

Strong cash flow and successful product development

January 1-March 31 2014

- Net sales increased by 28 % to SEK 43.2 million (33.8).
- Operating profit increased to SEK 7.5 million (-0.7).
- Profit before tax increased to SEK 7.4 million (-1.5).
- Earnings per share increased to SEK 0.25 (-0.06).
- Two new patents granted for the Asian market.

Significant events after the first quarter

- Introduction of two new products – CellaVision® DM9600 and CellaVision® Advanced RBC Application.
- Yvonne Mårtensson is to leave her post as President/CEO of CellaVision. Yvonne will continue as President/CEO until her successor is appointed or until December 31st 2014.

Net sales, Q1

+28 %

Operating profit, Q1

7.5 MSEK

CEO's comments

The strong trend from 2013 is continuing into 2014 with growth of 28 per cent and an operating margin of just over 17 per cent. The figures continue to be strong, though they are being compared with a weak performance in Q1 2013.

The increase in sales is primarily accounted for by the North American market (+132 %), where we see a continued recovery. EMEA is also showing signs of an upturn (+17 %), above all in the Nordics and southern Europe. The Asia & Pacific region was down in the quarter (-83 %), which can be explained by a lot of business being brought forward in Q4 2013.

The strong operating margin is partly due to higher growth, which is explained among other things by a higher percentage of software sales especially in the USA, and partly due to continued hard work with sound cost control at all stages. It is gratifying that our efforts to strengthen cash flow have paid off. Cash flow from operating activities is very strong and was SEK 29.4 million (7.5) for the quarter.

In line with our strategy, our product portfolio is being strengthened with two new products to be launched in May. A new analyzer, the DM9600, which replaces

our most sold analyzer since 2004, the DM96, and new application software for specialized analysis of red blood cells, Advanced RBC. The DM9600 is based on the same technical platform as the existing products DM1200 and DI-60, which should be able to deliver synergy effects in the long term.

With two new products and continued sales drives in Asia, we have decided not to add more partners in 2014, but instead focus on those we already work with. This means that the discussions started with the Chinese company Mindray have been postponed, and in China we will continue with our partners Sysmex, Beckman Coulter and Vastec.

I will be leaving the post of President/CEO of CellaVision at the end of this year. It has been a fantastic journey over the 16 years I have spent in the job – from a development project to a global company with products in some 50 countries. The process of finding my replacement is starting now and I will continue as President/CEO until my successor is in place or until the end of this year.

Yvonne Mårtensson, President and Chief Executive Officer

"In line with our strategy, our product portfolio is being strengthened with two new products"



Key ratios

(MSEK)	Jan–Mar 2014	Jan–Mar 2013	Jan–Dec 2013
Net sales	43.2	33.8	179.9
Gross profit or loss	28.0	22.0	112.6
Operating profit	7.5	-0.7	25.9
Operating margin, %	17.4	Neg	14.4
Profit/loss before tax	7.4	-1.5	24.7
Total cash flow for the period	18.3	6.3	11.6

Sales, earnings and investment

January 1–March 31

In the first quarter of 2014 net sales for the Group amounted to SEK 43.2 million (33.8), an increase of 28 per cent compared with the same period in 2013.

The gross margin for the quarter was 65 per cent (65). CellaVision usually has large gross margin variations from quarter to quarter. This is dependent on the share of sales via distributors or via CellaVision's own sales companies, the product mix and exchange rates.

CellaVision is conducting several development projects, aimed at strengthening our product portfolio in relation to customers in the field of hematology. Capitalized expenditure for development projects was SEK 3.6 million (2.6) for the quarter.

Investments in property, plant and equipment during the quarter amounted to SEK 0.15 million (0.8).

Seasonal variations

Like others in the medical devices industry selling capital equipment, CellaVision's inflow of orders is unevenly distributed over the year, historically with a strong fourth quarter, depending on distributors' sales, inventory levels and contracted volumes and the fact that parts of the healthcare investment budget are released late in the year. Consequently, the variation in order volume in individual quarters may be great in the different geographical regions.

Financial targets

Our objective is to create a global standard for digital microscopy in the sub-field of hematology, aiming in the long term to be a world leading supplier in several sub-fields of laboratory medicine. The objective breaks down into important financial targets.

