand (0). In addition to a fixed salary, variable remuneration of SEK 473 thousand (0) was paid. Other senior executives in the management group were paid total fixed salaries of SEK 6,850 thousand (7,997) plus benefits mainly comprising car benefit valued at SEK 245 thousand (185). In addition to a fixed salary, variable remuneration of SEK 674 thousand (284) was paid. There were 8 other members of senior management for part of the year. CellaVision has for the year had no related party transactions. The Remuneration Committee prepares questions of remuneration and other conditions of employment for the company management. Decisions are made by the Board.

Note 16. Audit fees

Fees to the company's auditors, Deloitte AB	2016 Group	2016 Parent company	2015 Group	2015 Parent company
Audit	185	185	185	185
Addition to the audit engagement	45	45	60	60
Tax advisory	57	57	25	25
Other engagements	12	12	0	0
Total	**299**	**299**	**270**	**270**

Note 17. Operational leases and rental contracts

Contracted future rental and lease charges	2016 Group	2016 Parent company	2015 Group	2015 Parent company
- Within one year	6,110	6,110	4,035	3,784
- Later than one but within five years	14,903	14,903	811	811
- Later than within five years	4,929	4,929	0	0
Total	**25,942**	**25,942**	**4,846**	**4,595**

Rental and lease payments for all operational leases and rental contracts during the year amounted to SEK 5,997 thousand (6,025). The parent company's rental and lease payments for the year were SEK 5,212 thousand (5,097). The total amount at balance sheet date of future minimum lease payments under non-cancellable contracts concerning objects that are sub leased are equal to 0 (0) thousand for the group.

Note 18. Depreciation group

	2016 Intangible asset	2016 Tangible asset	2015 Intangible asset	2015 Tangible asset
Cost of goods sold	6,952	0	6,416	0
Selling expenses	0	703	0	490
Administrative expenses	0	202	0	222
Research and development expenses	0	403	0	444
Total	**6,952**	**1,308**	**6,416**	**1,156**

Note 19. Depreciation parent company

	2016 Intangible asset	2016 Tangible asset	2015 Intangible asset	2015 Tangible asset
Cost of goods sold	6,952	0	6,416	0
Selling expenses	0	202	0	222
Administrative expenses	0	202	0	222
Research and development expenses	0	403	0	444
Total	**6,952**	**807**	**6,416**	**888**

Note 20. Appropriation of company profits

	2016 Parent company
The following profits are at disposal at the AGM	
Profit brought forward	116,836
Net profit/loss for the year	46,216
Total	**163,052**
The Board of Directors proposes the AGM the following	
Dividend to shareholders SEK 1.50 per share	35,777
To be carried forward	127,274
Total	**163,052**

Note 21. Interest income and other similar profit/loss items

	2016 Group	2016 Parent company	2015 Group	2015 Parent company
Interest income	1	0	4	3
Exchange differences, Group loan	3,662	3,624	2,004	1,987
Total	**3,663**	**3,624**	**2,008**	**1,990**

No part of the parent company's interest income/expenses is intra-group.

Note 22. Interest expenses and other similar profit/loss items

	2015		2014	
	Group	Parent company	Group	Parent company
Interest expenses	37	37	10	10
Exchange differences, Group loan	2,019	1,864	1,915	1,794
Total	**2,056**	**1,901**	**1,925**	**1,804**

No part of the interest costs is directly attributable to development activities and their costs.

Note 23. Taxes

	2016		2015	
	Group	Parent company	Group	Parent company
Tax on result for the year				
Current tax	-4,168	-4,100	-955	0
Deferred tax expenses	-11,807	-8,633	-11,776	-11,775
Total tax on result for the year	**-15,975**	**-12,733**	**-12,731**	**-11,775**
Deferred tax				
Utilization of tax losses	-7,698	-7,698	-13,957	-13,957
Revaluation of tax losses	0	0	0	0
Temporary differences	-4,109	-935	2,181	2,182
Total deferred tax	**-11,807**	**-8,633**	**-11,776**	**-11,775**
Deferred tax asset				
Deferred tax asset, loss carry-forwards	0	0	7,698	7,698
Temporary differences	-4,109	1,247	2,204	2,182
Total carrying amount for deferred tax asset	**-4,109**	**1,247**	**9,902**	**9,880**
Unrecognised deferred tax assets	1,563	0	1,310	0
Loss carry-forwards	0	0	42,652	34,991

There are accumulated loss carry forwards in Japan. The time limit for the carry forwards is 7 years. No part of loss carry forwards in Japan has been recognized in the accounting. In Japan the tax loss is JPY 65 million that can be utilized at the latest in 2023.

