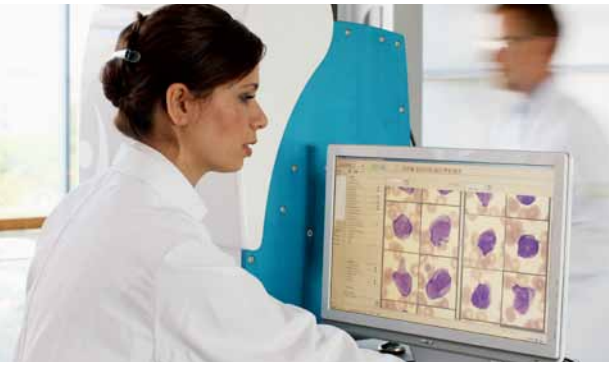
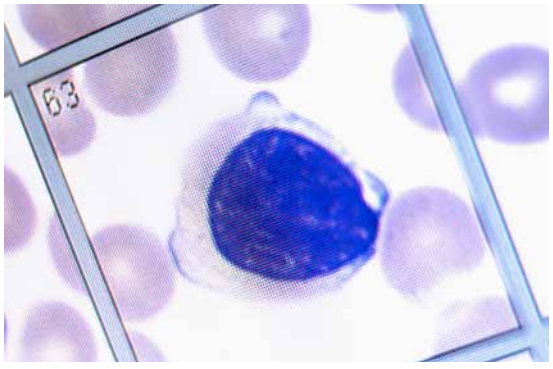
CellaVision AB (publ)

ANNUAL REPORT 2010





CELLAVISION®

INFORMATION TO SHAREHOLDERS

Increased demand in most markets and a well-established distribution strategy is leading CellaVision into a new phase of growth.

CONTENTS

Invitation to attend the Annual General Meeting

CellaVision's Annual General Meeting will be held on April 26, 2011 at 17.00 at Ideon in Lund, Scheelevägen 19A, Delta 5.

Shareholders listed in the share register on April 18, 2011 and that have given notice of their intention to attend by 12.00 noon on Monday, April 18, 2011 are entitled to participate in the Annual General Meeting. The full invitation to attend is available at www.cellavision.com.

Financial calender

Interim Report Jan–March	April 20, 2011
AGM	April 26, 2011
Interim Report Jan–June	July 15, 2011
Interim Report Jan–Sep	Oct 25, 2011
Year-end Bulletin	Feb 14, 2012

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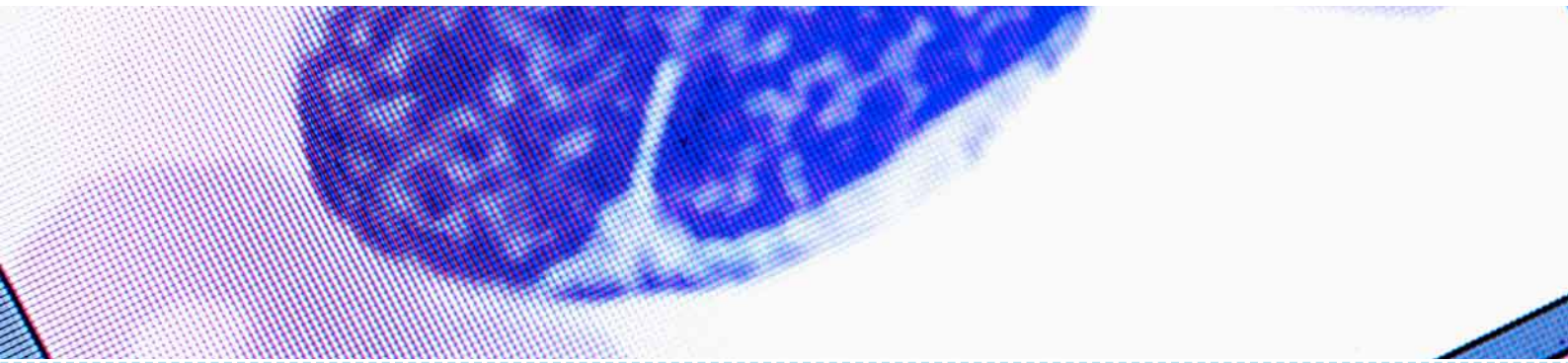
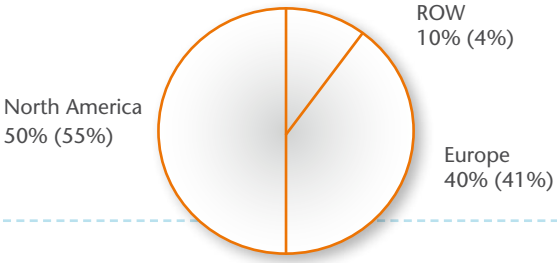


2010 IN SHORT

Another year of profit and strong growth.



Net sales by geographical segment

The year in numbers

- Net sales rose by 21% to SEK 131.6 million (109.0).
- Operating profit for the year was SEK 13.9 million (14.8).
- Profit after tax was SEK 38.3 million (27.7).
- Earnings per share for the year were SEK 1.61 (1.16).
- Cash and cash equivalents amounted to SEK 35.8 million (22.0) at year end.

Important events

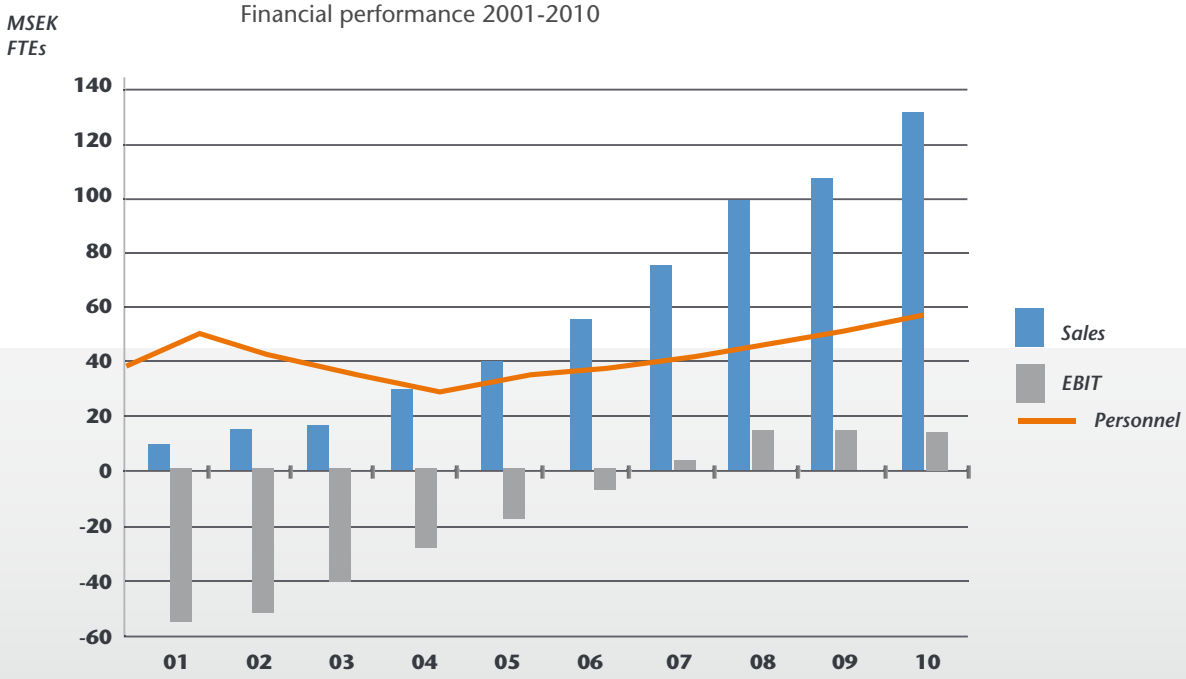
- CellaVision strengthens distribution network in the US by entering an agreement with Beckman Coulter.
- CellaVision and Sysmex enhance partnership by signing a global distribution agreement.
- CellaVision was listed on Nasdaq OMX Stockholm Small Cap on May 31, 2010.
- Tredje AP-fonden new major shareholder in CellaVision.
- Unilabs streamlines laboratory operations with analyzers from CellaVision.

(MSEK)	2010	2009	2008	2007	2006
Net sales	131.6	109.0	100.4	74.6	54.8
Gross profit	87.6	76.5	63.5	45.3	32.0
Operating profit	13.9	14.8	13.4	3.1	-8.6
Profit before tax	10.7	14.2	13.1	2.6	-8.8
Cash flow	13.8	2.3	3.3	-0.4	-0.8

Important events after the reporting period

- CellaVision reinforces management team with Stefan Bengtsson as Chief Operating Officer.

Financial performance 2001-2010



CEO'S COMMENTS

Our vision in hematology is to become the world standard in automated microscopy for all routine analysis of blood and other body fluids.

THE FIRST PRODUCT for digital image analysis was launched ten years ago and this year we will sell our 1 000th analyzer! A new distribution strategy has laid the foundation for our next, even stronger phase of growth. As our success grows, this further fuels our passion to innovate and execute.

In last year's CEO's comments I mentioned that we were facing a great challenge by changing the way we sell and distribute our products. For 2010 we signed non-exclusive agreements with the world's two largest hematology companies, Sysmex and Beckman Coulter. This required major initial investment on our part in areas of training and support, as well as positioning our products, as an important new addition to our partners' product portfolio.

As we now sum up 2010 we are pleased to report that this new global distribution strategy was a great success. We are now selling successfully through both our strong partners, as well as through our own subsidiaries in selected markets. At the same time we increased the volumes in the key markets of Europe, North America and Japan, as we continued to add new markets throughout the rest of the world. Altogether sales increased by over 20 per cent compared with the previous year and almost 30 per cent in constant currencies.

In Europe, the new CellaVision DM1200 analyzer for mid-sized laboratories gained a strong foothold. Most sales in North America were in the USA, through Sysmex America and Beckman Coulter and the share of sales also increased in China and Hong Kong. As our base of customers increases, we see also a gradual increase in income from additional sales in the form of new applications, software upgrades, consumables and service.

The heavy cost pressure and demands for increased efficiency that exist in the healthcare market, along with a growing shortage of skilled staff in laboratory operations, make CellaVision's automated products a highly attractive solution. The trend is for more hospitals to join together and collaborate in networks or groups and seek tools that enable them to work together more effectively, sharing resources.

To meet this growing demand for inter-hospital collaboration, we are enhancing our product offering by adding applications and hardware that provide value. In the spring we will evaluate a new concept for collaborating laboratories in hospital groups. This CellaVision product is a camera connected to an existing microscope and a computer that sends the sample digitally to a lab with a CellaVision analyzer in the customer's network. We consider that this solution combining a camera, computer and software may be of great interest to hospital groups consisting of both large and small laboratories, as a way to share resources more effectively. The new product is not expected to impact the sales figures until 2012.

Strong growth makes financial freedom of action important, and since May 31, 2010 our share has been listed on Nasdaq OMX Stockholm Small Cap. We increased our staff during the year with seven employees and the management team was reinforced in early 2011 with a Chief Operating Officer responsible for product development and production.

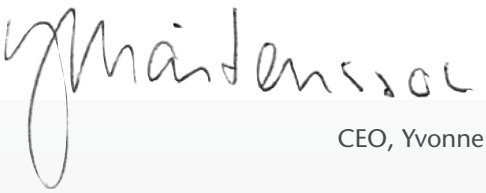
After ten years in the market we already have customers in more than 40 countries– yet this is just the beginning. Our vision in hematology is to be the world standard for all automated microscopy used in the routine analysis of blood and other body fluids. To achieve this we continue to work tirelessly, and



have a strong culture where the customer always comes first. Our company culture is respectful and caring, while at the same time demanding. Our employees are encouraged to see their work from a holistic perspective and dare to take both initiative and responsibility. Our products are very advanced technically, and used by our customers in an intensive, fast-paced workday. They must be simple to handle despite their advanced technology. This makes great demands on our technical developers and other employees to combine simplicity with quality, and quality is the key driver in everything we do.

It is always tough for a start-up company to achieve its first breakthrough, to get that first reference order. Looking back we realize we have made a fantastic journey. CellaVision was established in 1994 to develop automatic microscopic analysis. The idea came from the then medical student Christer Fåhraeus, now one of Sweden's best known entrepreneurs. In 1997 CellaVision recruited its first employees and as early as in 2000 the first analyzer was launched in Europe, and the year after it was approved by the FDA in the USA and we sold seven analyzers that year. Sales have increased every year since then, and 2007 was our first year of profitability. We are now entering a new, stronger growth phase.

I would like to take the opportunity here to thank our first customers who believed in us while we were still a young start-up company. In the adjacent text you can read how our very first customer, Dr. Per Simonsson, at Malmö University Hospital, reasoned when he courageously gave us our first order in 2001. With a strong history behind us, I now look ahead with confidence to the next phase of our journey. Together with my capable colleagues at CellaVision, we will proudly celebrate our 1 000th placement in 2011, as we look ahead to the ever-accelerating global adoption of our technology!



CEO, Yvonne Mårtensson

CUSTOMER #1

Per Simonsson, MD, PhD, was head of clinical chemistry at Malmö University Hospital when CellaVision's first product was approved and ready. Per had courage enough to buy the very first analyzer from CellaVision in 2001.

"– There were no difficulties in motivating the staff to start using the analyzer. On the contrary, after many years with manual microscopes everyone regarded a new product as fun and exciting, and in addition it improved quality and safety," says Per Simonsson, now head of the medical staff at the department of clinical chemistry for Skåne, connected to the University of Lund.

"– I had met the inventor, Christer Fåhraeus, already in 1996, when he had just started CellaVision. He came to me with the drafts of his new software in a plastic bag. He wanted me to help him validate the method and support an application for a grant from NUTEK (now the Swedish Agency for Economic and Regional Growth) to develop a new automatic analyzer. He asked if I could write a Letter of Intent to say I would consider purchasing the product if he succeeded in developing it.

– I could do that, because I had heard about the new computer technology for analysis of blood cells and believed in the concept. It was a fairly simple decision to buy the analyzer when it came, even though I was the first. I had been involved right from the idea stage. But it took quite a few years before sales took off, I remember.

– And now there are analyzers all over the world. It feels that we users have also been part of a fantastic journey to see an idea develop, grow and become a profitable global company."

CELLAVISION IN SHORT

CellaVision is an innovative, global medical technology company that develops and sells best-in-class systems for the routine analysis of blood and other body fluids.

CELLAVISION'S PRODUCTS reduce manual laboratory work, standardize results and support an efficient laboratory workflow. The analyses are often critical results used in the correct and timely diagnosis of illnesses such as infections and cancer.

Business concept

CellaVision's business concept is to develop and market system solutions in medical microscopy. CellaVision's products contribute to increased efficiency and simplify routines at medical laboratories. For the user, this implies substantial improvements in daily work.

Vision

To create a global standard in digital microscopy analysis and thereby contribute to improved health care quality and cost efficiency.

Objective

CellaVision's objective is to become a world-leading supplier of digital image technology in cell and tissue analysis.

Financial objectives

CellaVision's target is to increase sales by an average of at least 15% per year over an economic cycle with an operating margin of more than 15%.

Strategy

CellaVision's growth strategy is to strengthen the company's leadership position in image analysis in hematology (blood and other body fluids) by:

- cooperating long-term with strategic and complementary partners to reach a broader geographical market,
- developing new applications and analyzers to existing customers,
- working closely with customers to ensure that the products meet the market's requirements in terms of performance, quality and user-friendliness,
- exploring the possibilities of commercializing other area of analysis, for example cytology (cell analysis) and pathology (tissue analysis),
- recruiting and cultivating highly qualified staff.

Customers

CellaVision's customers are hospital laboratories and commercial laboratories in Europe, North America and parts of Asia. The laboratories perform routine analyses in hematology, that is to say differential counts and assessment of cells in blood and other body fluids, which are important parts of diagnosing a number of diseases, including different types of infections and blood diseases.