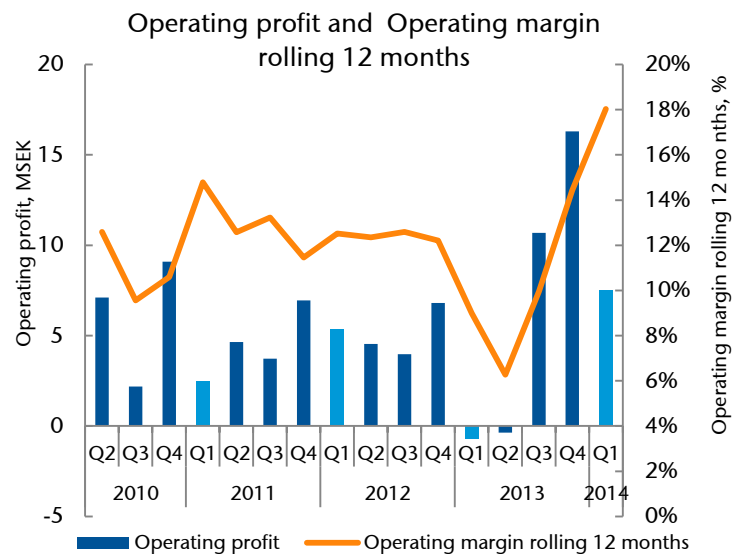
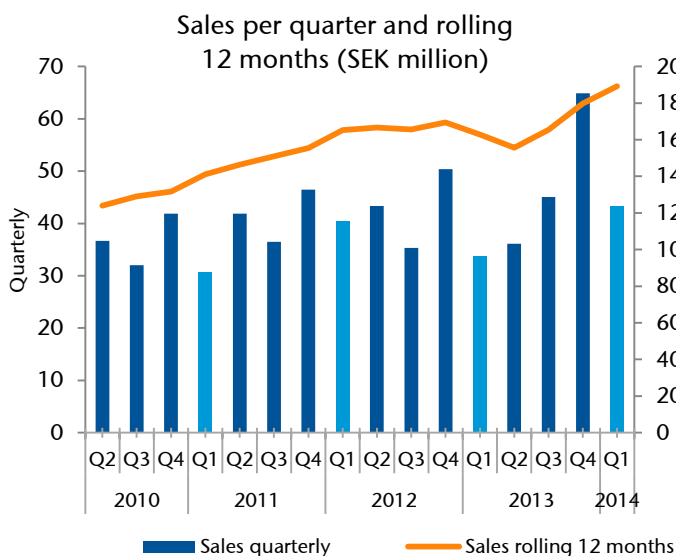
- **Sales growth $\geq 15\%$**
Increase sales over an economic cycle by an average of at least 15 per cent per year.
- **Operating margin $> 15\%$**
The operating margin is to exceed 15 per cent.

Net sales, Q1

43.2 MSEK

Operating margin, rolling 12 mon

18%





- CellaVision's sales and business support offices

Development in geographical markets

North America

The strong demand for CellaVision's products in North America that we saw at the end of 2013 has been maintained into the first quarter of 2014. This is despite the hematology market as a whole in North America not having seen much growth generally in recent years.

Sales for CellaVision increased to SEK 25.1 million, an increase of 132 per cent compared with the same quarter in 2013. The increase was 130 per cent in local currencies. A strong contributory reason for the sales increase, besides our partners' successful placement of analyzers, is also increased software sales. Sales growth in Canada continues to be subdued, but the registration of the DI-60 at the beginning of 2014 marked a considerable increase in market penetration of CellaVision's products in the region.

Europe

Despite a weak economy in Europe, sales in the region were SEK 16.6 million for the quarter, which is an increase of 17 per cent compared with 2013. The increase was 15 per cent in local currencies. Fiscal policy restraint in recent years has led to reduced investment in laboratory equipment and thus also

dampened growth in the hematology market. The integrated DI-60 product, marketed by Sysmex, has strengthened interest in digital morphology, but CellaVision's other products, the DM96 and DM1200, have also made a strong contribution to sales growth. We see increased sales in the Nordic countries, but also in the previously weak markets of southern Europe.