	2016		2015	
Reconciliation, taxation	Group	Parent company	Group	Parent company
Accounting profit/loss before tax	75,775	58,948	65,554	63,782
Tax at current tax rate	-16,670	-12,969	-14,422	-14,032
Tax effect of:				
-Effect of different tax rates in foreign subsidiaries	459	0	-165	0
-Non taxable income	266	266	2,298	2,298
-Non-deductible expenses	-287	-30	-621	-41
-Utilization of tax loss defecits where deferred tax assets is not recognized	257	0	179	0
-Tax losses where deferred tax asset is not reported	0	0	0	0
Tax on result for the year	**-15,975**	**-12,733**	**-12,731**	**-11,775**

Income tax amounts in other comprehensive income refers entirely to cash flow hedges.

Note 24. Intangible assets

	2016		2015	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	41,543	41,543	86,204	86,204
Year's acquisitions	12,276	70	8,593	8,593
Disposals/ retirements	0	0	-53,254	-53,254
Closing accumulated cost of acquisition	**53,819**	**41,613**	**41,543**	**41,543**
Opening depreciation	**-12,143**	**-12,143**	**-58,980**	**-58,980**
Depreciation for the year	-6,952	-6,952	-6,416	-6,416
Reversal of acc. depreciation on disposals/retirements	0	0	53,253	53,253
Closing accumulated depreciation	**-19,095**	**-19,095**	**-12,143**	**-12,143**
Closing carrying amount	**34,724**	**22,518**	**29,400**	**29,400**

Expenditure on research and development was SEK 41,515 thousand (35,717), which is 16 percent (15) of net sales. Of this expenditure SEK 12,276 thousand (8,593) has been capitalized and the remaining SEK 29,239 thousand (27,124) has been charged to the result for the year. The year's development work refers to development aimed at strengthening the product portfolio in relation to customers in the sub-field of hematology.

Note 25. Equipment

	2016		2015	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	5,317	4,175	17,964	15,874
Year's acquisitions	1,925	1,098	836	815
Disposals/ retirements	-241	0	-13,483	-12,514
Closing accumulated cost of acquisition	**7,001**	**5,273**	**5,317**	**4,175**
Opening depreciation	-2,851	-2,419	-14,861	-14,045
Depreciation for the year	-1,308	-807	-1,214	-888
Reversal of acc. depreciation on disposals/retirements	261	0	13,224	12,514
Closing accumulated depreciation	**-3,898**	**-3,226**	**-2,851**	**-2,419**
Translation difference	167	0	186	0
Closing carrying amount	**3,270**	**2,047**	**2,652**	**1,756**

Note 26. Inventories

	2016		2015	
Inventories	Group	Parent company	Group	Parent company
Raw materials and consumables	1,079	1,079	2,324	2,324
Finished goods	35,196	31,088	22,300	19,028
Total	36,275	32,167	24,624	21,352

Inventories recognized as an expense during the year amount to SEK 68,752 (55,686) thousand in the Group and SEK 88,997 (71,832) thousand in the parent company. Impairment loss on inventories during the year amounted to SEK -189 (-61) thousand in the Group and SEK -189 (-61) thousand in the parent company. None of the inventories has been recognized at net sales value.