Business model

CellaVision's business concept involves sales of instruments comprised of hardware platforms and included software for analysis and communication. In addition to this there is software for remote access, education and quality assurance, additional software upgrades, as well as various complementary products and consumables.

CellaVision sells its products globally via distributors and its own sales offices in Sweden, the US, Canada and Japan. There are about 900 analyzers in 44 countries.

History

CellaVision was founded in 1994 with the intentions of developing automated microscopy analysis. The idea originated from Christer Fåhraeus, at the time a doctoral student of Neurophysiology at Lund University.

The first ten years

Fåhraeus was CEO of CellaVision until 1998, when the current CEO, Yvonne Mårtensson, took over. The first system for blood cell analysis, DiffMaster, was launched in Europe in 2000. The year after, CellaVision found its first customer, Malmö University Hospital, MAS. In the same year the product was cleared by the FDA and a subsidiary was formed in the USA through the acquisition of Triangle Imaging Inc. In the following years distribution agreements were signed in Europe and the USA and the second product generation, CellaVision DM, was launched.

In 2005 the number of analyzers sold passed the 100 mark.

In 2006 there was a growing customer base in Europe and the USA, the distribution agreement with Sysmex was extended by three years and the company received ISO certification.

In 2007 CellaVision reported a profit for the first time. In the same year the company was listed on the Stockholm Stock Exchange First North list and a subsidiary was established in Canada.

In 2008 a subsidiary was established in Japan and the product portfolio was broadened with an application for body fluids.

In 2009 CellaVision continued its expansion with profitability and released its third product generation, the CellaVision DM1200 analyzer, in Europe and Canada.

2010 started with a new distribution strategy, with two global players associated with the company; Beckman Coulter and Sysmex. The new analyzer was introduced to the market in the USA and parts of Asia. The CellaVision share was listed on NASDAQ OMX Stockholm, Small Cap. At the end of the year the customer base had grown to almost 900.

Products

CellaVision's products automate the work that is traditionally done by laboratory personnel using microscopes. Using technology for digital image analysis the cells in blood and other body fluids can be classified automatically, which allows for both time reductions and more standardized results. Regardless of physical location laboratory personnel and doctors can assess results online, which make it easier to share expertise between units while also making them more productive and cost-effective.

Analyzers:
CellaVision DM96 och CellaVision DM1200

Optional application for body fluids analysis:
CellaVision Body Fluid Application

Software for networking and remote work:
CellaVision Remote Review Software

Software for proficiency testing and education:
CellaVision Competency Software

Distribution

CellaVision mainly distributes its products via distributors on a global basis. CellaVision sells direct in the Nordic Region and through subsidiaries in the US, Canada, and Japan. All sales of the company's products are under the CellaVision trademark.

Competetive advantages

CellaVision has established itself as a leading player within system solutions for microscopic analysis in hematology. The products' advantages as compared to manual blood analysis, such as time efficiency and quality assurance, combined with the company's technical competence and experienced management is expected to continue to fortify CellaVision's position on the market.

EUROPE

"A 36-year old man with no previous history of illness was admitted to the emergency room of a local hospital with a sudden onset of breast pain. A heart attack was diagnosed and the patient referred to the cardiology department at the nearest university hospital for a percutaneous coronary revascularization procedure.

In parallel with this, the patient's blood was examined at the local hospital using a CellaVision DM96. In one of the samples the analyzer detected two blast cells (immature white blood cells) with Auer rods – a diagnostic marker for AML (acute myeloid leukemia). The university hospital was promptly notified of the finding.

The case description demonstrates the sensitivity and reliability of the DM96, as well as showing how such equipment at a local hospital can rapidly provide essential diagnostic information in a crucial clinical situation."

JÜRGEN RIEDL, Ph D,
Resident Clinical Chemistry,
Albert Schweitzer Hospital,
Holland

JAPAN

"Quality assurance was a decisive issue for us. Using the DM96 and CellaVision's software for training we designed a program in which the staff effectively tested their skills in identifying and classifying blood cells."

In 2010 Yoko Tabe compiled the results of the quality project initiated by the Juntendo University Medicine Group in 2009.

"We now see that the project has really resulted in improved staff proficiency and thus standardized analyses. It is very gratifying to know that we at the laboratory can contribute to providing our patients with better care."

YOKO TABE, MD, Associate Professor, Juntendo University Hospital,
Tokyo, Japan

MARKET OVERVIEW

The CellaVision products add value when demand for automated solutions from clinical laboratories grows. Increased cost pressure and growing staff shortages make CellaVision's products a highly interesting solution.

The hematology market

CellaVision's current operations focus on analyzers for blood and other body fluids in the field of hematology. The products automate work traditionally carried out by laboratory staff using microscopes and simplify laboratory procedures, resulting in more effective workflows and more standardized test results. Worldwide sales are made via distributors or directly by CellaVision.

The hematology market is a sub-segment of the market for in vitro diagnostics. The field of microscopy of blood and other body fluids is part of hematology.

Annual value of the market	MSEK
In vitro diagnostics	250,000[1]
Hematology	13,000[1]
Target market for CellaVision's products	1,000
CellaVision 2010	132

The current target market for CellaVision's products is hospital laboratories with more than 200 beds and commercial laboratories that carry out manual microscopy analysis of blood and other body fluids, a potential market of about 15,000 laboratories. CellaVision estimates the market to be at least SEK 5 billion, where purchases in a mature market normally takes place every five years.

Analysis in a cell counter is the first step in the hematology testing process

In the western world 1.3 billion blood cell analyses are performed annually in cell counters. The market for cell counters is indicating high maturity with major purchases and competitive pricing. The total value of the hematology instrument market has the last couple of years expanded by around 4 percent and is estimated to amount to SEK 13 billion[1]. CellaVision's distributors, Sysmex (Japan) and Beckman Coulter (USA) are the two largest of the five predominant players in the market for cell counters. Together their market share exceeds 50 per cent. The other three global players are Abbott Laboratories, Siemens AG/Bayer AG and HoribaABX.

CellaVision has been working with Sysmex since 2001 in several markets around the world. In spring 2010 global cooperation with Sysmex was extended and increased and since April 1 covers the entire world, with the exception of Canada. At the beginning of 2010 Beckman Coulter was added to the global distributor network with the exception of Europe, the Middle East and Africa (EMEA).

CellaVision's products are used after the cell counters

Of the samples examined in cell counters, those that show signs of disease – about 15 per cent – are sent on for further analysis using a microscope or a CellaVision analyzer. In the laboratory these analyses are often referred to as "manual differential counts". This analysis measures white and red blood cell populations based on their appearance (size, shape, and color), and the result of the analysis can indicate the presence of infections, allergies, anemia, as well as serious blood cancer diseases such as leukemia and lymphomas. With CellaVision's analyzer the examination is automated and is approved on a screen by a medical technologist. Without CellaVision's automated process the analysis is traditionally made manually in a microscope.

CellaVision estimates the cost of manual microscopy to be about USD 1 billion. The analyses correspond to almost 200 million sample tests per year. The percentage depends on the type of hospital patient and the performance of the cell counter used in the laboratory. The industry has long been forecasting a decrease in the percentage of manual analyses through more advanced cell counters, but to date sample volumes have been unchanged. As average life expectancy and the percentage of older people increases in the industrialized part of the world it is probable that the volume of samples will increase in the long run, which puts further pressure on health and medical care, with demands for effective processes and equipment.[2]

By introducing CellaVision's products as a standard solution for assessment of samples by microscopy, laboratories can ensure competence and effective workflows with time savings of up to 50 per cent.[3] CellaVision now has customers in more than 40 countries and the number of analyzers sold is close to 900. This means the company is the world's leading supplier of automated cell morphology systems in hematology.

MARKET OVERVIEW

Target market

The company estimates the world market for its current products to around 15 000 laboratories, consisting of commercial laboratories and laboratories at hospitals with more than 200 beds. Roughly another 55 000 laboratories perform manual differential counts but in such minor quantities that purchasing CellaVision's products would be unjustifiable.[4]

The company estimates the total value of this potential market to at least SEK 5 billion. In general, purchases of instruments occur in cycles of around five years, which is a trend that CellaVision's products also tend to follow. CellaVision sees great opportunities for furthering its market penetration in countries where distribution networks and own sales organizations have already been established. CellaVision's products make distributors' product portfolios more attractive, in part due to the benefits of automated analysis, and in part because a more complete line of automated laboratory instruments can be offered. By selling in parallel to its distributors, CellaVision can reach a wider segment of the market and increase awareness about its products.

Trends

The laboratory market is characterized by increasingly competitive pricing as users and suppliers require increased efficiency and time-reductions. The market is continuously driven towards consolidations in the form of partnerships and mergers of hospitals, laboratories, and health centers.

There is rapid development in laboratory medicine, particularly in terms of new methods, analyzers, and equipment. In North America and Europe consolidations occur between both smaller, independent laboratories as well as larger ones. The need for technology that increases efficiency and lowers costs is considerable. Time demanding steps in the analytical process are rationalized through the use of robotics and automated technology. Laboratories avoid handling samples manually both during analysis and in the stages of moving between different analyses. Modern IT solutions are used to change routines, strengthening online communication and make laboratory workflow more efficient.

Interest for digital imaging and scanning of slides is increasing rapidly. The market for digital microscopy is expected to become a substantial part of cell diagnostics. The procedure behind scanning large areas or large quantities of cells can be simplified and cells of particular interest can be studied further.

Drivers

CellaVision's growth is linked to economic drivers operating in the health and medical care market. Health and medical care is exposed to heavy cost pressure and the growing staff shortages that exist in laboratory operations make CellaVision's automated products a highly interesting solution. Increased automation frees up time for the analyst and increases the elements of objectivity, security and standardization in analysis. For the patient it can mean shorter response times and increased patient safety.

In the long run, it is expected that laboratories will find it more difficult maintaining their level of competence. Generally, experienced MTs are getting older and are not being replaced by younger personnel at the same rate as they are retiring. In Sweden and North America more than 50 percent of all Medical Technologists are 50 years old or older, which means that a generation of current lab professionals retires in the coming 15 years. Both Swedish and North American reports show that for many years too few medical technologists have been trained and young people's interest in the occupation is weak, which reduces the chances of recruiting qualified staff. Forecasts show that in the coming fifteen years the supply of professionals will be cut by almost half.[5]

With the help of CellaVision's technology the laboratories can secure the processing of large sample volumes and create a more attractive working environment. In addition, the introduction of new technology can be a way of increasing interest in the occupation among the younger generation.

A blog response from Dawn comments on the lack of competent laboratory staff in Canada:

"We have already experienced and are continuing to experience this scenario at my lab. The loss of 20-30 yrs of experience with just one person retiring is profound and in alot of ways irreplaceable. With the shortage of lab professionals and in our case the high turn over with younger staff, we are in danger of losing some of the expertise that it took years to to accomplish."

From the blog *CellaVision News Blast*, February 9, 2011.

Technological potential

CellaVision's digital image analysis, which has gained a foothold in the hematology field, could in the same way automate and facilitate the work in other areas of laboratory medicine. Most microscopy analyses are carried out within the framework of what is usually called laboratory medicine, which involves the subfields of pathology, cytology, histology, immunology and microbiology. In these fields manual microscopy is used to varying degrees as an aid in obtaining information about the patient's condition, in connection with diagnosis and follow-up of various diseases. As in hematology, these fields are also considerably affected by large-scale retirement and shortages of trained staff.[6]

Innovation effort

Utilization of digital imaging by the health care community has been gaining acceptance as an alternative to the glass slide during the last decade. Most laboratories have at least one setup consisting of a microscope with a camera connected to it for taking images of samples for use in education and consultation. There are many projects around the world, for example at universities and colleges, which aim to digitalize samples in order to classify and possibly diagnose cells and tissue samples. In the company's view, most of these are unlikely to become commercialized. It is very challenging to develop a trustworthy image analysis system which is quick, takes high-quality images, correctly classifies cells, and is compatible with IT-solutions. A successful innovation is not only based on science and technology, but also depends on development in close collaboration with customers. As of yet CellaVision is the only company that has met the authorities' regulations and demands on quality and safety, and managed to commercialize its line of products for hematology globally. CellaVision is a high tech company supporting a creative atmosphere which allows for innovation efforts and product development. After ten years CellaVision holds a strong market position as a developer of highly accessible systems that can easily be adapted and integrated with other systems in a hospital environment.

USA

"A five-year old girl arrives at the hospital emergency room in the evening. She is pale and lethargic, complains of stomach pains and has petechiae on her lower legs. A blood test is taken to assess the girl's state of health.

An analysis is made using the DM96 analyzer and the staff decide that the sample contains a large number of lymphoblasts, which are, however, difficult to differentiate from healthy lymphocytes. It often requires a very experienced analyst to identify blast cells, and in many cases an expert consultation is required. Because the DM96 equipment is connected to a network the pathologist on call somewhere else can quickly review the findings and make a preliminary diagnosis: B acute lymphoblastic leukemia (B-ALL), a form of blood cancer in children. The rapid answer allows the doctor in charge to immediately start treatment.

ELIZABETH BROOME, MD
Clinical Professor, Director
Hematology Laboratory
University of California,
San Diego, USA

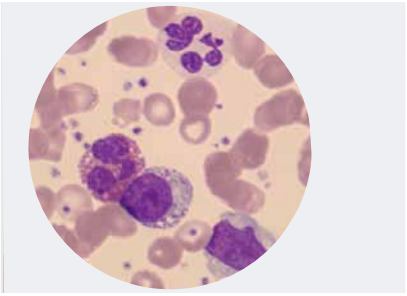
1. Sysmex estimation (Sysmex annual report 2010).
2. WHO, World Health Statistics 2010.
3. Journal of Clinical Pathology 2007;60:72-79 Examination of peripheral blood films using automated microscopy; evaluation of Diffmaster Octavia and Cellavision DM96, H Ceelie, R B Dinkelaar, W van Gelder.
4. Walnut Medical Hospital Registers, Sharp Insight Ltd (2009). Interviews, Survey of medical institutions (2004, MHLW). Swedish Trade Council, Canada, Report. (2007).
5. Högskoleverket, Högskoleutbildningarna och arbetsmarknaden. Ett planeringsunderlag inför läsåret 2010/11, 2010: 1 R; American Society for Clinical Pathology's, ASCP Works to Fight Lab Staff Shortage (2010); The Wall Street Journal, Staff Shortages in Labs May Put Patients at Risk (2009); Clinical Laboratory News, The Worsening Shortage of Lab Staff (2008); The National Union of Public and General Employees Canada, Escalating shortage of lab professionals threatens patient care (2008).
6. Facts from ASCP and ASC.

FROM MANUAL TO AUTOMATED METHODS

CellaVision's solution standardize results and support an efficient laboratory workflow enabling laboratories to share resources more effectively.

Then – manual method

A technologist navigates round the slide to find the correct area for analysis, a time-consuming and labor-intensive method that can lead to repetitive strain injury to the neck, back and eyes.

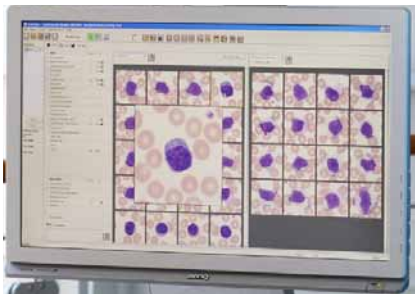


The technologist localizes and classifies the cells manually. The quality of the test result is influenced by the person's experience and competence. The microscope only allows one user at a time, which makes discussions with colleagues more difficult. Training is done with the help of dual headed microscopes or atlases of cell images.