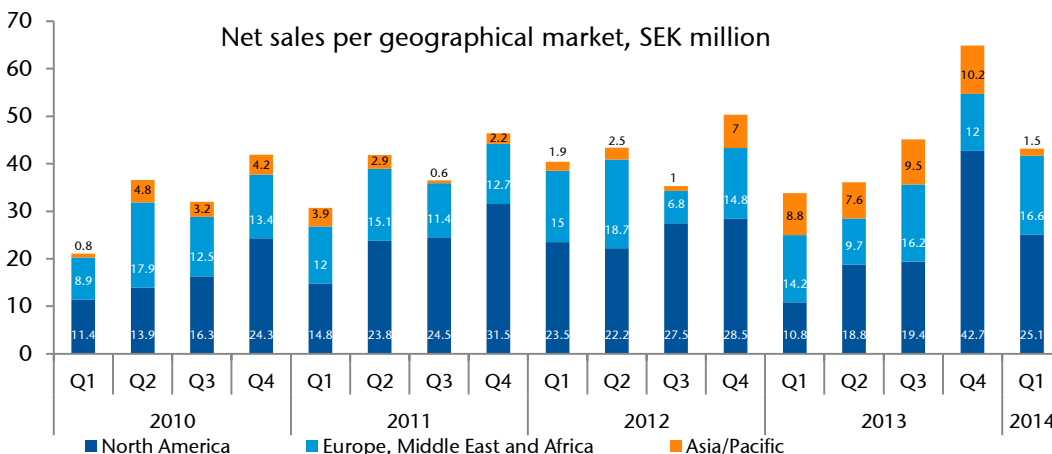
Asia and the Pacific region

CellaVision's sales in the first quarter decreased to SEK 1.5 million (-83 per cent) in the region. The decrease was -84% in local currencies. The decrease is mainly due to orders being brought forward in Q4 2013 and some inventory build-up by our partners. The DI-60 is in process of registration and not yet available on the market in China, which can also explain a limited inflow of orders. The registration process for the DM1200 has also been started in China and is expected to be completed in Q4.

CellaVision currently has three partners in China: Sysmex, Beckman Coulter and Vastec. It has been decided not to add further sales channels in the region in 2014, in order to focus on existing products and partners. This means that the discussions with the Chinese distributor Mindray have been postponed.

Sales growth of 132 % in North America

Increased sales in the Nordic countries, but also in the previously weak markets of southern Europe



Research and development

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

During the quarter CellaVision continued to develop the CellaVision® DM9600, the successor to our most sold analyzer to date, the CellaVision® DM96. The CellaVision DM9600 is based on the same patented hardware platform as our other two analyzers (DM1200 and DI-60), which delivers synergy effects both for partners and end customers.

CellaVision also runs a development project for a new software application for specialized analysis of red blood cells, the CellaVision® Advanced RBC Application. Both projects are in their final stages and there will be a launch at the ISLH trade fair in The Hague, Netherlands, on May 15-17, 2014.

On July 1 the CellaVision DM9600 will be commercially available in Europe and the USA, while the CellaVision Advanced RBC Application will be available in Europe. Both products will be sold by the company's global distributor network. CellaVision will apply for the approvals required to sell the products in other markets.

In the first quarter CellaVision was granted two new patents for the Asian market: A Japanese patent that describes an algorithm for autofocus based on artificial intelligence and a Chinese patent that describes fine mechanics for handling slides.

CellaVision continuously capitalizes expenditure on new development. Capitalized expenditure for development projects during the period was SEK 3.6 million (2.6).

Financing

The funds at the Group's disposal at the close of the quarter amounted to SEK 81.2 million (57.5), of which SEK 76.2 million (52.5) was cash and cash equivalents and SEK 5.0 million unutilized credit.

Cash flow from operating activities for the quarter was SEK 29.4 million (7.5).

Total cash flow for the quarter was SEK 18.3 million (6.3). The improvement compared with the previous year is mainly due to reduced trade receivables and increased sales.

Parent company

Parent company sales in the quarter were SEK 41.5 million (30.0). Profit before tax was SEK 6.8 million (-1.2).

The parent company's investments in property, plant and equipment and intangible assets during the

quarter amounted to SEK 3.6 million (3.1) and the cash flow was SEK 24.6 million (3.5).

In other respects please refer to the information for the Group.

Personnel

The number of employees of the Group, restated as full-time equivalents, was 68 (66) at the close of the period. Of these, 41 were men (38) and 27 women (28).

Information concerning risks and uncertainties

Reduced demand and changes in exchange rates constitute uncertainties but not material risks. For a more detailed description of the risks and uncertainties facing CellaVision, please refer to the risk and sensitivity analysis in the Annual Report for 2013.

Significant events after the period close

Two new products were introduced onto the market; the CellaVision® DM9600 and the CellaVision® Advanced RBC Application.