Notes

Note 27. Deposits

	2016		2015	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	1,195	1,083	526	318
Recovered deposit	-29	0	-109	
Additional deposits	847	847	765	765
Translation differences for the year	12	0	13	
Closing carrying amount	**2,025**	**1,930**	**1,195**	**1,083**

Note 28. Shares and participations in subsidiaries

Company	Corporate identity number	Registered office	Number of participations	Share of equity (%)	Book value
CellaVision International AB	556573-4299	Lund, Sweden	1,000	100	100 kSEK
CellaVision Inc., Canada	1724445	Toronto, Canada	1,000	100	6 kSEK
CellaVision Inc., USA	06-1624895	Delaware, USA	10	100	1 SEK
CellaVision Japan K.K.	0104-01-074862	Yokohama, Japan	200	100	1 SEK

Note 29. Trade receivables

Trade receivables overdue but not written down:

	2016	2015
1–30 days overdue	8,703	7,407
31–60 days overdue	301	1,290
61–90 days overdue	33	482
91–120 days overdue	1,258	509
More than 121 days overdue	571	717
Total	**10,866**	**10,405**

As at 31 December 2016 trade receivables of SEK 10,866 thousand (10,405) were due for payment in the Group, but no impairment loss was identified. These trade receivables are from customers who have not previously had any payment difficulties. The age analysis for the Group relating to these trade receivables is shown below. The main part of these receivables were settled at the end of February 2017. As at 31 December 2016 the Group reports a loss referring to provision for anticipated bad debt losses of SEK 130 thousand (50). The provision for doubtful trade receivables was SEK 130 thousand (50) as at 31 December 2016. There are no pledges as collateral for receivables.

Note 30. Prepaid expenses and accrued income

	2016		2015	
	Group	Parent company	Group	Parent company
Office rent	495	495	1,035	1,035
Pension premiums	235	235	217	217
Insurance premiums	620	620	614	614
Market activity costs	253	173	342	0
License fees	2,298	2,298	313	313
Other	1,359	62	1,471	372
Total	**5,260**	**3,883**	**3,992**	**2,551**

Not 31. Share capital

The registered share capital in the parent company was distributed, as at 31 December 2016, among 23,851,547 shares with a quotient value of SEK 0.15 (0.15) each. The number of shares in issue is unchanged compared with the same period in the previous year. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. No shares are held by the company itself.

Note 32. Warranty provisions

	2016		2015	
	Group	Parent company	Group	Parent company
Opening amount	1,110	1,110	4,248	4,248
Allocated during year	1,248	1,248	1,110	1,110
Reversed provisions	-531	-531	-4,048	-4,048
Utilised	-579	-579	-200	-200
Total	**1,248**	**1,248**	**1,110**	**1,110**
Provisions fall due for payment				
- Within one year	1,248	1,248	1,110	1,110
- Later than one but within five years	0	0	0	0
Total	**1,248**	**1,248**	**1,110**	**1,110**

Note 33. Accrued expenses and deferred income

	2016		2015	
	Group	Parent company	Group	Parent company
Holiday liability	6,070	5,080	4,972	4,370
Board fee	1,071	1,071	1,070	1,070
Social security contributions	6,103	6,103	5,461	5,461
Staff costs	980	980	1,066	1,066
Incentive program	4,595	4,595	8,760	8,760
Prepaid income	6,142	1,886	3,298	
Other	2,556	1,533	2,699	1,443
Total	**27,517**	**21,248**	**27,326**	**22,170**

Note 34. Pledged assets and contingent liabilities

	2016		2015	
Pledged assets	Group	Parent company	Group	Parent company
Bank guarantees	9,754	9,754	0	0
Floating charge	12,500	12,500	12,500	12,500
Total	**22,254**	**22,254**	**12,500**	**12,500**
Contingent liabilities	None	None	None	None

The floating charge refers to the company's previous invoice factoring agreement with Nordea.

Note 35. Non-cash items

Group	2016	2015
Depreciation	8,261	7,572
Unrealised currency gains/losses , Intercompany loan	0	0
Change in accruals and provisions	-939	-3,492
Total	**7,322**	**4,080**

Parent company	2016	2015
Depreciation/amortisation	7,759	7,304
Write down of intragroup loans	0	0
Unrealised currency gains/losses , Intercompany loan	0	0
Change in accruals and provisions	-4,002	-4,335
Total	**3,757**	**2,969**

Not 36. Disputes in the Group

There are no disputes within the Group with third parties.

Not 37. Events after the balance sheet date

There are no significant events after the close of the year to report. The Annual Report was adopted by the board and approved for publication on April 10th, 2017.