Samples that are difficult to interpret sometimes require consultation with experts at other units. These samples are often sent by courier, which may mean delayed response times for the patient. Slides are saved for a time, usually a week, so that they can be reexamined if necessary for patient follow-up.

Now – automated method

CellaVision's analyzers identify and take images of the different cells in batches of up to 96 samples at a time. Automation frees time for the staff and contributes to cost savings. The working method is improved in terms of ergonomics and workflow.



The analyzer pre-classifies the cells and the cell images are magnified and shown directly on a screen, which facilitates the final sample assessment. The solution promotes cooperation and the transfer of competence between colleagues. Reference libraries and proficiency tests using digital cell images make training easier and more effective.

Cell images and test results can be sent via the computer network in just a few seconds, which gives staff entirely new opportunities to consult colleagues and specialists at other units or hospitals. The time it takes to obtain a patient's test results can be cut from hours or days to minutes.

Cell images and analyses are automatically saved in the analyzer's database, making it easy to follow patients over time.

THE UNDERLYING TECHNOLOGY

CellaVision's analyzers simulate the functioning of the human eye and human brain.

How analyzers work

CellaVision's technology in the fields of autofocus and image analysis is unique. Inside a CellaVision analyzer an inbuilt microscope, a digital camera, high-precision mechanics, advanced image analysis software with patented autofocus systems and artificial neural networks all interact. The analyzer identifies, takes images and pre-classifies cells in blood and other body fluids.

The digital camera replaces the human eye's recording of information.

CellaVision's software contains advanced algorithms for digital image processing and cell identification. Neural networks recognize, distinguish and classify cells. In a certain sense a neural network imitates a human nerve network and its way of processing neural signals.

THE ANALYSES

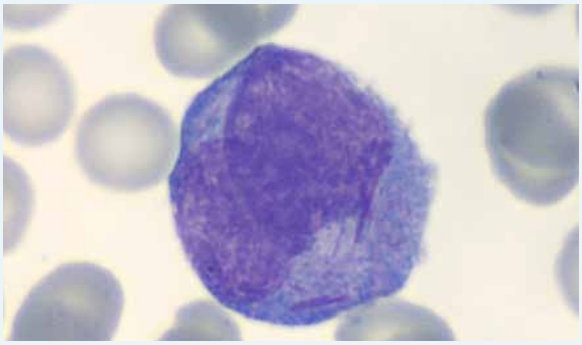
What can CellaVision's analyzers detect?

Blood. Using a drop of blood smeared onto a microscope slide, we can measure red and white blood cell populations based on their appearance (size, shape, and color). The results of our analysis can indicate the presence of infections, allergies, anemia, and blood cancer diseases such as leukemia and lymphomas.

Body fluids such as cerebrospinal, pleural and synovial fluids can also be analyzed by CellaVision analyzers. In these we measure cell populations and can detect presence of abnormalities such as tumor cells and bacteria. Irregularities can be a sign of infection, inflammation, parasites, and cancer.

Analyses done using CellaVision's analyzers supply information concerning patients' health conditions, but do not provide diagnoses on their own. Physicians take into account several different sources of information in order to establish diagnoses.

A blast cell



The image above shows a blast cell (an immature white blood cell) found in blood taken from a patient with leukemia. Blast cells normally represent less than five percent of cells in the bone marrow. In the case of an exaggerated production of blast cells, such as in leukemia, these cells can spill over into the blood stream where they can be analyzed using CellaVision's products[1].

1. Birgitta Swolin, Associate Professor at the Clinical Chemistry laboratory at the Sahlgrenska University Hospital, Gothenburg, Sweden

The Board of Directors and the CEO/ President of CellaVision AB (publ), corporate registration number 556500-0998, hereby submits their Annual Report and consolidated financial statements for the fiscal year 2010.

BOARD OF DIRECTORS' REPORT

CellaVision is an innovative, global medical technology company that develops and sells best-in-class systems for the routine analysis of blood and other body fluids. CellaVision's products reduce manual laboratory work, standardize results and support an efficient laboratory workflow. The company has leading-edge expertise in digital image analysis, artificial intelligence and automated microscopy.

Business concept

CellaVision's business concept is to develop and market system solutions in medical microscopy. CellaVision's products contribute to increased efficiency and simplify routines at medical laboratories. For the user, this implies substantial improvements in daily work.

Customers

So-far CellaVision has sold more than 900 analyzers to hospital laboratories and commercial laboratories, mainly in Europe and North America but also in Japan, China and Southeast Asia. The laboratories have medium to large volumes of samples and conduct routine analyses in hematology. Occasionally more than one analyzer is purchased by the same customer, most often hospital networks and reference laboratories.

Offering – systems for automatic analysis of blood and other body fluids

CellaVision's operations today focus on analyzers for blood and other body fluids in the field of hematology. Most blood tests are first analyzed using cell counters, but if the sample shows signs of disease – about 15% of all tests – it is examined manually under a microscope to enable diagnosis. In the case of body fluids all samples are examined under a microscope, but the volume of samples per day is considerably lower than for blood. Using CellaVision's technology, this examination is automated by means of the analyzer's pre-classification of the cells and magnification of the cell image directly onto a computer screen.

The customer's choice of analyzer is determined by sample volumes, the type of analyses performed, and the degree of automation needed in the laboratory. The blood application is included when purchasing an analyzer, while the application for body fluids is an optional application. CellaVision also offers software for the remote review of test results and images, as well as software for education and quality assurance. The products have been successful in the market thanks to skilful use of science and technology in combination with close collaboration with customers.

Customer benefit – reduced lab costs and better patient care

CellaVision's solution automates the work traditionally carried out by laboratory staff using microscopes – that is counting and classifying cells in blood and other body fluids – resulting in simplified procedures in the laboratory and an improved work environment with time savings of up to 50 per cent. The analysis is performed automatically in CellaVision's analyzer, processing up to 96 slides in succession, making laboratories more effective and test results more standardized.

By combining CellaVision's analyzers and software it becomes easier for hospitals and laboratory units to cooperate – a sample which was taken and analyzed at one hospital can easily be transferred via a network to another hospital for assessment or remote consultation. This is useful for hospitals groups that wish to centralize and standardize their analytical work, or when Medical Technologists need to consult expert colleagues at other units or hospitals. Additionally, sample results and images are archived together with patient journals in hospital networks, giving the physician full access to patients' complete medical histories.

CellaVision® DM96

The CellaVision DM96 is intended for laboratories with large sample volumes. The analyzer analyses blood as well as other body fluids including cerebrospinal, synovial, and pleural fluid. A function makes it possible to digitalize images of entire samples or partial sections of a sample, not only the area that is analyzed. This function is called Digital Slides and allows for convenient overviews of samples, which can be useful for physicians making diagnoses. The analyzer processes up to 96 slides in succession.

CellaVision® DM1200

The DM1200 is fully automatic like the DM96 but adapted to laboratories with somewhat lower sample volumes. The DM1200 is aimed at laboratories with medium to small sample volumes. The analyzer assesses blood and other body fluids and offers the function Digital Slides. The analyzer processes up to 12 slides in succession.

Optional applications

CellaVision® Body Fluid Application

The application for blood is included in the purchase of the analyzer, while the body fluid application is an optional application to be ordered separately. Most laboratories that analyze blood also analyze other body fluids, for example spinal fluid, synovial fluid and pleural fluid. The application for body fluid analysis is available for the CellaVision DM96 analyzer in all main markets and for the CellaVision DM1200 analyzer in Europe, which means that all these installed analyzers form potential product bases.

CellaVision® Remote Review Software

CellaVision Remote Review Software is additional software for remote access which makes possible transfer of digital cell images and results within and between laboratories. Using the software, external units can access test results and cell images. Specialists outside the laboratory can connect and view exactly the same samples. The software allows for competence assurance, qualified assessment, and faster diagnoses of complicated patient cases.

CellaVision® Competency Software

CellaVision Competency Software is software for education and quality assurance. The program tests laboratory personnel's proficiency in cell classification, and is used both for educational purposes and for monitoring their staff expertise.

Other products

Other products marketed by CellaVision are a barcode reader for copying and printing labels with patient data, light beacons to show the status of the analyzer and HemaPrep, a product for preparation of blood smears on microscope slides. In addition to this CellaVision offers its customers and distributors spare parts, technical service and support, as well as software upgrades. Consumables offered include immersion oil (for the instrument's optical system), barcode labels and slide magazines. Service and end customer agreements are provided by CellaVision for direct sales. In other markets the distributors are responsible for these products and services. Accessories, consumables and service still account for a minor part of the company's total sales.

Competition

CellaVision's greatest competitor is still manual microscopy. There is limited commercial competition in the market in the form of HEG-L, which Sysmex markets in Japan, and the American company Medica's product EasyCell, which was launched in summer 2010 in the USA.

There are also two potential products from Germany and Austria: (Fraunhofer Institut) and HemoFAXS (TissueGnostics). The commercial activities of these companies are currently at a very low level in all markets.

CellaVision's assessment is that it still has a considerable lead, both in product and in market penetration, which has been built up since sales started in 2001. CellaVision's over 900 installed analyzers currently have thousands of users mainly in Europe and North America.

Competitive advantages

CellaVision has established itself as a leading player within system solutions for microscopy analysis in hematology. After ten years of activity, CellaVision has achieved a strong market position as a developer of user-friendly systems that can easily be adapted to and integrated with other systems in hospital environments. Health and medical care is characterized by heavy cost pressure, hospital mergers and growing staff shortages in laboratory operations. CellaVision's automated products have proved to be a highly interesting solution for large and mid-sized laboratories, since they improve the possibilities of maintaining and exchanging competence within and between hospitals. Laboratories can use the products to streamline their operations and assure the quality of analyses, which in turn benefits patient care. The products' added value combined with the company's technical competence and experienced management are expected to continue to fortify CellaVision's position on the market.

BOARD OF DIRECTORS' REPORT

Geographical presence

The majority of hospital and commercial laboratories that use CellaVision's products are in Europe and North America. In 2010 Europe accounted for 40% of total sales, North America for 50% and the rest of the world for 10%.

North America

North America is CellaVision's most important growth market. The growing staff shortages that exist in laboratory operations in the western world are particularly evident in the USA and Canada. Reports show that large-scale retirement is to be expected in the next 10-15 years and that interest in the occupation among young people is weak. Laboratories are therefore seeking solutions that ensure management of large sample volumes.

In the USA, CellaVision's products have been sold since 2008 by the company's own sales organization in parallel with the distributor Sysmex America. At the beginning of 2010 Beckman Coulter, a market leading supplier in the market for hematology and clinical diagnosis instruments in the USA, was added to the distributor network to accelerate the company's market penetration. In Canada CellaVision has sold successfully since 2007 via its own subsidiary. There are potential customers among the 2000 or so laboratories that the company has identified as its market in North America.

The two distributors' efforts in the USA, together with CellaVision's own sales organizations, resulted in a good performance in the North American market in 2010. Sales increased by 9% compared with 2009, which can be attributed to the distributors' new sales of analyzers and additional sales to base units installed, mainly in the USA. CellaVision has invested considerable resources in training and providing support to both the distributors in the USA, particularly in the first part of the year. Joint market activities accelerated during the second half of the year, which resulted in increased sales. Beckman Coulter installed the first analyzers for end customers in the fall. To identify more potential customers for direct sales CellaVision's American subsidiary entered into a co-marketing agreement with the instrument company Abbott, starting on October 1.

Important events in the North American market also included the start-up of sales of the new analyzer, CellaVision DM1200, in Canada in fall 2009 and in the USA in the first quarter of 2010. The analyzer meets mid-size laboratories' capacity requirements and makes CellaVision's product portfolio broader and more competitive in a larger market. Reaction to the analyzer was very positive from an international audience at the AACC Annual Meeting & Clinical Lab Expo in California in July.

The financial crisis and budget restrictions partly slowed down investment decisions in North America. Canada was particularly hard hit due to tighter funding of all care facilities. But interest in CellaVision's products for remote access continues, since the geographical distances between collaborating laboratories are often great. With CellaVision's analyzers in combination with the CellaVision Remote Review Software, customers can examine slides remotely, which makes it possible to cut response times for consultation on difficult-to-assess tests to minutes instead of hours. An important sale during the year was to a hospital group in the Toronto area, which introduced the solution at three of its units.

Europe

Europe is CellaVision's largest market and has by far the largest number of analyzers installed to date. The transition from manual microscopy to digital image analysis has been in full swing for a couple of years in the European countries. The laboratories are seeking solutions that can increase productivity and offset the coming years' shortage of medical technologists. There are potential customers among the approximately 4 000 laboratories that the company has identified as its market in Europe. The countries that have so far shown the greatest interest in CellaVision's technology are Germany, Belgium, the Netherlands and France.

The collaboration with Sysmex, which is the world's largest player in hematology, was started in Europe in 2001 and has intensified over the years. Sysmex Europe drives the automation concept more vigorously than any other player, and for a couple of years even smaller laboratories have been investing in automated solutions – a trend that further strengthens the interest in CellaVision's products in general and the company's new analyzer, the CellaVision DM1200, in particular.

In spring 2010 global cooperation with Sysmex was extended and increased and since April 1 covers the entire world, with the exception of Canada.

The Nordic area

CellaVision's own sales organization works in parallel with Sysmex. The customer base is growing, above all in Sweden and Denmark, and in 2010 early customers continued to replace their first analyzers with the next product generation. One of them is the Central Hospital in Växjö. The leading European laboratory chain Unilabs is concentrating in Sweden on streamlining its laboratory operations using digital image analysis and has invested in the DM1200 analyzer for the hospitals in Eskilstuna

and Skövde, as well as for St Göran's hospital in Stockholm. The objective is to link all laboratories together, including the smaller ones, via CellaVision's software for remote access. Unilabs operates at 90 laboratories in twelve European countries, which means that there is great potential for more units within Unilabs to decide to analyze samples using CellaVision's digital methods. A similar solution was introduced at nine laboratories in the Västra Götaland region in 2009, where the region's fourth analyzer was installed in Borås in early 2010.

Japan

Japan is an important growth market for CellaVision. Japanese health care is facing several challenges, with funding problems as expenditure increases for an ageing population that at the same time demands better quality. Consequently, products that are well able to solve quality and efficiency problems are highly interesting to the Japanese health care sector. Since the start in 2007 CellaVision's subsidiary has marketed the company's technology to the 1000 or so large clinical laboratories in Japan, which see advantages in automating manual analysis to standardize test results and achieve cost savings.

CellaVision's sales in Japan during the year increased considerably, in part because of the sale of a number of analyzers to the Japanese distributor, Sysmex, which started installing products for end customers during the fall. Cooperation with Sysmex, which is market leader and has its home market in Japan, started on April 1 2010, when the companies entered into a non-exclusive global sales and distribution agreement. Like laboratories in Europe and North America, the Japanese laboratories normally replace all instruments in their chain of analysis at one and the same time and carry out their procurement via distributors or local dealers. The agreement increases the chances of CellaVision's technology being included in these procurement processes.

CellaVision's Japanese sales organization continues as before to operate on its own account, but now in parallel with the distributor. One of the most important deals in 2010 was the analyzer sold to the laboratory chain Mitsubishi Chemical Medience and installed at a university hospital. Since spring 2009 the chain has also had a CellaVision analyzer at its unit at the Tokyo Medical Center.

CellaVision's analyzers for mid-size laboratories, CellaVision DM1200, is not yet registered as a product in Japan but the company aims to start marketing the analyzer in 2011 to mid-size laboratories and higher education medical technology courses.

Rest of Asia

CellaVision products are also appreciated in the rest of Asia for their timesaving and quality assurance potential and demand is now taking off. Here, investments in CellaVision's products are often not associated with reduced staff costs; demand here is more driven by shortage of skilled staff and/or increased quality requirements for test results. Since 2010 the agreements with Sysmex and Beckman Coulter give the distributors the right to sell CellaVision's products in China and Hong Kong in parallel with Vastec Medical, which has been CellaVision's distributor in the area since the market introduction in 2008. China is an emerging market with great long-term potential and with parallel distribution channels CellaVision can quickly reach a larger part of the market. The distributors' initiatives in the region have also brought results in the form of orders from hospitals in several countries in Southeast Asia.