Yvonne Mårtensson is to leave her post as President/CEO of CellaVision. Yvonne will continue as President/CEO until her successor is appointed.

Other information

Group

On March 31, 2014 the Group consisted of the parent company and the wholly-owned subsidiaries CellaVision Inc. (USA), CellaVision Canada Inc. (Canada), CellaVision Japan K.K. (Japan) and CellaVision International AB.

Accounting policies

The interim report was prepared in accordance with the accounting policies and valuation methods presented in the Annual Report for 2013.

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

Financial instruments

Derivatives held for foreign currency hedging are valued at level 2, financial instruments where fair value is determined on the basis of valuation models based on other observable data for the asset or liability than listed prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Currency forwards are valued on the basis of observable information referring to exchange rates on the balance sheet date and market rates for

Number of employees

68

CellaVision® DM9600 and CellaVision® Advanced RBC will be launched during the second quarter

Disposable funds

81.2 MSEK

Cash flow from operating activities

29.4 MSEK

The improved cash flow is mainly due to reduced trade receivables and increased sales

remaining maturities. The value of CellaVision's derivatives is SEK -0.4 million at March 31, 2014.

The carrying amount of financial instruments measured at amortized cost is consistent with fair value at March 31, 2014

Segment reporting

CellaVision's operations only comprise one operating segment; automated microscopy systems in the field of hematology, and therefore reference is made to the income statement and balance sheet regarding operating segment reporting.

Review

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

The Board of Directors and the President/Chief Executive Officer certify that the interim report provides a true and fair view of the parent company's and the Group's business, financial position and performance and describes material risks and uncertainties to which the parent company and the companies in the Group are exposed.

Lund May 6th 2014

Lars Gatenbeck
Chairman of the Board

Christer Fåhraeus
Director

Sven-Åke Henningsson
Director

Lars Henriksson
Director

Roger Johanson
Director

Torbjörn Kronander
Director

Anna Malm Bernsten
Director

Yvonne Mårtensson
President and Chief Executive Officer

Consolidated Income Statement in Summary

SEK thousands	Jan–Mar 2014	Jan–Mar 2013	Jan–Dec 2013
Net sales	43,237	33,795	179,851
Cost of goods sold	-15,247	-11,817	-67,225
Gross profit	27,990	21,978	112,626
Sales and marketing expenses	-9,288	-8,970	-39,344
Administration expenses	-7,250	-6,902	-26,653
R&D expenses	-3,944	-6,791	-20,683
Operating result	7,508	-685	25,946
Interest income and financial exchange rate gains	71	78	594
Interest expense and financial exchange rate losses	-148	-891	-1,850
Result before income tax	7,431	-1,498	24,690
Tax	-1,537	-	-5,758
Net result	5,894	-1,498	18,932
Other comprehensive income:			
Components not to be reclassified to net profit:			
Components to be reclassified to net profit:			
<u>a) Financial assets at fair value</u>			
Reclassified to operating result	187	-935	-2,493
Revaluation of financial assets	-420	116	-204
Income tax relating to financial assets	51	180	560
<u>b) Translation difference</u>			
Translation difference in the group	-117	65	350
Sum of Components to be reclassified to net profit:	-299	-574	-1,787
Sum of other comprehensive income:	-299	-574	-1,787
Comprehensive result for the period	5,595	-2,072	17,145
Per share data			
	Jan–Mar 2014	Jan–Mar 2013	Jan–Dec 2013
Earnings per share (before and after dilution), SEK *	0.25	-0.06	0.79
Equity per share, SEK	5.79	5.15	5.56
Equity ratio, %	74 %	70 %	70 %
Number of shares outstanding	23,851,547	23,851,547	23,851,547
Average number of shares outstanding	23,851,547	23,851,547	23,851,547
Stock exchange rate, SEK	18.40	14.70	15.40

* In relation to net profit and average outstanding shares

Quarterly Results

SEK thousands	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net sales	43,237	64,885	45,076	36,095	33,795	50,405	35,332	43,360
Gross profit	27,990	39,785	27,465	23,398	21,978	31,696	22,591	28,698
Gross margin in %	65	61	61	65	65	63	64	66
Overhead cost	-20,482	-23,488	-16,774	-23,755	-22,663	-24,882	-18,609	-24,152
Operating result	7,508	16,297	10,691	-357	-685	6,814	3,982	4,546
Net result	5,894	12,831	7,913	-314	-1,498	-3,194	3,892	3,110
Cashflow	18,291	15,257	1,513	-11,420	6,296	-6,389	5,150	-8,996