Reconciliation

Net earnings per share

KSEK	Jan-Dec 2016	Jan-Dec 2015
Profit/loss for the period	59,800	52,822
Number of shares	23,851,547	23,851,547
Net earnings per share	**2.51**	**2.21**

Equity per share

KSEK	Jan-Dec 2016	Jan-Dec 2015
Equity	206,175	183,518
Number of shares	23,851,547	23,851,547
Equity per share	**8.64**	**7.69**

Equity-asset ratio

KSEK	Jan-Dec 2016	Jan-Dec 2015
Equity	206,175	183,518
Balance sheet total	256,445	220,428
Equity ratio	**80.4%**	**83.3%**

Gross margin

KSEK	Jan-Dec 2016	Jan-Dec 2015
Net sales	265,038	239,390
Gross profit	188,936	174,233
Gross margin	**71.3%**	**72.8%**

Operating margin

KSEK	Jan-Dec 2016	Jan-Dec 2015
Net sales	265,038	239,390
Operating profit	74,168	65,470
Operating margin	**28.0%**	**27.3%**

EBITDA

KSEK	Jan-Dec 2016	Jan-Dec 2015
Operating profit	74,168	65,470
Depreciation	8,261	7,572
EBITDA	**82,429**	**73,042**

Net sales

KSEK	Jan-Dec 2016 (%)	Jan-Dec 2016 MSEK	Jan-Dec 2015 (%)	Jan-Dec 2015 MSEK
Last period		239,390		216,916
Organic growth	9%	20,492	-0%	-194
Currency effect	2%	5,156	10%	22,668
Current period	11%	265,038	10%	239,390

Annual General Meeting
The Annual General meeting will be held on May 5, 2017 at 15:00 at CellaVision's premises at Mobilvägen 12 in Lund, Sweden.

Dividend
The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 1:50 per share for 2016.

Signing of the annual accounts
The annual accounts and consolidated accounts were approved by the Board of Directors on 11 April 2017. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be submitted for adoption by the Annual General Meeting on May 5, 2017.

The Board of Directors and CEO hereby certify that the annual accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation, RFR 2 and give a true and fair view of the company's financial position and performance and that the administration report gives a fair review of the development of the company's business, financial position and performance and describes material risks and uncertainties to which the company is exposed.
The Board of Directors and CEO hereby certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, Annual Accounts Act and RFR 1, and give a true and fair view of the Group's financial position and performance and that the administration report for the Group gives a fair review of the development of the Group's business, financial position and performance and describes material risks and uncertainties to which the companies in the Group are exposed.

Lund 11 April 2017

Sören Mellstig,
Chairman of the Board

Christer Fåhraeus,
Member of the Board

Åsa Hedin,
Member of the Board

Roger Johanson,
Member of the Board

Torbjörn Kronander,
Member of the Board

Anna Malm Bernsten,
Member of the Board

Niklas Prager,
Member of the Board

Zlatko Rihter,
President and CEO

Our audit report was submitted on 11 April 2017
Deloitte AB

Maria Ekelund,
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders
of CellaVision AB (publ)
corporate identity number 556500-0998

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of CellaVision AB (publ) for the financial year 2016-01-01 - 2016-12-31 with the exception for the corporate governance report on pages 29-37. The annual accounts and consolidated accounts of the company are included on pages 26-56 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 2016 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 2016 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 statements do not cover the corporate governance report on pages 29-37. 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.

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.

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 judgement, were of most significance in our audit of the annual accounts and the consolidated accounts of the current period. These matters were addressed in the context of our audit of CellaVision AB (publ) 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.

Valuation of capitalized development expenditure
Description of the risk
- CellaVision AB (publ) reported in the balance sheet of 31 December 2016 capitalized development expenditures of 34 million SEK (29).
- The value of the assets is contingent on future returns on products related to development expenditures. The company makes impairment testing per product group.
- Incorrect assessment and assumptions can produce an effect on the Group's results and financial position.

For further information we refer to the Group's accounting policies on page 46-48, note 3 of important accounting estimates on page 50 and note 24 on intangible assets on page 53 of the annual report.

Our audit procedures
- We have audited the company's key controls of the company's internal controls to identify the company's division of the research and development phase.
- We have audited the company's key controls to identify indications of impairment and that the impairments are made within the correct period.
- We have audited the company's assumptions and methods used in the impairment test to ensure that assumptions are reasonable and that the procedures are applied consistently and with integrity in the model.