Sales and distribution

CellaVision has a global customer base and the company's distribution strategy is to collaborate with market leaders in the hematology instrument market. CellaVision reaches a broad geographical market via distributors and is rapidly increasing knowledge of and interest in CellaVision's products. In the domestic Nordic market and the markets that CellaVision estimates to have the greatest growth potential – the USA, Canada and Japan – direct sales are made via CellaVision's own sales companies.

Cooperation with the distributor Sysmex started in Europe in 2001 and has been successively intensified over the years. In 2010 it was extended to cover more markets, including Sysmex' domestic market, Japan. The non-exclusive agreement came into force on April 1, 2010 and covers the whole world with the exception of Canada, where CellaVision has decided to sell directly through its subsidiary.

In 2010 CellaVision strengthened its distribution network with another global company, the American distributor Beckman Coulter, which along with Sysmex is the world's largest company for hematology and clinical chemistry analyzers. The agreement gives Beckman Coulter the right to non-exclusive sales in the USA, Latin America, Oceania and parts of Asia, including India and China.

The market for analyzers is characterized by large-scale procurement and via distributors CellaVision's products are included in comprehensive customer offerings. With CellaVision's products in their mix, Sysmex and Beckman Coulter can offer their customers a complete line of laboratory instruments, in other words instruments that cover all the steps of the analysis process, from preparation of samples to cell counters and final assessment of the pathological samples in CellaVision's analyzers.

BOARD OF DIRECTORS' REPORT

Research and development

The optional application for body fluids for the CellaVision DM1200 became commercially available at the beginning of the year for customers in the European market. In September CellaVision submitted an application to the American Food and Drug Administration (FDA) to sell the application in the USA. The company is also preparing to register the product in Canada.

The two pre-studies on malaria and bone marrow that started in spring 2010 with the help of development grants from the Swedish Governmental Agency for Innovation Systems, Vinnova, and the Swedish Agency for Economic and Regional Growth/ Skåne Regional Council were completed in the fourth quarter. The pre-studies, which included interview material from some twenty hospitals in Europe, North America and Japan, show that the company's technology can be used conceptually to detect blood cells infected by the malaria parasite or can be used to analyze blood cells in bone marrow. The company's next step is to implement a deeper market analysis to evaluate the potential of the applications. Possible further development of any of the projects will require extensive resources and regulatory work.

During the year CellaVision started a software project to evaluate the technical conditions for a veterinary application of CellaVision's image analysis concept. The project is based on the results of the evaluation of the company's test application made by veterinary laboratories in Sweden and the USA. It is expected to have a final basis for a decision during the first half of 2011.

Apart from the projects mentioned, there are development projects aimed at enhancing the customer benefit of the analyzers through increased functionality and more areas of use, including a product concept for collaborating laboratories in hospital groups or county councils. The concept will be evaluated by a number of hospital laboratories in spring 2011 to enable the company to make the correct decisions and gradually develop a final product in late 2011.

Patents

In December 2010 the company was granted a new patent in the USA. The patent describes how cost efficient mechanics for highly precise focusing of a microscope slide can be utilized by using flexure arrangements. At the close of the year the company had a patent portfolio containing a total of 18 patented inventions, which have generated 34 patents to date. The earliest patent expires in 2016 and the latest in 2026.

Regulatory approvals

The optional application for body fluids for the CellaVision DM1200 became commercially available at the beginning of the year for customers in the European market. In September CellaVision submitted an application to the American Food and Drug Administration (FDA) to sell the application in the USA. The company is also preparing to register the product in Canada. The body fluid application is already available for the CellaVision DM96 in all the company's main markets.

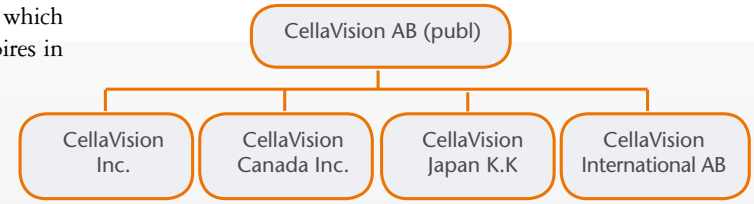
Product supply

The year's strong demand for CellaVision's products means increased focus on product supply. The CellaVision DM96 and CellaVision DM1200 analyzers are manufactured on contract by Kitron in Karlskoga. In the latter part of the year a shortage of components interrupted production of the DM1200 and Kitron reported that in 2011 it will carry out a reorganization and move, including CellaVision's products. This will also affect the company's delivery capacity in the first half of 2011. The focus is now on measures to reinforce product supply. As a part of this, the company has employed a Chief Operating Officer (COO) to be responsible for the company's product supply, from product development to delivery, starting successively in spring 2011.

During the year the new analyzer, CellaVision DM1200, replaced its predecessor CellaVision DM8, and production of DM8 ceased as planned. The company continues to support the DM8 under existing agreements and official requirements.

Legal structure

CellaVision is a Group consisting of the parent company CellaVision AB and the wholly-owned subsidiaries CellaVision Inc., based in Florida, USA, CellaVision Canada Inc. in Toronto, Ontario, Canada, CellaVision Japan K.K., Yokohama, Japan and CellaVision International AB. The functions of the subsidiaries are sales, marketing and support to end customers.



Environment

The company does not conduct activities that are subject to licensing or reporting under Chapter 9, Section 6 of the Environmental Code (1998:808). Both products and production have a minor impact on the environment.

Employees

CellaVision develops and sells world-leading systems in medical technology where every employee's input makes a great difference. Our employees' high level of competence in technical development – digital imaging, neural networks, programming and mechanics – and experience from international sales and establishment of distributor networks are important factors behind CellaVision's positive development. CellaVision imposes high requirements in terms of commitment, quality and responsibility, but in return offers a corporate climate colored by team spirit, innovative thinking and participation. It is always a priority for the company's management team to retain and develop current staff and attract new professional employees to the organization. This is done by building an open and stimulating company culture that allows our employees professional growth and development potential within the organization. CellaVision has a corporate form that gives employees the opportunity to develop within their specialist areas as well in new areas.

The organization in figures

On December 31, 2010 the number of employees in the Group was 57 and 68 per cent of them were men. Staff turnover in 2010 was 5.5% and sickness absence 1.4%. The average age at the head office in Sweden is 40 years.

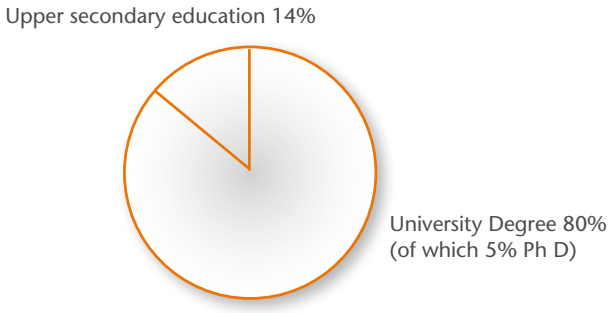
Communication and openness

A high level of competence and great commitment on the part of its employees give CellaVision an important tool to continue being a strong and leading player in the hematology market. Operations are knowledge-intensive and the employees are the company's most important asset. CellaVision is characterized by an environment that stimulates good communication and openness, which facilitates the integration of new staff.

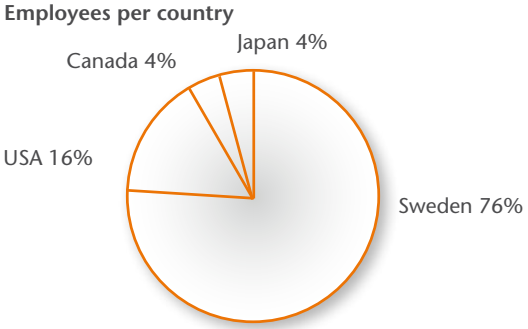
Clear leadership

A hallmark of CellaVision's leadership is straight and open communication. Every employee participates in a performance review with his or her line manager to discuss such things as personal goals, the future and training requirements.

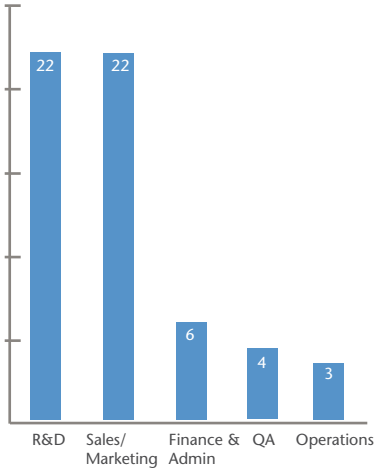
Employee's education level



Employees per country



Employees per department



BOARD OF DIRECTOR'S REPORT

Financial performance

Net sales for the Group were SEK 131.6 million (109.0) for the year, an increase of 21% compared with the same period in the previous year. Adjusted for foreign exchange rate effects the increase would be 28%.

Sales in international markets are mainly in USD and EUR, which means that the company's sales and results are impacted by changes in these currencies. In 2010 the company hedged 50-75 per cent of its planned currency flows to compensate for any foreign exchange fluctuations. The general economic recovery in the USA was weak during the entire second half of 2010 and the dollar fell sharply in value in the third quarter, which had a negative impact on the Group's earnings.

The gross margin for the year was 67% (70). The year's lower margin is due to negative foreign exchange effects and to the fact that a larger percentage of sales was via distributors. It was also impacted by the production disruptions mentioned, with a shortage of components for the CellaVision DM1200.

The Group's operating profit for the year was SEK 13.9 million (14.8). In comparison with last year's average exchange rate the operating profit for the year would have been SEK 21.7 million. Total operating expenses for the full year were SEK 73.6 million (61.7). Operating expenses have increased because CellaVision grew during the year and the organization now includes more employees in important areas of competency.

The operating margin was 10.6% (13.6). The lower margin can be explained by negative foreign exchange effects and the fact that a larger percentage of sales was via distributors. It was also impacted by the production disruptions mentioned, with a shortage of components for the CellaVision DM1200.

The Group's profit for the year was SEK 38.3 million (27.7). The net profit for the year includes a deferred tax credit of SEK 27.7 million (13.0) referring to the value of CellaVision AB's unused tax loss carry forwards. The total deferred tax asset referring to unused tax loss carry forwards is thus SEK 52.7 million (25.0), signifying that tax assets referring to all unutilized loss carry forwards in Sweden have been reported.

Capitalized expenditure for development projects was SEK 4.6 million (10.6) for the full year. The share of development expenditure that can be capitalized has fallen during the year and a larger share was expensed compared with last year, when the new hardware platform was being developed. Investments in property, plant and equipment amounted to SEK 0.2 million for the full year (0.5).

Liquid assets and financing

The Group's cash and cash equivalents at the end of the year were SEK 35.8 million (22.0).

The year's cash flow from operating activities was SEK 11.5 million (20.6). The weaker cash flow is explained by increased capital tied up in trade receivables due to an increased sales volume in the last month of the year.

To obtain a stable picture of earnings, as of 2009 the company continuously hedges 50-75 per cent of currency exposure in net flows 12 months forward. Profit for the year was negatively impacted by unrealized exchange rate differences in the parent company's receivables from subsidiaries of SEK 2.7 million.

The Group's equity/assets ratio was 70% (66).

Parent company

Parent company sales during the year were SEK 122.8 million (99.3). Profit before tax for the year was SEK 14.4 million (25.5).

The parent company's investments in property, plant and equipment and intangible assets during the year were SEK 4.7 million (11.0) and the net cash flow was SEK 15.9 million (0.1).

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

Risks and risk management

CellaVision's operations are exposed to several risks, both operational and financial. For more detailed information please refer to note 2.

CORPORATE GOVERNANCE REPORT 2010

CellaVision complies with the Swedish Code of Corporate Governance as of the date its shares started to be traded on NASDAQ OMX Stockholm, May 31, 2010.

Corporate governance in CellaVision

CellaVision's corporate governance is regulated both by external rules such as Swedish legislation, and internal documents such as the Articles of Association. The Articles of Association stipulate for example the location of the registered office of the company, the share capital and where the Annual General Meeting is to be held. Under the Articles of Association the members of the Board of Directors are elected annually at the Annual General Meeting. The Articles of Association do not include any restrictions concerning the appointment and dismissal of Board members. Decisions concerning amendments to the Articles of Association are taken by the General Meeting of Shareholders. The Articles of Association and documentation from the latest Annual General Meetings can be found on the company's website www.cellavision.se.

The highest decision-making body in CellaVision is the General Meeting of Shareholders that is convened at least once a year and decides among other things on how the Nomination Committee is to be appointed.

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.

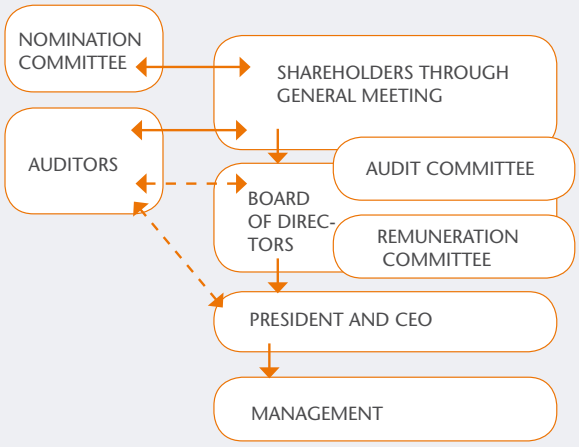
The Board of Directors and ultimately the President/CEO administers the affairs of the company on behalf of the shareholders. The Board of Directors appoints the President/CEO, who is responsible for the day-to-day management of the company. The division of duties and responsibilities between the Board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

The main external regulatory framework that affects the governance of CellaVision:
- The Companies Act
- NASDAQ OMX Stockholm Rule Book for Issuers
- Applicable accounting legislation
- The Swedish Code of Corporate Governance

www.bolagsstyrning.se, www.nasdaqomx.com

Examples of internal documents that affect the governance of CellaVision:
- The Articles of Association
- Instructions and Rules of Procedure for the President/CEO and Board of Directors
- Policies and guidelines

Overall governance structure for CellaVision



Shareholding

Share capital in CellaVision as at December 31, 2010 amounted to 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 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.

CellaVision had 1,444 shareholders on the closing date. Of these, the following shareholders have direct and indirect holdings that constitute more than ten per cent of the voting rights of all shares in the company;
- Stiftelsen Industrifonden represents 15 per cent of the votes.
- Metallica Förvaltnings AB represents 11.6 per cent of the votes.
- Christer Fåhraeus, who directly and indirectly through family and corporations represents 10.1 per cent of the shares.

For more information about CellaVision's shareholders, please refer to page 57.

BOARD OF DIRECTORS' REPORT

General Meeting of Shareholders

The shareholders' right to take decisions regarding the affairs of the company is exercised at general meetings. It is the General Meeting that decides on amendments to the Articles of Association, new share issues and the election of the Board of Directors. The company is obliged to convene a General Meeting, the Annual General Meeting, at least once a year at which a number of central items of business must be dealt with, including the appropriation of the company's profits, adoption of the income statement and balance sheet, discharge from liability of the Board of Directors and President/CEO, election of the Board of Directors and auditor and fees to the Board of Directors and auditor. The Annual General Meeting of CellaVision is held in Lund during the first half of every year. In connection with the third quarterly report in 2010 CellaVision's shareholders were informed of the time and place of the Annual General Meeting in 2011 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.

To be entitled to participate and vote their shares at the Annual General Meeting, shareholders must be entered in the share register and give notice of attendance within a certain time limit. Shareholders unable to participate in person can do so via a proxy. How to notify attendance at the Annual General Meeting is explained in the notice to attend and in information on the website.