Consolidated Balance Sheet in Summary

SEK thousands	31.3.2014	31.3.2013	31.12.2013
Assets			
Intangible assets	27,872	25,043	26,466
Tangible assets	3,058	3,237	3,195
Deferred tax	31,627	37,888	33,078
Financial assets	244	83	83
Inventory	16,214	15,912	16,797
Trade receivables	23,102	31,849	43,338
Other receivables	7,707	9,497	7,734
Cash and bank	76,173	52,532	57,882
Total assets	185,997	176,041	188,573
Equity and liabilities			
Equity	138,111	122,840	132,516
Short term debt	18,709	22,948	22,990
Short term debt with interest	12,518	16,383	19,978
Trade payables	13,857	12,014	10,641
Other liabilities	2,802	1,856	2,448
Total equity and liabilities	185,997	176,041	188,573

Consolidated Statement of Changes in Equity

SEK thousands	31.3.2014	31.3.2013	31.12.2013
Balance at the beginning of the year	132,516	124,912	124,912
Dividend	-	-	-9,541
Net profit for the year	5,894	-1,498	18,932
Comprehensive result for the period	-299	-574	-1,787
Balance at the end of the year	138,111	122,840	132,516

Cash Flow Analysis in Summary

SEK thousands	Jan-Mar 2014	Jan-Mar 2013	Jan-Dec 2013
Result before taxes	7,431	-1,498	24,690
Adjustment for items not included in cash flow	-781	3,690	13,309
Taxes	-86	-	-842
Cash flow from operations before changes in working capital	6,564	2,192	37,157
Changes in working capital	22,839	5,313	-9,885
Cash flow from operations	29,403	7,505	27,272
Capitalisation of development costs	-3,563	-2,601	-10,196
Aquisitions in financial non-current assets	-161	115	0
Aquisitions in tangible non-current assets	-110	-834	-1,597
Cash flow from investment activities	-3,834	-3,320	-11,793
New loans and instalments of dept	-7,278	2,111	5,708
Dividend	-	-	-9,541
Cash flow from financing activities	-7,278	2,111	-3,833
Total cash flow	18,291	6,296	11,646
Liquid funds at beginning of period	57,882	46,236	46,236
Liquid funds at end of period	76,173	52,532	57,882

Income Statement – Parent Company

SEK thousands	Jan–Mar 2014	Jan–Mar 2013	Jan–Dec 2013
Net sales	41,525	29,974	166,757
Cost of goods sold	-19,344	-12,790	-83,619
Gross profit	22,181	17,184	83,138
Sales and marketing expenses	-4,117	-3,906	-18,293
Administration expenses	-7,250	-6,901	-23,923
R&D expenses	-3,944	-6,791	-22,766
Operating result	6,870	-414	18,156
Interest income and financial exchange rate gains	22	76	225
Interest expense and financial exchange rate losses	-50	-864	-1,684
Write-down of receivables and shares in group companies	-	-	-14,546
Result before income tax	6,842	-1,202	2,151
Tax	-	-	-4,128
Net result	6,842	-1,202	-1,977

Statement of Comprehensive Income

SEK thousands	Jan–Mar 2014	Jan–Mar 2013	Jan–Dec 2013
Net result for the period	6,842	-1,202	-1,977
Other comprehensive income:	-	-	-
Sum of other comprehensive income:	0	0	0
Comprehensive result for the period	6,842	-1,202	-1,977

Balance Sheet – Parent Company

SEK thousands	31.3.2014	31.3.2013	31.12.2013
Assets			
Intangible assets	27,872	25,043	26,466
Property, plant and equipment	1,566	2,353	1,685
Deferred tax	31,458	37,092	32,963
Financial assets	106	9,852	106
Inventory	13,155	12,636	14,370
Accounts receivable – trade	19,898	27,106	39,593
Receivables from group companies	4,908	11,470	5,356
Other receivables	7,079	6,789	7,186
Cash and bank	70,353	45,772	50,785
Total assets	176,395	178,113	178,510
Equity and liabilities			
Equity	125,229	130,208	119,892
Short term debt	14,718	17,884	17,876
Short term debt with interest	12,518	16,383	19,978
Trade payables	13,826	11,782	10,412
Liabilities to group companies	7,302	-	7,905
Other liabilities	2,802	1,856	2,447
Total equity and liabilities	176,395	178,113	178,510

This is CellaVision

CellaVision creates value by improving processes for blood analysis, enabling more patients to receive better and faster care at a lower cost to healthcare services.