Other information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and that can be found on pages 2-25 and 60-63. 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 to 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.

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:

- 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 affect our independence, and, where applicable, the associated countermeasures.

From the matters communicated with the Board, we determine those matters that were of most significance in the audit of annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and which therefore constitute the key audit matters. We describe these areas in the auditor's report unless law or regulation precludes disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report due to the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 appropriation of the profit or loss and the administration of the Board of Directors and the Managing Director of CellaVision AB (publ) for the financial year 2016-01-01-2016-12-31.

We recommend to the annual general meeting of shareholders that the profit to be appropirated 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 liability under those standards are further described in the auditor's responsibility section. We are independent of the parent company and the Group in accordance with professional ethics in Sweden and 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 report
The Board of Directors is responsible for the corporate governance report on pages 29-37 and for that it is prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standards RevU 16 The auditor's review of the corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and other generally accepted auditing standards in Sweden. We believe that the examination gives us sufficient basis for our opinion.

A corporate governance report has been prepared.

Disclosures in accordance with Chapter 6, paragraph 6, second subparagraph, notes 2 to 6 of the Annual Accounts Act and Chapter 7, paragraph 31 of 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.

Malmö 11 April 2017

Deloitte AB
Signature on Swedish original

Maria Ekelund
Authorized Public Accountant

Five year summary

Income statement

Amounts in SEK thousands	2016	2015	2014	2013	2012
Revenues	265,038	239,390	216,916	179,851	169,512
Cost of goods sold	-76,102	-65,157	-71,814	-67,225	-59,456
Gross profit	**188,936**	**174,233**	**145,102**	**112,626**	**110,056**
Selling expenses	-56,859	-47,851	-42,691	-39,344	-38,859
Administrative expenses	-28,670	-33,788	-36,833	-26,653	-29,060
Research and development costs	-29,239	-27,124	-22,765	-20,683	-21,435
Other operating income	0	0	0	0	0
Other operating expenses	0	0	0	0	0
Operating profit/loss	**74,168**	**65,470**	**42,813**	**25,946**	**20,702**
Profit/loss from financial items	1,607	83	556	-1,256	-2,151
Tax	-15,975	-12,731	-11,904	-5,758	-12,100
Net profit/loss for the year	**59,800**	**52,822**	**31,465**	**18,932**	**6,451**

Balance sheet

Amounts in SEK thousands					
Assets					
Intangible assets	34,724	29,400	27,224	26,466	24,152
Property, plant and equipment	3,270	2,652	3,203	3,195	2,693
Non-current financial assets	2,025	1,195	208	83	91
Deferred tax assets	0	9,902	22,507	33,078	37,994
Current assets	216,426	177,279	149,107	125,751	113,626
Total assets	**256,445**	**220,428**	**202,249**	**188,573**	**178,556**
Equity and liabilities					
Shareholders' equity	206,175	183,518	151,296	132,516	124,912
Current liabilities and current provisions	50,270	36,910	50,953	56,057	53,644
Total equity and liabilities	**256,445**	**220,428**	**202,249**	**188,573**	**178,556**

Key ratios

Equity, SEK '000	206,175	183,518	151,296	132,516	124,912
Operating Capital, SEK '000	44,179	65,727	76,676	61,451	54,863
Liabilities to credit institutions, SEK '000	0	0	0	19,978	14,272
Net investments, SEK '000	13,960	9,411	13,471	11,793	11,103
Cash flow for the year, SEK '000	25,759	54,790	-5,977	11,646	-10,582
Net debt/equity ratio	-0.64	-0.58	-0.34	-0.29	-0.26
Equity-assets ratio, %	80	83	75	70	70
Return on equity, %	31	32	22	15	5
Return on operating capital, %	135	92	62	45	46
Average number of employees	79	73	68	67	64
Number of employees at close of period	84	73	72	69	65

Data per share

Net result before and after dilution, SEK	2.51	2.22	1.32	0.79	0.27
Equity before dilution, SEK	8.64	7.69	6.34	5.56	5.24
Equity after dilution, SEK	8.64	7.69	6.34	5.56	5.24
Average weighted number of shares before dilution, thousands	23,852	23,852	23,852	23,852	23,852
Average weighted number of shares after dilution, thousands	23,852	23,852	23,852	23,852	23,852
Number of shares at end of period before dilution	23,852	23,852	23,852	23,852	23,852
Number of shares at end of period after dilution	23,852	23,852	23,852	23,852	23,852

Glossary

Algorithm A systematic procedure in mathematics and data processing consisting of a finite number of steps that specify how a calculation is performed or a given problem is solved.