Annual General Meeting in 2010

CellaVision's Annual General Meeting was held on Thursday, April 29, 2010 at CellaVision's premises at Ideon in Lund. All shareholders directly entered in the share register and who had notified their attendance in time were entitled to participate in the 2010 Annual General Meeting and vote their shares. Shareholders unable to attend had the opportunity to be represented by proxy. The Board of Directors, 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 for the 2009 financial year were adopted,
- The Board of Directors and President/CEO's proposal that the profits at the disposal of the Meeting of SEK 70,716,284 be carried forward was approved,
- The Board of Directors and President/CEO were discharged from liability,
- The Meeting resolved that the Board of Directors shall be increased by one member to six members and no alternates. Niels Freiesleben, Christer Fåhraeus, Lars Gatenbeck, Sven-Åke Henningsson and Torbjörn Kronander were reelected as Board members. Anna Malm Bernsten was elected as a Board member. Lars Gatenbeck was reelected as the Chairman of the Board
- Remuneration to the Chairman of the Board shall be SEK 200,000 (140,000). Remuneration to the other members of the Board shall be SEK 100,000 (70,000) per member, a total to the Board of SEK 700,000 (420,000), and remuneration to the auditor will be payable in accordance with the approved invoice,
- The Board's proposal for authorizing the Board of Directors to decide on issues of shares, warrants or convertibles up to the next Annual General Meeting was approved ,
- The Board's proposal for a conditional amendment of the Articles of Association concerning the provision on convening a general meeting was approved.

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 www.cellavision.se. The full resolutions of the Meeting as above are available from the Company at the address Ideon Science Park in Lund and will be sent to any shareholder who so requests.

Annual General Meeting 2011

The 2011 Annual General Meeting will be held on Tuesday, April 26, 2011 at 17.00 at Ideon in Lund. Information concerning the date on which a request from a shareholder to have a matter brought before the Meeting must have been received for inclusion in the notice to attend is published on the company's website.

The Nomination Committee before the Annual General Meeting 2011

The Annual General Meeting in 2010 resolved to appoint a Nomination Committee consisting of four members, one of whom shall be the Chairman of the Board and three of whom shall represent the company's largest shareholders by voting power. In accordance with the AGM resolution a Nomination Committee was appointed after consultation with the company's three largest shareholders by voting power. Information on the members of the Nomination Committee was given in conjunction with the interim report for January-September 2010. The Nomination Committee has subsequently, due to changes in the composition of the company's largest shareholders, found it appropriate to co-opt a representative of the fourth largest shareholder by voting power. When this shareholder did not wish to appoint a representative, the fifth largest shareholder by voting power was asked. This shareholder's representative was co-opted to the Nomination Committee. Information about the new composition of the Nomination Committee was given in conjunction with the year-end bulletin of February 15, 2011.

The following members are included:
Lars Gatenbeck, Chairman of the Board (convener)

- Lennart Hansson, chairman of the Nomination Committee
- (Stiftelsen Industrifonden)
  Anders Frick (Metallica Förvaltnings AB)
- Christer Fåhraeus (Christer Fåhraeus including companies)
- Ulrika Slåne (AP3 Third National Swedish Pension Fund) co-opted.

The task of the Nomination Committee is to prepare and submit to the Annual General Meeting proposals for:

- Election of a chairman for the Meeting,
- election of a Chairman of the Board and other members of the company's Board of Directors,
- remuneration to the Board of Directors and any remuneration for committee work,
- election of and remuneration to the auditor.

The Nomination Committee proposals are presented in the notice to attend the 2011 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 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 administers the company on behalf of the shareholders 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 correct provision of information to the company's stakeholders. CellaVision's Board of Directors forms a quorum when more than half of its members are present. Under the Articles of Association the Board of Directors of CellaVision 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 2002 by Lars Gatenbeck. The Chairman of the Board is appointed by the Annual General Meeting. The Chairman of the Board must organize and lead the work of the Board, ensure that the Board regularly develops its knowledge of the company, communicate shareholders' views to the Board and be a support to the President/CEO. The Chairman of the Board and the President/CEO prepare proposed agendas for the Board meetings. The Chairman of the Board verifies that the Board's decisions are effectively implemented and is responsible for ensuring annual evaluation of the work of the Board and that the Nomination Committee is informed of the results of this evaluation.

The Board's Rules of Procedure

The Board's Rules of Procedure were adopted on April 29, 2010 and are to be revised annually at the inaugural Board meeting. In addition to that, the Rules of Procedure are revised as necessary. The Rules of Procedure include the responsibilities and duties of the Board, the duties of the Chairman of the Board, audit issues and specification of the reports and financial information that the Board must receive before each ordinary Board meeting.

Evaluation of the work of the Board

The Board of Directors evaluates its work annually, using a systematic and structured process in which the Board members must respond to a detailed questionnaire. The purpose is to gain an understanding of the members' views on the working methods of the Board and any measures that can be taken to make the work more effective. It is the responsibility of the Chairman to ensure that the evaluation is carried out. In accordance with the Swedish Code of Corporate Governance, relevant parts of the results are made available to the Nomination Committee.

The Board continuously evaluates the work of the President/CEO by following operations in relation to the goals set. Once a year a formal evaluation is made, which is discussed with the President/CEO.

CellaVision's Board of Directors 2010

As of the 2010 Annual General Meeting the Board of Directors consisted of six members with no alternates. At the 2010 Annual General Meeting Niels Freiesleben, Christer Fåhraeus, Lars Gatenbeck, Sven-Åke Henningsson and Torbjörn Kronander were reelected as Board members. Anna Malm Bernsten was elected as a Board member. Lars Gatenbeck was reelected as the Chairman of the Board. The members of the Board have great experience and competence in medicine and science as well as business and international operations. A more detailed presentation of the members of the Board can be found on page 52 and on the company website.

The independence of the members in relation to the company, the company management and the major shareholders is presented below. The composition of the Board complies with the provisions of NASDAQ OMX Stockholm and the Swedish Code of Corporate Governance concerning independent members.

Composition of the Board 2010

Name	Elected	Function of the Board	Born	Independence to the company	Independent to the company's major shareholders
Lars Gatenbeck	2000	Chairman	1956	Yes	Yes*
Niels Freiesleben	2004	Member	1951	Yes	Yes
Christer Fåhraeus	1994	Member	1965	Yes	Noj
Sven-Åke Henningsson	2006	Member	1940	Yes	Yes
Torbjörn Kronander	2007	Member	1957	Yes	Yes
Anna Malm Bernsten	2010	Member	1961	Yes	Yes

*Lars Gatenbeck represented the Life Equity Group, which was the exclusive adviser to the venture capital funds H&B Capital and Life Equity Sweden, which in 2010 together owned 569,992,2 shares in CellaVision. The funds were wound up in the second half of 2010 and most of their shares were distributed to the fund investors. Lars Gatenbeck has been independent of the company's major shareholders since December 2010.

BOARD OF DIRECTORS' REPORT

Work of the Board in 2010

During the financial year the Board has devoted particular attention to the company's structure and areas of focus, material risks and risk management and other strategic issues. A two-day meeting was devoted to long-term strategic planning, focusing on growth areas for digital microscopy in healthcare.

The company's President/CEO and CFO participate regularly in the Board meetings. Other executives participate in the Board meetings as necessary. The company's auditor participates in at least one of the ordinary meetings during the year.

In 2010 the Board held a total of 11 minuted meetings.

Board committees and committee work in 2010

CellaVision has applied the provisions of the Companies Act concerning audit committees and the provisions of the Swedish Code of Corporate Governance concerning audit and remuneration committees since May 31, 2010, when the company's share was first admitted to trading on a regulated market, NASDAQ OMX.

Audit Committee

In 2010 the Board set up an Audit Committee consisting of three members who are independent in relation to the company management: Lars Gatenbeck, Niels Freiesleben and Sven-Åke Henningsson. Sven-Åke Henningsson chairs the Committee.

The main task of the Audit Committee is to support the Board in its quality assurance of financial reporting. In 2010 the Audit Committee held two meetings. Questions discussed and dealt with were mainly audit planning and risk assessment, reports from the company's auditors concerning audits of the Group, new accounting policies, changes in the Swedish Code of Corporate Governance and management and follow-up of operations. The company's auditor and CFO participate regularly at the Audit Committee meetings. The Audit Committee has no decision-making authority, it prepares and reports matters to the Board as a whole.

Remuneration Committee

According to its Rules of Procedure the Board appoints a Remuneration Committee from among its members to deal with remuneration issues for senior management in the Group. In 2010 the Board set up a Remuneration Committee consisting of the Board members Lars Gatenbeck, Christer Fåhraeus and Torbjörn Kronander. Lars Gatenbeck chairs the Committee.

The Remuneration Committee submits proposals to the Board concerning the salary and other conditions of employment of the President/CEO. The Remuneration Committee is also to establish salaries and other conditions of employment for the Executive Group Management.

The Remuneration Committee is also to assist the Board before each Annual General Meeting in drawing up proposed guidelines for remuneration to senior management for the coming year, in accordance with the Companies Act, Chapter 8, Section 51. The guidelines shall refer to determination of salary and other remuneration (including pensions, severance pay, transfer of securities, etc) to the President/CEO and other senior management of the Company.

In 2010 the Remuneration Committee was in contact by mail and telephone on several occasions, as well as holding individual discussions and meetings in conjunction with Board meetings. Questions dealt with and discussed were a new program for performance-based salary to senior management of the company and guidelines and principles for remuneration to the President/CEO and other senior management and the general salary level in the company.

Attendance and remuneration to the Board in 2010

Name	Audit Committee	Remuneration Committee	Attendance at Board meetings	Attendance at Committee meetings	Board fee, SEK thousands	Board fee, SEK thousands Committee	Total, SEK thousands
Lars Gatenbeck	•	•	100%	100%	200	0	200
Niels Freiesleben	•		100%	100%	100	0	100
Christer Fåhraeus		•	100%	100%	100	0	100
Sven-Åke Henningsson	•		100%	100%	100	0	100
Torbjörn Kronander		•	91%	100%	100	0	100
Anna Malm Bernsten*			67%		100		100
Total					700	0	700

• Chairman of the board
• Member of the board

* Elected at the 2010 Annual General Meeting.

Remuneration

Remuneration to the Board

Remuneration to the Board for the coming financial year is determined every year by the Annual General Meeting. In 2010 the Annual General Meeting resolved that remuneration to the Chairman of the Board for the current year should be SEK 200,000. Remuneration to the other members of the Board is to be SEK 100 000 per member, a total to the Board of SEK 700 000.

Guidelines for remuneration to senior management in 2010

These guidelines are to be applied when determining salary and other remuneration to the President/CEO and other senior management of CellaVision. The guidelines were adopted by the Annual General Meeting on April 29, 2010. Remuneration to the President/CEO and other senior management consists of basic salary, variable remuneration, other benefits and pension. Altogether the above components constitute the individual's total remuneration.

The total remuneration must be commercially based and competitive, as well as being in relation to the position, performance, responsibility and authority. The basic salary is to take account of the individual's areas of responsibility and experience and be reviewed annually. Variable remuneration depends on the individual's fulfillment of quantitative and qualitative goals linked to the development of the business. The maximum variable remuneration to the President/CEO is 33 per cent of basic salary. For other senior management the variable remuneration varies depending on position and contract and may be a maximum of 25 per cent of basic salary.

In 2010 the Board of Directors decided on an incentive program for senior management that is in part related to the share price. The share-price related component consists of a comparison between the company's share price and the general index on NASDAQ OMX Stockholm, in which the company's share price must have exceeded the general index by at least 30 per cent from Q4 2009 to Q4 2012 in order to generate any right to remuneration. The maximum outcome of the share-price based component of the incentive program for each member of management is 3 months salary, with a supplement of a further month's salary for the President/CEO. The maximum outcome for the entire incentive program lies within the framework of the guidelines for remuneration to senior management decided by the Annual General Meeting.

Decisions on share-price related programs to company management must be made by the General Meeting under the provisions of the Code. The reason for deviating from this provision is that the Board, considering the limited scope of the program in question, principally the amounts that may be payable and the fact that the program is only in part share-price related, has made the assessment that it was not warranted to present the incentive program to the General Meeting. For a detailed description of remuneration for 2010, see Note 5.4.

Proposed guidelines for remuneration to senior management in 2011

These guidelines refer to remuneration and other conditions of employment for senior management of CellaVision AB. The guidelines apply to employment and consultant contracts entered into after approval of the guidelines by the Annual General Meeting and to amendments to existing employment contracts made thereafter.

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, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary. Altogether the above components constitute the individual's total remuneration.

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 goals established by the Board. Such goals may for example be linked to performance, sales and/or cash flow. For other senior management the variable remuneration must be based on individual goals and/or the outcome in the individual's relevant area of responsibility.

Apart from the variable remuneration described above, the Board must review annually whether a share or share-price related incentive program should be proposed to the General Meeting or not.

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. 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.

BOARD OF DIRECTOR'S REPORT

President and CEO

The President and Chief Executive Officer, Yvonne Mårtensson, is responsible for the day-to-day business operations. In the Instruction to the President/CEO, adopted by the Board, the division of duties between the Board and the President/CEO is laid down. The most recent Instruction to the President/CEO was adopted by the Board on April 29, 2010. The President/CEO has appointed a management team to be responsible for various parts of the business. The Executive Group Management holds minuted meetings at which operative issues are discussed. In addition the Executive Group Management draws up a business plan annually, which is adopted by the Board. The business plan is followed up via monthly reports from the respective functions in the company, in which the examination focuses on growth and cost control. All the members of the Executive Group Management are at the company's head office in Lund, Sweden. A more detailed presentation of the President/CEO and the management team is given on page 53 in the 2010 Annual Report.

Auditors

The auditors are elected by the Annual General Meeting. Deloitte AB was elected in 2008 as auditor of the parent company for the period up to and including the Annual General Meeting in 2012. The task of the auditors is to audit CellaVision's annual accounts, accounting records and the administration by the Board of Directors and President/CEO. Besides the annual audit, the auditor examines at least one quarterly report per year. The auditor in charge is authorized public accountant Per-Arne Pettersson, who has been the auditor in charge of CellaVision since 2000. Remuneration to the auditor is payable in accordance with the approved invoice.

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

This report on internal controls 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

According to the Companies Act and the Swedish Code of Corporate Governance the Board is responsible for internal controls.

Control environment

The basis of internal controls 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 errors 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.

BOARD OF DIRECTOR'S REPORT

Information and communication

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.

To enable CellaVision's shareholders and stakeholders to follow operations and their development, financial reports and press releases are published regularly on the website. Interim reports and annual reports are published in Swedish and English. Events estimated to be price-sensitive are made public through press releases.

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.

Important events after the close of the financial year

On January 12, 2011 CellaVision reported that the company's management team was being reinforced with Stefan Bengtsson as Chief Operating Officer (COO) with responsibility for the company's product supply, from development to delivery. Stefan Bengtsson has held leading positions in Gambro, Getinge and Pharmacia and has extensive knowledge and experience of production and product development.

Outlook for 2011

CellaVision is planning for continued international market expansion and continued product development in 2011. To continue growing and improving its market position the company is continuing to work with several global distributors. With well-established global distributors in hematology, together with the company's own sales organization in the Nordic countries, North America and Japan, the company has good chances of accelerating its market penetration. The challenge of adapting the company's production to the growing demand will continue in 2011. The production disruptions of the second half of 2010 for the DM1200 will also affect the company's delivery capacity in the first half of 2011. The focus is now on strengthening product supply. The growing demand for CellaVision's products also means that the company has invested in its own organization, including a COO with responsibility for product development and production. Within the company there are a number of ongoing development projects aimed at enhancing the customer benefit of the analyzers through increased functionality and more areas of use. CellaVision's products, that save time and consequently money, target markets with high growth potential and stand up well in competition for laboratory investments. All in all, the company is looking ahead with confidence to 2011.