CellaVision's core activities

CellaVision's core activities are digital image analysis of blood and other body fluids. Innovation is an important part of CellaVision's mission and its employees are the company's main resource. The company's coordinated competence transforms customers' needs into effective solutions for healthcare services.

CellaVision's employees have a high level of education and sound experience of the biomedical sector. Our employees' broad competence in product development, quality assurance, market establishment and market support is crucial to the company's development. The company has core technological expertise in image analysis, artificial intelligence and automated microscopy.

Corporate culture

CellaVision's corporate culture is characterized by understanding of the customer, quality awareness and ability to take action with responsibility, which is reflected in CellaVision's value-creating core values: Customer in focus, Initiative and Responsibility and Simplicity and Quality. Along with objectives, vision and guidelines, the core values inform the daily work and form a profitable corporate culture.

Offer to end customers

CellaVision offers digital solutions for medical microscopy in hematology. The end customers are large hospital laboratories and commercial laboratories. CellaVision's unique concept replaces manual microscopes and improves the blood analysis process. In that way more patients can receive faster care of better quality while healthcare services can use their resources better.

Strategic partnerships

To achieve scalability in manufacture and sales CellaVision works with strategic partners.

Suppliers

CellaVision's analyzers are manufactured in Sweden on contract by Kitron. The company has direct agreements with selected sub-contractors for key components.

Distribution via suppliers of cell counters

CellaVision's solution is the last step in a blood analysis process, in which the cell counter is central. Agreements with foremost suppliers of cell counters are therefore strategically important so as to reach end customers cost effectively. CellaVision partners have a broad range of products and global salesforces with local knowledge. CellaVision's own organization supports its partners in the sales process.

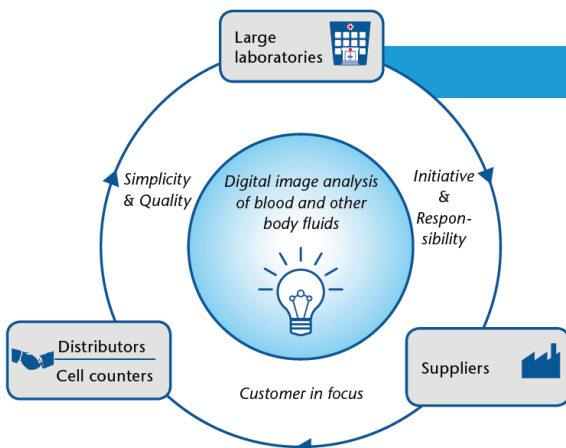
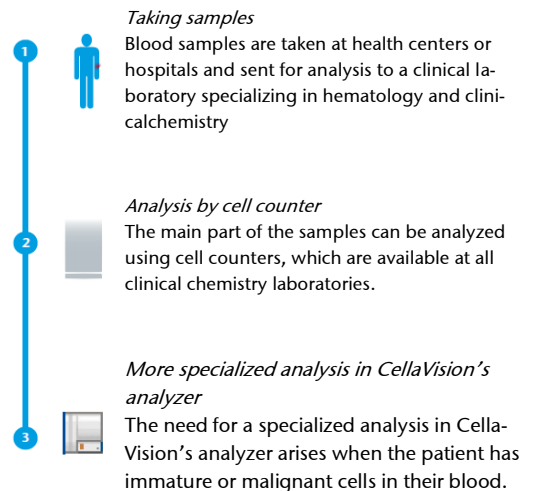
Vision

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

Business concept

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

Automated analysis chain



CellaVision's value creation

- Faster and better care for patients
- Better utilization of resources in healthcare services
- More effective tools for partnerships and quality assurance

Market drivers

- Ageing population and increased prosperity
- Reduced health care resources
- Consolidation of health care resources

Questions concerning the report can be addressed to:



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Financial calendar

Annual General Meeting 2014:	May 7, 2014
Interim report Jan–Jul:	July 18, 2014
Interim report Jan–Sep:	Nov 5, 2014
Year-end bulletin 2014:	Feb 12, 2015

Financial definitions

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

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

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

Publication

The information in this interim report is disclosed by CellaVision AB (publ) pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was released for public disclosure on May 6, 2014 at 08.20.

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

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