Anemia A blood deficiency in which there is an abnormally low content of hemoglobin, the oxygen transporting substance in blood that is found in red blood cells.

Artificial intelligence/Artificial neural network A mathematical theory that simulates the brain's method of learning.

Cerebrospinal fluid A transparent fluid that surrounds the brain and the spinal cord.

Cell counter When a hematological disease is suspected a complete blood count is the first test ordered by healthcare services. A complete blood count is routinely used to obtain an overall status of different cells in the blood. The main part of the samples can be analyzed using cell counters. Samples showing any type of abnormality are sent on for further examination in CellaVision's analyzer, where the blood is smeared and stained on a microscope slide. Without access to CellaVision's systems, the sample is examined manually in a microscope.

Cytologi The study and investigation of cells. Examination mainly of liquid-based samples, such as from spinal fluid, lung fluid and synovial fluid, for the purpose of finding bacteria, cancer cells and blood cells. Perhaps the most frequent cytology test is a Pap smear test from the cervix, which is used to detect malignant or pre-malignant cell changes.

Food and Drug Administration (FDA) The US regulatory authority.

Hematology Means "the science of blood and its diseases" and is a medical specialty that researches and treats diseases of the blood and blood-forming organs.

In vitro diagnostics refers to a wide range of medical laboratory tests analyzed outside the body.

Clinical chemistry The medical discipline responsible for developing, refining and providing medical services with chemical analyses, blood analyses, immunological analyses and other methods.

Leukemia is a type of cancer of the blood or bone marrow characterized by an abnormal increase of immature white blood cells called "blasts". Leukemia is a broad term covering a spectrum of diseases.

Lymphoma is a cancer of the lymphocytes, a type of cell that forms part of the immune system.

Medical Technologist is an allied health professional who exercises technical and scientific functions in medical laboratories. Perform tests on clinical specimens such as blood or tissues in order to get information about the health of a patient as pertaining to the diagnosis, treatment, and prevention of disease.

Neural networks A mathematical theory that simulates the brain's method of learning.

Pathology The study of the causes and development of diseases, particularly with respect to changesin the morphology of cells, tissues and organs. Microscopic studies of tissue sections and biopsies, which can be paraffin-embedded or frozen. Examples of pathology analyses are biopsies of suspected breast cancer tissue.

Platelet Also called thrombocyte. Platelets are small blood components that help the clotting process by sticking to the lining of blood vessels. Important in the formation of blood clots (coagulation).

Red blood cells (erythrocytes) carry oxygen to the cells, and carbon dioxide from them into the lungs. Normally constitutes the largest number of cells in the blood.

Thrombotic thrombocytopenic purpura (TTP or Moschcowitz syndrome) is a rare disorder of the blood-coagulation system, causing extensive microscopic clots to form in the small blood vessels throughout the body. These small blood clots, called thrombi, can damage many organs including the kidneys, heart and brain.

White blood cells (leukocytes) are cells of the immune system involved in defending the body against infectious disease. In a healthy person, there are normally five types of white blood cells: neutrophils, eosinophils, basophils, monocytes and lymphocytes.

Financial definitions

Average number of employees. The number of employees at the end of each month, divided by twelve.

Net earnings per share. Net earnings in relation to average weighted number of shares.

Net earnings per share after full dilution. Net earnings divided by the average weighted number of shares plus the additional number for full dilution.

Net investments. Tangible and intangible investments adjusted for disposals.

Equity per share. Equity in relation to average weighted number of shares.

Equity per share after full dilution. Equity in relation to average weighted number of shares increased by the number that resides at full dilution.

Equity-assets ratio. Equity as a percentage of the balance sheet total.