Proposed appropriation of profits

PARENT COMPANY	(SEK)
The following profits are at the disposal of the Annual General Meeting:	
Profit brought forward	70,716,284
Net profit/loss for the year	42,161,238

The Board of Directors and President/CEO propose that the profits at the disposal of the Meeting of SEK 112,877, 522 be carried forward.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Group

SEK THOUSANDS	Note	2010	2009
	1		
Net sales	3	131 638	108 974
Cost of goods sold	12	-44 082	-32 486
Gross profit		**87 556**	**76 488**
Selling expenses		-33 637	-30 443
Administrative expenses		-23 046	-19 285
Research and development expenditure		-17 336	-12 058
Other operating income		411	75
Operating profit	5,6,7,8,9,12	**13 948**	**14 777**
PROFIT/LOSS FROM FINANCIAL ITEMS			
Interest income		1	15
Interest expense		-3 225	-631
Profit before tax		**10 724**	**14 161**
Tax on profit for the year	13	27 625	13 559
Net profit for the year		**38 349**	**27 720**
Other comprehensive income:			
a) Cash flow hedges			
Reclassified to operating profit		-1 434	
Revaluation of financial assets		1 947	1 434
Tax effect on cash flow hedges		-135	-377
b) Translation differences			
Exchange rate differences on translation of subsidiaries		-104	37
Total other comprehensive income		274	1 094
Total comprehensive income for the year		**38 623**	**28 814**
Of which attributable to the parent company's shareholders		38 623	28 814
Earnings per share (SEK)		1,61	1,16
Earnings per share after dilution (SEK)		1,61	1,16
Number of shares in issue (thousands)		23 852	23 852
Average number of shares in issue (thousands)		23 852	23 852

CONSOLIDATED STATEMENT OF FINANCIAL POSITION Group

SEK THOUSANDS	Note	2010	2009
ASSETS	1		
Non-current assets			
Intangible assets	3,8	22 269	23 004
Tangible assets	3,9	1 592	2 270
Deferred tax assets	13	53 184	25 559
Other non-current receivables	10	133	79
Total non-current assets		**77 178**	**50 912**
Current assets			
Inventories			
Finished goods and goods for resale		7 514	9 091
Total inventories		**7 514**	**9 091**
Current receivables			
Trade receivables	21	35 175	25 493
Other receivables		5 651	4 613
Accrued income and prepaid expenses	15	1 172	1 279
Total current receivables		**41 998**	**31 385**
Cash and cash equivalents		35 811	21 964
Total current assets		**85 323**	**62 440**
TOTAL ASSETS		**162 501**	**113 352**
EQUITY AND LIABILITIES	1		
Shareholders' equity			
Share capital	22	3 577	3 577
Other contributed capital		10 800	10 800
Reserves		2 407	2 133
Accumulated profit including profit for the year		96 638	58 289
Total equity attributable to the parent company's shareholders		**113 422**	**74 799**
Current liabilities			
Current liabilities, non-interest-bearing		3 857	2 956
Liabilities to credit institutions, interest-bearing	17	20 835	13 661
Trade payables		11 140	13 791
Provisions	16	2 256	1 740
Accrued expenses and deferred income	18	10 991	6 405
Total current liabilities		**49 079**	**38 553**
TOTAL EQUITY AND LIABILITIES		**162 501**	**113 352**
Pledged assets	19	27 420	19 481
Contingent liabilities	19	none	none

CONSOLIDATED STATEMENT OF CASH FLOWS Group

SEK THOUSANDS	Not	2010	2009
Operating activities	1		
Profit before tax		10 724	14 161
Adjustments for non-cash items	4	14 060	711
Cash flow from operating activities before changes in working capital		**24 784**	**14 872**
Change in inventories		1 577	-740
Change in operating receivables		-13 153	8 670
Change in operating liabilities		-1 750	-2 222
Cash flow from changes in working capital		**-13 326**	**5 708**
Cash flow from operating activities		**11 458**	**20 580**
Investing activities			
Capitalisation of development expenditure		-4 572	-10 648
Purchases of property, plant and equipment		-159	-466
Acquisition of non-current financial assets		-54	-
Cash flow from investing activities		**-4 785**	**-11 114**
Financing activities			
Loans repaid/raised		7 174	-7 140
Cash flow from financing activities		**7 174**	**-7 140**
CASH FLOW FOR THE YEAR		**13 847**	**2 326**
Cash and cash equivalents (opening balance)		21 964	19 638
Cash and cash equivalents (closing balance)		35 811	21 964
Supplementary disclosures, cash flow statement			
Interest received during the year		1	1
Interest paid during the year		-516	-632

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY Group

SEK thousands, Note 1	Share equity	Other contributed capital	Reserves	Profit/loss brought forward	Total shareholders' equity
Opening amount, 2009	3 577	10 779	1 039	30 590	45 985
Reposting	-	21	-	-21	0
Comprehensive income for the year	-	-	1 094	27 720	28 814
Closing amount, 2009	**3 577**	**10 800**	**2 133**	**58 289**	**74 799**
Opening amount, 2010	3 577	10 800	2 133	58 289	74 799
Comprehensive income for the year	-	-	274	38 349	38 623
Closing amount, 2010	**3 577**	**10 800**	**2 407**	**96 638**	**113 422**

INCOME STATEMENTS Parent company

SEK THOUSANDS	Note	2010	2009
	1		
Net sales	3, 11	122 804	99 290
Cost of goods sold	12	-53 391	-31 970
Gross profit		**69 413**	**67 320**
Selling expenses		-11 879	-10 065
Administrative expenses		-23 046	-19 285
Research and development expenditure		-17 336	-12 057
Other operating income		411	75
Operating profit	5,6,7,8,9,12	**17 563**	**25 988**
PROFIT/LOSS FROM FINANCIAL ITEMS			
Interest income		1	14
Interest expense		-3 126	-534
Profit before tax		**14 438**	**25 468**
Tax on profit for the year	13	27 723	13 000
Net profit for the year		**42 161**	**38 468**

STATEMENT OF COMPREHENSIVE INCOME Parent company

Net profit for the year	42 161	38 468
Other comprehensive income:	-	-
Sum of other comprehensive income:	0	0
Comprehensive result for the year	**42 161**	**38 468**

BALANCE SHEETS Parent company

SEK THOUSANDS	Not	2010	2009
ASSETS	1		
Non-current assets			
Intangible assets	8	22 269	23 004
Tangible assets	9	1 461	2 114
Shares in subsidiaries	14	704	704
Deferred tax assets	13	52 723	25 000
Total non-current assets		**77 157**	**50 822**
Current assets			
Inventories			
Finished goods and goods for resale		4 720	6 073
Total inventories		**4 720**	**6 073**
Current receivables			
Trade receivables	21	31 435	13 517
Receivables from group companies		31 890	29 859
Other receivables		4 147	3 267
Accrued income and prepaid expenses	15	922	1 196
Total current receivables		68 394	47 839
Cash and cash equivalents		33 123	17 252
Total current assets		**106 237**	**71 164**
TOTAL ASSETS		**183 394**	**121 986**
EQUITY AND LIABILITIES	1		
Shareholders' equity			
Restricted equity			
Share capital	22	3 577	3 577
Statutory reserve		10 779	10 779
Non-restricted equity			
Profit brought forward		70 717	32 249
Net profit for the year		42 161	38 468
Total shareholders' equity		**127 234**	**85 073**
Current liabilities			
Current liabilities, non-interest-bearing		3 474	2 570
Liabilities to credit institutions, interest-bearing	17	20 835	13 661
Trade payables		11 021	13 463
Liabilities to group companies		9 957	144
Provisions	16	2 256	1 740
Accrued expenses and deferred income	18	8 617	5 335
Total current liabilities		**56 160**	**36 913**
TOTAL EQUITY AND LIABILITIES		**183 394**	**121 986**
Pledged assets	19	27 420	19 481
Contingent liabilities	19	none	none

CASH FLOW STATEMENTS Parent company

SEK THOUSANDS	Note	2010	2009
Operating activities	1		
Profit before tax		14 438	25 468
Adjustments for			
Non-cash items	4	12 879	-25
Cash flow from operating activities before changes in working capital		**27 317**	**25 443**
Change in inventories		1 353	-337
Change in operating receivables		-23 536	-2 486
Change in operating liabilities		8 275	-4 327
Cash flow from changes in working capital		**-13 908**	**-7 150**
Cash flow from operating activities		**13 409**	**18 293**
Investing activities			
Capitalisation of development expenditure		-4 572	-10 648
Purchases of property, plant and equipment		-140	-366
Sale of property, plant and equipment		-	-
Cash flow from investing activities		**-4 712**	**-11 014**
Financing activities			
New issues		-	-
Loans repaid/raised		7 174	-7 140
Cash flow from financing activities		**7 174**	**-7 140**
CASH FLOW FOR THE YEAR		**15 871**	**139**
Cash and cash equivalents (opening balance)		17 252	17 113
Cash and cash equivalents (closing balance)		33 123	17 252
Supplementary disclosures, cash flow statement			
Interest received during the year		1	14
Interest paid during the year		-418	-534

STATEMENT OF CHANGES IN EQUITY Parent company

SEK thousands, Note 1	Share capital	Statutory reserve	Profit/loss brought forward	Total shareholders' equity
Opening amount, 2009	3 577	10 779	32 249	46 605
Net profit for the year	-	-	38 468	38 468
Closing amount, 2009	**3 577**	**10 779**	**70 717**	**85 073**
Opening amount, 2010	3 577	10 779	70 717	85 073
Net profit for the year	-	-	42 161	42 161
Closing amount, 2010	**3 577**	**10 779**	**112 878**	**127 234**

NOTE 1 General information, accounting policies and valuation principles

ACCOUNTING POLICIES

General

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 International Financial Reporting Interpretations Committee (IFRIC) 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 31 December 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 2010

New and amended standards and improvements have had no impact on the Group's financial reports 2010. A number of new interpretations and amendments have been issued from IFRIC. These interpretations and amendments have had no impact on the Group's financial reports 2010.

New and amended standards and interpretations not yeat 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.

The company management considers that new and amended standards and interpretations will not have any material impact on the Group's financial reporting in the period they are applied for the first time. However essential parts of IFRS 9 Financial instruments, which replaces IAS 39, are determined, but will be effective no earlier than 2013. The impact that this could bring on the financial reporting is therefore not yet fully known.

GROUP ACCOUNTING POLICIES

Consolidated accounts

CellaVision AB is a Swedish public limited liability company with its registered office at Ideon Science Park 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, and the possible right to future software updates. The entire revenue referring to the system, instrument plus updates, is recognized when the significant risks and rewards associated with the instrument are transferred 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.

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.

As of the 2009 financial year borrowing costs for qualified assets for newly started projecgts are also capitalized. Since the company did not incur any borrowing costs no such costs have been capitalized.

Exhange 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.

Hedge accounting

CellaVision applies hedge accounting in accordance with IAS 39. For the cash flow terms that meet the criteria for hedge accounting, the value change in fair value reserve is accounted for in other comprehensive income.

Intangible assets

Intangible assets consist of capitalzed expenditure for development and are recorded at cost of acquisition less accumulated amortization.

An amortization plan, for capitalized development expenditure, based on a useful life of five years is started on market introduction of developed products.

Property, plant and equipment

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

Depreciation/amortization according to plan

Depreciation/amortization according to plan is based on the historical cost and estimated useful life of the assets. Depreciation/amortization according to plan:

- Development projects 5 years
- Instruments 5 years
- Equipment 5 years
- Computer equipment 3 years

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.

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.

Receivables and liabilities

Receivables are recorded in the amounts at which they are expected to be received. Liabilities are recorded at nominal amounts. Receivables and liabilities in foreign currency have been translated at the closing day rate, at which time unrealized exchange rate effects are recognized in revenue.

To the extent an external customer contract exists (as regards the parent company's sales to Group companies) all customer invoices in the parent company are covered by invoice factoring. These are reported as trade receivables (in the parent company also intra-group receivables). The loans received by the company in the respective invoicing currency are reported as liabilities translated at the closing day rate. These invoices have been provided as loan collateral and are reported under pledged assets.

Inventories

Inventories are recorded at the lower of cost according to the first-in, first-out method (FIFO) and net realisable 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.

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 though 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 3), this plan is reported as a defined contribution plan as Alecta cannot produce sufficient information for reporting it as a defined benefit plan.

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.

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".

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.

Impairment of non-financial assets

If within the group there is an indication that the value of an asset is impaired, its recoverable amount is determined. The recoverable amount is defined as the higher of an asset's net realisable value and value in use. When establishing value in use, a calculation is made of the present value of expected future cash flows from the asset during its useful life. An impairment loss is recognized in the income statement when the carrying amount in the consolidated accounts exceeds the recoverable amount.

Financial instruments

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

Trade receivables

Trade receivables are reported net of any doubtful receivables. These deductions are based on individual assessment of trade receivables taking into account expected bad debt losses. Historically the Group has had very few bad debt losses as its customers are established hematology companies and distributors with good credit status and in the Nordic area the customers are publicly financed hospitals.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank and current investments. A current investment is classified as a cash equivalent if it can easily be cashed for a known amount and if it is only exposed to an insignificant risk of value fluctuation.

Trade payables

Trade payables are recorded at the value the company intends to pay the supplier to settle the debt.

Currency forwards and hedge accounting

The Group uses currency forwards to hedge forecast inflows in foreign currency. These inflows have been 50–70% hedged for 2010. Forward cover refers mainly to EUR and USD.
Outstanding cash flow hedges as at 31 December are recorded at fair value in "Other comprehensive income".

Operating segments

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.

Related party transactions

In 2010 CellaVision had transactions with member of the board Niels Freiesleben, who assisted as an advisor on a consultancy basis. The transaction is priced on market terms and has not had any material impact on the company's financial position and performance. Regarding the company's other directors there are no transactions other than those disclosed in Note 5.

Important accounting estimates and assumptions

Preparation of reports and application of various accounting policies are often based on the management's judgements or on assumptions and estimates considered to be reasonable under the circumstances. These assumptions and estimates are usually based on experience but also on other factors, including expectations of future events.
The following two areas are worth noting for CellaVision:

Capitalized development expenditure

The recoverable amount for capitalized development expenditure is determined on the basis of estimated economic life and volume. This calculation is based on estimated future cash flows using financial forecasts approved by the management and covering product life cycles.

Tax loss carry forwards

The part of CellaVision's deferred tax asset referring to tax loss carry forwards that has been recognized as a financial asset during the year corresponds to the management's assessment of what can be utilized with reference to financial forecasts.

Parent company's accounting policies

For a more detailed description of accounting policies, please refer to the section above "Group Accounting Policies". Only divergences in the parent company's policies compared with those of the Group are described below.

Valuation of cash flow hedges

In the parent company cash flow hedges are accounted off-balance and thus not included at fair value.

Investments in subsidiaries

Investments in subsidiaries are recorded on the basis of cost of acquisition.

NOTE 2 Risks

FINANCIAL RISK FACTORS

Through its operations, the Group is exposed to various financial risks such as market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy is to aim for minimum unfavourable impact on financial result and position.

MARKET RISK

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will vary due to changes in market interest 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's interest-bearing financial liabilities refer to liabilities to credit institutions. The major part of this liability refers to the invoice factoring used by the Group.

All liabilities have a floating rate. Calculated on the basis of financial interest-bearing liabilities as at 31 December 2010, a change of one percentage point in the market rate would affect the Group's earnings by SEK 208 thousand (137). The corresponding figure for the parent company is SEK 208 thousand (137).