Net debt/equity ratio. Net loan liability in relation to equity. (Net loan liability is calculated as loan liability minus cash at the end of the period.)

Return on equity. Net earnings in relation to average equity.

Return on operting capital. Result after financial items as a percentage of average operating capital.

Interest coverage ratio. Operating result plus financial income divided by financial expenses.

Operating Capital. Balance sheet total less financial liabilities, deferred tax liabilities and non-interest bearing liabilities.

Cash flow for the year. Result after financial items plus amortisation/depreciation, less tax paid, adjusted for decrease/increase in working capital excluding cash and cash equivalents and less net investment in non-current assets, change in loans raised/repaid and dividend paid.

Sources

Information provided in the Annual Report concerning markets, competition and future growth constitutes CellaVision Group's assessment based mainly on material compiled within the Group. Moreover are the sources below included in the assessment.

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Reversing the Lab Workforce Shortage Trend. Advance Healthcare Network. 2011.

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The hospital market in China. Business Sweden (på uppdrag av CellaVision), 2011.

United Nations, Population Ageing and Development 2012.

Annual General Meeting & calendar

Annual General Meeting
CellaVision's Annual General Meeting will be held on May 5, 2016 at 15.00 at Mobilvägen 12 in Lund. The Notice to the Annual General Meeting is available at:
http://www.cellavision.com/sv/agm

Participation
Shareholders who wish to attend the AGM must be listed in the share register hold by Euroclear Sweden on April 28, 2017, and must have given notice of their intention to attend by mail to:

CellaVision AB, c/o Advokatfirman Lindahl
Studentgatan 6, 211 38 Malmö
or via email: cellavision@lindahl.se
or via fax: +46 40 664 66 55

Nominee registered holdings
For entitlement to participate in the AGM shareholders with nominee-registered holdings must apply for temporary re-registration of the shares in their own name with Euroclear Sweden. Registration must have been effected at the latest by April 28, 2017 and should be requested in good time before that date.

Dividend
The Board of Directors proposes that the AGM approve a dividend of SEK 1:50 per share for 2016.

Financial calendar
Interim Report Q1, May 4
Interim Report Q2, July 18
Interim Report Q3, Oct 25
Year-end Bulletin 2016, Feb 9, 2018

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www.cellavision.se/subscribe

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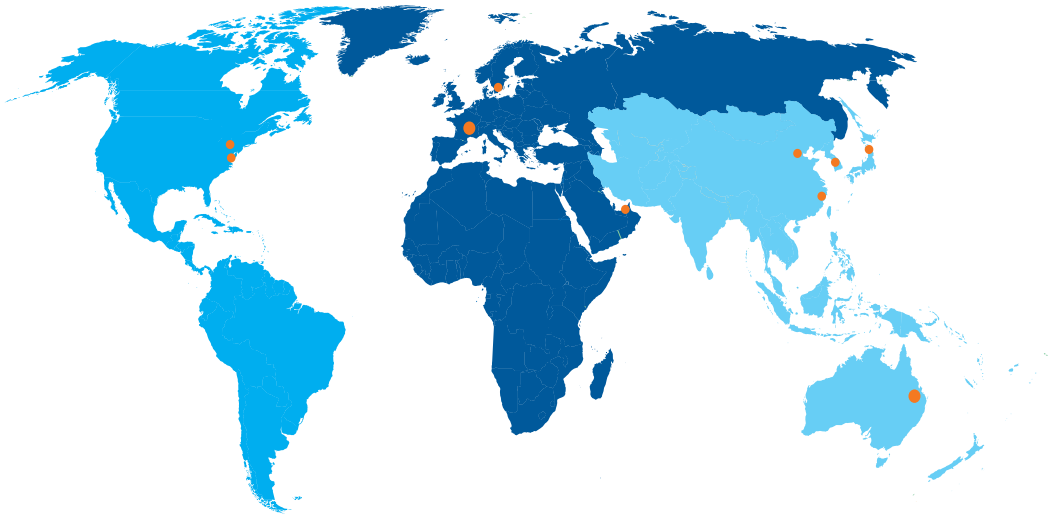
CellaVision in the world



CellaVision market and support offices

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