Currency risk

The Group operates internationally and is exposed to currency risk from various currency exposures, mainly in USD and EUR. The company's purchases are 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. Calculated on the basis of the Group's currency mix in its sales, a change of ten percentage points in the currencies would have an impact of SEK 5 million on the Group's earnings.

Price risk

The Group is not exposed to any price risk referring to shares classified as financial instruments at fair value through profit or loss or financial assets available for sale.

Credit risk

Credit risk is the risk that a party to a transaction with a financial instrument cannot fulfil its obligations. The maximum exposure for credit risks referring to financial assets as at 31 December 2010 was SEK 35,175 thousand (25,493). However, at present the existing provision is deemed to be sufficient, see note 21. In other respects there is no significant concentration of credit risk, geographically or in relation to any particular customer segment. The percentage of receivables more than 120 days overdue was 0% of total trade receivables as at the balance sheet date, see note 21. There are no other financial assets due for payment.

Liquidity 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. At present the liquidity risk is deemed to be reasonably low, mainly due to the Group's liquidity.

Fair value

The carrying amount corresponds to fair value for all of the Group's and parent company's financial assets and liabilities. The financial resources of the Group and parent company all belongs to category trade receivables and loans receivable and derivatives. In the parent company derivatives are not included in the balance sheet and are thus not measured at fair value. The financial liabilities in the consolidated and parent company belongs to the category Financial liabilities. Derivatives are measured at fair value in the consolidated statement of comprehensive income for 1,435 thousand (1,057) and reported as other assets by a corresponding amount under the "other assets" in the consolidated statement of financial position.

	2010		2009	
Financial assets	Group	Parent company	Group	Parent company
Non-current receivables	133	-	79	-
Trade receivables	35 175	63 325	25 493	43 376
Other receivables	4 216	4 147	3 556	3 267
Cash and cash equivalents	35 811	33 123	21 964	17 252
Derivatives	1 435	-	1 057	-
Total	**76 770**	**100 595**	**52 149**	**63 895**

	2010		2009	
Financial liabilities	Group	Parent company	Group	Parent company
Liabilities to credit institutions	20 835	20 835	13 661	13 661
Trade payables	11 140	11 021	13 791	13 463
Total	**31 975**	**31 856**	**27 452**	**27 124**

Impact on income per category – financial instruments in the group

	2010	2009
Anticipated bad debt losses	0	0
Confirmed bad debt losses	0	0
Other	0	0
Total	**0**	**0**

Capital structure

CellaVision defines the managed assets as the sum of the Group's net debt and equity. At the end of 2010 the managed assets were SEK 98,446 thousand (66,496).

The Group's objectives regarding the capital structure are to secure the Group's ability to continue operations to generate returns for shareholders and benefits to other stakeholders and 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 15% over a business cycle. To maintain a good capital structure the Group can, for example, raise new loans or amortize the existing loans, adjust the level of dividends paid to shareholders, repay capital to shareholders, buy back shares, issuing new shares or sell assets.

OPERATIONAL RISK FACTORS

Distributors

CellaVision's strategy is to establish strategic alliances with global players in medical technology. CellaVision operates through distributors in markets outside the Nordic countries and Canada. This means that CellaVision's future expansion depends on successful distributors. The company mainly distributes its products via Sysmex and since January 2010 also Beckman Coulter. Sysmex and Beckman Coulter are market leaders in the hematology instrument market. The company is dependent on the distributors' successes in the field of hematology, in which CellaVision's products are marketed. Despite the fact that CellaVision has well-functioning and extensive contractual relationships with 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 like Sysmex or Beckman Coulter would have a negative impact on CellaVision's sales and earnings.

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. CellaVision's future supply of products is dependent on subcontractors who can manufacture the company's products. The company 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 specialisation 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. 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's success is partly dependent on receiving and retaining patent protection for the company's products and solutions and on being able to conduct its operations without encroaching on a technological area that has been patented by another party. Patent and trademark protection are continually sought for the products and solutions developed by the company. In December 2010 the company received a new patent in the United States. The patent describes how cost efficient mechanics for highly precise focusing of a microscope slide can be utilized by using flexure arrangements. At the close of 2010 the company had a patent portfolio containing a total of 18 patented inventions, which have generated 34 patents to date. The earliest patent expires in 2016 and the latest in 2026.

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.

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 has FDA approval for CellaVision DM and DiffMaster. 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.

NOTE 3 Information by geographical area

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

3.1 Income by geographical area

Group	2010	2009
Sweden [1]	7 413	5 621
Europe	45 528	39 173
North America	65 654	59 612
Rest of the world	13 043	4 568
Total [2]	**131 638**	**108 974**

Parent company	2010	2009
Sweden	7 413	5 621
Europe	47 092	39 173
North America	57 320	49 737
Rest of the world	10 979	4 759
Total	**122 804**	**99 290**

[1] Of which 60 (65) is rental income
[2] Of which 129 448 (107 656) refers to system sales (hardware and software) and 2 190 (1 318) refers to sales of services.

3.2 Intangible and tangible assets by geographical area

Group	2010	2009
Sweden	24 434	25 822
North America	158	136
Rest of the world	105	98
Group eliminations	-704	-704
Total	**23 993**	**25 352**

3.3 Investments by geographical area

Group	2010	2009
Sweden	4712	11 014
North America	73	100
Total	**4 785**	**11 114**

NOTE 4 Non-cash items

Group	2010	2009
Depreciation	6 144	3 540
Translation difference in the group	2 707	-
Change in accruals and provisions	5 209	-2 829
Total	**14 060**	**711**

Parent company	2010	2009
Depreciation/amortization	6 100	3 497
Translation difference in the group	2 707	-
Change in accruals and provisions	4 072	-3 522
Total	**12 879**	**-25**

NOTE 5 Staff

5.1 Employees

	2010		2009	
Average number of employees	Number employees	Of whom men	Number employees	Of whom men
Parent company, Sweden	42	28	38	24
Subsidiaries, USA	8	5	7	4
Subsidiaries, Canada	2	1	2	0
Subsidiaries, Japan	2	2	2	2
Total	**54**	**36**	**49**	**30**

	2010		2009	
Number of women in senior management:	Board of	Other	Board of	Other
Parent company	1	2	-	2
Subsidiaries	-	-	-	-
Total	**1**	**2**	**0**	**2**

5.2 Salaries and other renumeration

	2010		2009	
Salaries and other remuneration:	Board, CEO	Others	Board, CEO	Others
Parent company	1 884	18 877	2 064	18 559
Subsidiaries	-	10 566	-	9 902
Total	**1 884**	**29 443**	**2 064**	**28 461**

5.3 Social security and pensions costs

	2010		2009	
Social security and pension costs:	Social security costs	Of which pension costs	Social security costs	Of which pension costs
Parent company	10 540	3 165	9 213	2 708
Subsidiaries	866	163	856	186
Total	**11 406**	**3 328**	**10 069**	**2 894**

5.4 Renumeration to senior management

	2010		2009	
Salaries, remuneration and other benefits:	Salary	Pension	Salary	Pension
Board of Directors	700	-	420	-
CEO	1 690	560	1 714	477
Other senior management	4 510	661	4 992	566
Total	**6 900**	**1 221**	**7 126**	**1 043**

In accordance with a resolution of the Annual General Meeting, remuneration to the Board of Directors of SEK 700 thousand (420), of which SEK 200 thousand (140) to the Chairman of the Board, is payable for the period until the next Annual General Meeting. This amount has not yet been paid. 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 which consists of a long term component related to the share price and a yearly-based individual component. The maximum outcome for the President/CEO is 33% of the salary and for other members of management 25%, decided by the Annual General Meeting 2010.

Of the total remuneration a bonus was paid of SEK 0 thousand to the CEO and a total of SEK 0 thousand to other senior management.

During the year other senior management has consisted of six persons. As of December 31 other senior management consist of five persons.

The Remuneration Committee prepares questions of remuneration and other conditions of employment for the company management. Decisions are taken by the Board of Directors.

5.5 Sickness absence

In the period 1 January 2010 - 31 December 2010 the total sickness absence was 1.38% (1.28). Sickness absence for men was 1.24% (1.08) and for women 1.60% (1.57). For the age group up to 29 years, sickness absence was 1.32%, for the age group from 30 to 49 years, sickness absence was 1.41% (1.27) and in the age group 50 years and over the sickness absence was 1.30%. In the age groups of up to 29 years and 50 years and over, CellaVision had fewer than 11 employees in each group in 2009 and therefore no comparison figures for 2009 are reported for these groups.

Of the total of 1,220 sickness absence hours, long-term sickness absence hours accounted for 0.00% (0.00).

NOTE 6 Audit fees

	2010		2009	
Fees to the company's auditors, Deloitte AB	Group	Parent	Group	Parent
Audit	150	150	123	123
Addition to the audit engagement	71	71	38	38
Tax advisory	25	25	-	-
Other engagements	118	118	6	6
Totalt	**364**	**364**	**167**	**167**

NOTE 7 Rental contracts and leases

	2010		2009	
Contracted future rental and lease charges	Group	Parent company	Group	Parent company
- Within one year	3 022	2 925	2 897	2 801
- Later than one but within five years	5 830	5 830	8 203	8 203
- Later than within five years	-	-	-	-
Total	**8 852**	**8 755**	**11 100**	**11 004**

Rental and lease payments for all rental contracts and leases during the year amounted to SEK 3,633 thousand (3,723).
The parent company's rental and lease payments for the year were SEK 3,044 thousand (3,002).

Leased assets that CellaVision has under finance leases are included in the "Equipment" item (note 9) in the following amounts:

	2010	2009
Cost of acquisition:	1 567	1 567
Depreciation/amortization:	-729	-416
Net value	**838**	**1 151**

Gross liabilities referring to finance leases:

Minimum lease payments	**2010**	**2009**
Maturity date:		
Within one year	356	423
Between one and five years	482	728
Net value	**838**	**1 151**
Future financial expenses	-69	-59
Present value of liabilities referring to finance leases	769	1 092
Maturity date:		
Within one year	346	411
Between one and five years	423	681
Net value	**769**	**1 092**

NOTE 8 Capitalized expenditure for development

	2010		2009	
	Group	**Parent company**	**Group**	**Parent company**
Opening cost of acquisition	45 350	45 350	34 702	34 702
Year's acquisitions	4 572	4 572	10 648	10 648
Closing accumulated cost of acquisition	**49 922**	**49 922**	**45 350**	**45 350**
Opening depreciation	-22 346	-22 346	-19 792	-19 792
Depreciation for the year	-5 307	-5 307	-2 554	-2 554
Closing accumulated depreciation	**-27 653**	**-27 653**	**-22 346**	**-22 346**
Closing carrying amount	**22 269**	**22 269**	**23 004**	**23 004**

Expenditure on research and development was SEK 21,908 thousand (22,706), which is 17% (21) of net sales. Of this expenditure SEK 4,572 thousand (10,648) has been capitalized and the remaining SEK 17,336 thousand (12,058) has been charged to earnings for the period.

The year's development work refers mainly to development of new software applications.

Information on impairment testing

If there is an indication that carrying amounts exceed the recoverable amount the difference is charged to the result for the period as it arises. The recoverable amount for capitalized development expenditure is determined on the basis of estimated economic life and volume. This calculation is based on estimated future cash flows using financial forecasts approved by the management and covering product life cycles.

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.

NOTE 9 Tangible assets

	2010		2009	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	11 801	11 278	11 335	10 915
Year's acquisitions	159	140	466	363
Disposals/ retirements	-	-	-	-
Closing accumulated cost of acquisition	**11 960**	**11 418**	**11 801**	**11 278**
Opening depreciation	-9 435	-9 164	-8 449	-8 221
Depreciation for the year	-838	-793	-986	-943
Reversal of acc. depreciation on disposals/retirements	-	-	-	-
Closing accumulated depreciation	**-10 273**	**-9 957**	**-9 435**	**-9 164**
Translation difference	**-95**		**-96**	
Closing carrying amount	**1 592**	**1 461**	**2 270**	**2 114**

NOTE 10 Non-current financial assets

Group	2010	2009
Opening cost of acquisition	79	95
Office rent, deposit	54	-
Translation differences for the year	-	-16
Closing carrying amount	**133**	**79**

NOTE 11 Intra-Group transactions

SEK 14,803 thousand (18,076) of the parent company's invoicing refers to subsidiaries.
Invoicing from subsidiaries to the parent company amounted to SEK 10,078 thousand (612).

NOTE 12 Depreciation distribution

12.1 Group

	2010		2009	
	Intangible assets	Tangible assets	Intangible assets	Tangible assets
Cost of goods sold	-5 307	-	-2 554	-
Selling expenses	-	-168	-	-393
Administrative expenses	-	-251	-	-280
Research and development expenses	-	-419	-	-313
Total	**-5 307**	**-838**	**-2 554**	**-986**

12.2 Parent company

	2010		2009	
	Intangible assets	Tangible assets	Intangible assets	Tangible assets
Cost of goods sold	-5 307	-	-2 554	-
Selling expenses	-	-123	-	-350
Administrative expenses	-	-251	-	-280
Research and development expenses	-	-419	-	-313
Total	**-5 307**	**-793**	**-2 554**	**-943**

NOTE 13 Taxes

	2010		2009	
	Group	Parent company	Group	Parent company
Loss carry forwards	214 681	200 469	239 692	215 607
Deferred tax asset, loss carry forwards	52 723	52 723	25 000	25 000
Deferred tax asset, temporary differences	461	-	559	-
Total carrying amount for deferred tax asset	53 184	52 723	25 559	25 000
Unrecognised deferred tax assets	3 738	0	38 039	31 705

All companies in the Group have accumulated loss carry-forwards. In Sweden these are not subject to any time limit and can therefore reduce taxes on future profits. In the USA the time limit is 20 years. In Canada and Japan it is 7 years.

At the year-end the Parent company capitalized all of the loss carry forwards as a non-current financial asset. None of the loss of carry-forwards in the subsidiaries has been reported.

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 the tax deduction can be applied in the foreseeable future. In light of their understanding of the foreseeable future the Company's management and Board of Directors has capitalized the deferred tax asset corresponding to that length of time.

	2010		2009	
Tax on profit for the year	Group	Parent company	Group	Parent company
Accounting profit/loss before tax	10 724	14 438	14 161	25 468
Tax at current tax rate	-2 820	-3 797	-3 724	-6 698
Tax effect of:				
-Non-deductible expenses	-184	-184	-13	-13
-Tax losses where deferred tax asset is not reported	3 005	3 981	3 737	6 711
Revaluation of tax losses	27 723	27 723	13 000	13 000
Deferred tax income, temporary differences	-98	-	559	-
Tax on profit for the year	**27 625**	**27 723**	**13 559**	**13 000**

NOTE 14 Shares and participations in subsidiaries

Parent company	2010	2009
Opening book value	704	704
Acquisitions	0	0
Closing carrying amount	**704**	**704**

Shares owned by the parent company, 2010

Company	Corporate identity number	Registered office	Number of participations	Share of equity (%)	Book value
CellaVision International AB	556573-4299	Lund, Sweden	1 000	100	SEK 100 thousand
CellaVision Inc., Canada	1724445	Toronto, Canada	1 000	100	SEK 6 thousand
CellaVision Inc., Canada	06-1624895	Delaware, USA	10	100	SEK 1
CellaVision Japan K.K.	0104-01-074862	Yokohama, Japan	200	100	SEK 598 thousand

NOTE 15 Prepaid expenses and accrued income

	2010		2009	
	Group	Parent company	Group	Parent company
Office rent	612	612	677	677
Pension premiums	145	145	123	123
Other	415	165	479	396
TOTAL	**1 172**	**922**	**1 279**	**1 196**

NOTE 16 Provisions

	2010		2009	
Provisions for warranty	Group	Parent company	Group	Parent company
Opening amount	1 740	1 740	1 896	1 896
Allocated during year	2 256	2 256	1 740	1 740
Reversed provisions	-963	-963	-1 277	-1 277
Utilized	-777	-777	-619	-619
TOTAL	**2 256**	**2 256**	**1 740**	**1 740**
Provisions fall due for payment				
- Within one year	2 256	2 256	1 740	1 740
- Later than one but within five years	-	-	-	-
TOTAL	**2 256**	**2 256**	**1 740**	**1 740**

NOTE 17 Liabilities to credit institutions

Current liabilities	2010 Group	2010 Parent company	2009 Group	2009 Parent company
Nordea Bank AB	915	915	1 680	1 680
Nordea Finans Sverige AB	19 920	19 920	11 981	11 981
TOTAL	**20 835**	**20 835**	**13 661**	**13 661**

The liability to Nordea Bank AB refers to leasing and a bank loan. The liability to Nordea Finans Sverige AB (publ) refers to invoice factoring. The company pledges 80% of the value of external customer invoices at the time of invoicing. The limit for invoice factoring was SEK 24 million as at 31 December 2010.

NOTE 18 Accrued expenses and deferred income

	2010 Group	2010 Parent company	2009 Group	2009 Parent company
Holiday liability	3 604	3 238	2 698	2 467
Board fee	700	700	420	420
Social security contributions	1 225	1 017	775	775
Staff costs	1 188	802	338	0
Customer obligations	3 092	1 625	491	491
Other	1 182	1 235	1 683	1 182
TOTAL	**10 991**	**8 617**	**6 405**	**5 335**

NOTE 19 Pledged assets and contingent liabilities

Pledged assets	2010 Group	2010 Parent company	2009 Group	2009 Parent company
Pledged trade receivables	19 920	19 920	11 981	11 981
Floating charge	7 500	7 500	7 500	7 500
Total	**27 420**	**27 420**	**19 481**	**19 481**
Contingent liabilities	None	None	None	None

The floating charge applies to invoice factoring and overdraft facilities and covers all CellaVision AB's property. The overdraft facility is for SEK 15 million and had not been utilized as at 31 December 2010.

NOTE 20 Events after the balance sheet date

On January 12, 2011 CellaVision reported that the company's management team was being reinforced with Stefan Bengtsson as Chief Operating Officer (COO) with responsibility for the company's product supply, from development to delivery. Stefan Bengtsson has held leading positions in Gambro, Getinge and Pharmacia and has extensive knowledge and experience of production and product development.

NOTE 21 Trade receivables

As at 31 December 2010 trade receivables of SEK 6,594 thousand (56) 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.

Trade receivables overdue but not written down:

	2010	2009
1–30 days overdue	6 412	42
31–60 days overdue	-	-
61–90 days overdue	91	-
91–120 days overdue	17	-
More than 121 days overdue	74	14
Total	**6 594**	**56**

As at 31 December 2010 the Group reports a loss referring to provision for anticipated bad debt losses of SEK 0 thousand (0). The provision for doubtful trade receivables was SEK 0 thousand (0) as at 31 December 2010.

There are no pledges as collateral for receivables.

The Group uses invoice factoring. The borrowing level can be a maximum of 80% per customer. As at 31 December 2010 the borrowing level is 63% (47).

NOTE 22 Share capital

The registered share capital in the parent company was distributed, as at 31 December 2010, 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 23 Disputes in the Group

There are no disputes in the Group with external parties.

Annual General Meeting

The Annual General meeting will be held on April 26, 2011 at 17:00 at CellaVision's premises at Ideon in Lund, Sweden. Delta 5, Scheelevägen 19A.

Proposed appropriation of profits

The Board proposes that no dividend be declared for the financial year.

Signing of the annual accounts

The annual accounts and consolidated accounts were approved by the Board of Directors on March 24, 2011. 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 April 26, 2011.

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, March 24, 2011

Lars Gatenbeck
Chairman of the Board

Niels Freiesleben

Christer Fåhraeus

Sven-Åke Henningsson

Torbjörn Kronander

Anna Malm Bernsten

Yvonne Mårtensson
President and CEO

Our audit report was submitted
March 24, 2011
Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

AUDIT REPORT

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

We have audited the annual accounts, the consolidated accounts, with the exception of the corporate governance report on pages 21-27, the accounting records and the administration of the Board of Directors and the President of CellaVision AB (publ) for the financial year 1 January-31 December 2010. The Company's annual accounts are included in the printed version of this document on pages 14-50. The Board of Directors and President are responsible for the accounting records and administration as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards, IFRS, as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President/CEO and significant estimates made by the Board of Directors and the President/CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President/CEO. We also examined whether any Board member or the President/CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. Our statements do not include the corporate governance report on pages 21-27. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposals in the administration report and that the members of the Board of Directors and the President/CEO be discharged from liability for the financial year.

Report on the governance report

The Board of Directors and the President/CEO are responsible for the corporate governance report on pages 21-27 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Report has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Malmö, March 24, 2011

Deloitte AB

Per-Arne Pettersson
Authorised Public Accountant

BOARD OF DIRECTORS AND AUDITORS

LARS GATENBECK

Elected 2000. Chairman since 2002. Year of birth: 1956

Other directorships
Chairman of the Board of Life Equity Group Holding AB, Swecare AB, Stiftelsen Swecare and Life Medical Sweden AB. President and Chairman of the Board of H&B Capital Advisors AB, H&B Sweden AB and Life Equity Advisors AB. Member of the Board of Aleris Holding AB, Cancerföreningen and Stiftelsen Silviahemmet. Principal in Gustav V:s Jubileumsfond.
Education: M.D, Ph.D
CellaVision Shares: 7,438

Life Equity Group Holding AB was exclusive advisor to the funds H&B Capital LP and Life Equity Sweden KB, who together owned 5,699,922 shares in CellaVision in 2010.The funds distributed their holdings to the investors of the funds in the second half of 2010.

CHRISTER FÅHRAEUS

Founder. 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. Chairman of the Board of Agellis Group AB, Respiratorius AB and Flatfrog Laboratories AB. Member of the Board of EQL Pharma AB, Lunds Universitets Utvecklingsbolag (LUAB), Monkfish Instruments AB, Fårö Capital Securities AB and Fårö Capital AB
Education: M.Sc. Bioengineering, B.Sc. Mathematics, Ph.D. (hc) Lund University.
CellaVision Shares: 2,400,000 (with companies)

NIELS P. FREIESLEBEN

Elected 2004.
Year of birth: 1951

Other directorships
President and Chairman of the Board of Freiesleben Management ApS.
Education: Defence College Army.
CellaVision Shares: 0

SVEN-ÅKE HENNINGSSON

Elected 2006.
Year of birth: 1940

Other directorships
Chairman of the Board of ACAP invest AB and Rittal Scandinavian AB. Member of the Board of Gant Company AB, Gant Home AB and DIAB International AB.
Education: B.Sc. Economics and Business Administration
CellaVision Shares: 70,000

Auditor

PER-ARNE PETTERSSON

Authorised Public Accountant, Deloitte AB.
Auditor of CellaVision since 2000.

TORBJÖRN KRONANDER

Elected 2007.
Year of birth: 1957

Other directorships
Chairman of the Board of Sectra Sverige AB and Sectra Mamea AB. President and Member of the Board of Sectra Imtec AB. Vice President and Member of the Board of Sectra AB. Member of the Board of CMIV (Center for Medical Image Science and Visualization), Milly Medical AB, Ancylus OÜ and Shannon AB.
Education: Doctor of Technology, MBA
CellaVision Shares: 200,000

ANNA MALM BERNSTEN

Elected 2010.
Year of birth: 1961

Other directorships
CEO of Bernsten Konsult AB. Member of the Board of AB Fagerhult, Medivir AB, Artimplant AB, Nolato AB, BioPhausia AB, Birdstep ASA and Matrisen AB.
Education: M.Sc. Chemical Engineering.
CellaVision Shares: 0

MANAGEMENT

YVONNE MÅRTENSSON

President and CEO
Employed in 1998.
Year of birth: 1953

Previous experience
Has more than 25 years experience of international marketing and sales in fast-growing companies in various phases, and more than 20 years experiences from the medtech industry.

Other directorships
Member of the Board of CellaVision International AB, CellaVision Inc., CellaVision Canada Inc., Biolin Scientific AB, Aerocrine AB and Lunds universitets utvecklingsbolag AB (LUAB).
Education: M.Sc. Industrial Engineering and Management-
CellaVision Shares: 73,790 (with companies)

JOHAN WENNERHOLM

CFO
Employed in2007
Year of birth: 1968

Previous experience
Has many years experience of growing technology companies and relations with the capital market. Former positions include Nextlink AB and the Doro Group.
Education: B.Sc. Economics and Business Administration-
CellaVision Shares: 40,000 (with companies)

JEANETTE BENGTSSON

Operations Manager
Employed in 2006
Year of birth: 1967

Previous experience
Has broad experience in Operations, QA and Regulatory Affairs from several medtech companies. Former positions include Vice President of Cresco Ti Systems.
Education:Technical college graduate
CellaVision Shares: 8,334

PETER WILSON

Marketing Manager
Employed in 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.
Education: M.Sc. Chemical engineering
CellaVision Shares: 6,000

STEFAN BENGTSSON

COO
Year of birth: 1958

Will take up the position successively, starting on February 1, 2011.

HANS-INGE BENGTSSON

QA Manager
Employed in 2001
Year of birth: 1958

Previous experience
Has more than 15 years experience of blood analysis and clinical laboratories. Former positions include PolyPeptide Laboratories AB where he worked as Quality Control manager.
Education: M.Sc. Chemical engineering
CellaVision Shares:25,000

ADAM MORELL

Development Manager
Employed in 2001–2003 and then in 2006.
Year of birth: 1976

Previous experience
Former positions include Agellis Group AB.
Education: M.Sc. Engineering Physics, Licentiate of Engineering Mathematics, Bachelor of Medicine.
CellaVision Shares: 20,000

FIVE YEAR IN SUMMARY

Income statement

Amounts in SEK '000	2010	2009	2008	2007	2006
Revenues	131 638	108 974	100 444	74 565	54 777
Cost of goods sold	-44 082	-32 486	-36 941	-29 312	-22 764
Gross profit	**87 556**	**76 488**	**63 503**	**45 253**	**32 013**
Selling expenses	-33 637	-30 443	-21 748	-15 135	-13 352
Administrative expenses	-23 046	-19 285	-16 461	-16 066	-12 705
Research and development costs	-17 336	-12 058	-11 898	-11 137	-14 362
Other operating income	411	75	0	384	133
Other operating expenses	0	0	-12	-157	-333
Capitalised development expenditure					
Operating profit/loss	**13 948**	**14 777**	**13 384**	**3 142**	**-8 606**
Profit/loss from financial items	-3 224	-616	-330	-517	-175
Tax	27 625	13 559	12 000	0	0
Net profit/loss for the year	**38 349**	**27 720**	**25 054**	**2 625**	**-8 782**

Balance sheet

Amounts in SEK '000	2010	2009	2008	2007	2006
Assets					
Intangible assets	22 269	23 004	14 910	7 354	1 280
Tangible assets	1 592	2 270	2 824	1 257	1 373
Non-current financial assets	133	638	95	24	
Deferred tax assets	53 184	25 000	12 000		
Current assets	85 323	62 440	66 644	35 485	38 676
Total assets	**162 501**	**113 352**	**96 473**	**44 120**	**41 329**
Equity and liabilities					
Shareholders' equity	113 422	74 799	45 985	20 072	17 735
Current liabilities and current provisions	49 079	38 553	50 488	24 048	23 594
Total equity and liabilities	**162 501**	**113 352**	**96 473**	**44 120**	**41 329**

Key ratios

	2010	2009	2008	2007	2006
Equity, SEK '000	113 422	74 799	45 985	20 072	17 735
Capital employed, SEK '000	134 257	88 460	66 786	27 525	39 459
Liabilities to credit institutions, SEK '000	20 835	13 661	20 801	7 453	7 158
Net investments, SEK '000	4 785	11 114	11 326	7 366	1 316
Cash flow for the year, SEK '000	13 847	2 326	3 291	-405	-836
Interest coverage ratio	4	23	20	4	Neg.
Net debt/equity ratio	-0,13	-0,11	0,03	-0,44	-0,54
Equity-assets ratio, %	70	66	48	45	43
Return on equity, %	41	46	76	14	Neg.
Return on capital employed, %	13	19	29	12	Neg.
Average number of employees	54	49	42	38	34
Number of employees at close of period	57	50	47	40	37

Definitions of key ratios

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

Capital employed. Balance sheet total less deferred tax liabilities and non-interest bearing liabilities.

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

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

Equity per share. Equity in relation to average weighted number of shares. Splits and issues effected have been taken into account.

Equity per share after full dilution. Net earnings divided by the average weighted number of shares plus the additional number for full dilution. Splits and issues effected have been taken into account.

Interest coverage ratio. Profit/loss after financial items plus financial expenses divided by financial expenses.

Net earnings per share. Net earnings in relation to average weighted number of shares. Splits and issues effected have been taken into account.

Net earnings per share after full dilution. Net earnings divided by the average weighted number of shares plus the additional number for full dilution. Splits and issues effected have been taken into account.

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.)

Net investments. Tangible and intangible investments adjusted for disposals.

Return on capital employed. Profit/loss after financial items, plus financial expenses as a percentage of average capital employed.

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

Data per share – 5 years

	2010	2009	2008	2007	2006
Net profit/loss before and after dilution, SEK	1,61	1,16	1,05	0,11	-0,37
Equity before dilution, SEK	4,76	3,14	1,93	0,84	0,74
Equity after dilution, SEK	4,76	3,14	1,93	0,84	0,74
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

CELLAVISION'S SHARE PERFORMANCE

CELLAVISION'S SHARE was listed on Nasdaq OMX Stockholm on May 31, 2010. Trading in the share more than doubled during the year.

Share capital

Share capital in CellaVision as at December 31, 2010 amounted to SEK 3,577,732, distributed among 23,851,547 shares with a quotient value of SEK 0.15 each. 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 the holder without limit to the voting right. All shares confer an equal right to share in the company's assets and profits.

Price trend

In 2010 the CellaVision share price fell from SEK 12.50 to SEK 10.40 (closing price on the year's last day of trading, December 30). The highest price paid during the year was SEK 18.10, which was recorded on March 29. The lowest price paid was SEK 9.70, which was recorded on December 9. In 2010 a total of 6.6 million shares were traded at a value corresponding to SEK 85.5 million. In 2009 2.4 million shares were traded.

Year	Transaction new shares	Number of shares	Acc. number share capitall	Increase in capital (SEK '000)	Acc. share issue (SEK '000)	Proceeds from issue (SEK '000)	Acc. issue proceeds (SEK '000)
1994	New issue	500	500	50	50	50	50
1996	New issue	150	650	15	65	1,500	1,550
1996	New issue	110	760	11	76	1,500	3,050
1997	Bonus issue	760	1,520	76	152	-	3,050
1997	Split 1000:1	1,518,480	1,520,000	0	152	-	3,050
1997	New issue	122,000	1,642,000	12	164	4,066	7,116
1997	New issue	75,000	1,717,000	8	172	1,500	8,161
1998	New issue	100,000	1,817,000	10	182	4,500	13,116
1998	New issue	158,000	1,975,000	16	198	8,690	21,806
1999	New issue	1,296,750	3,271,750	130	327	25,935	47,741
1999	New issue	333,332	3,605,082	33	361	10,000	57,741
2000	Bonus issue	0	3,605,082	180	541	-	57,741
2000	New issue	1,354,454	4,959,536	203	744	74,495	132,236
2000	Options	2,500	4,962,036	0	744	150	132,386
2000	Options	1,000	4,963,036	0	744	40	132,426
2000	Options	2,000	4,965,036	0	745	80	132,506
2000	Options	22,000	4,987,036	3	748	1,100	133,606
2000	Options	88,000	5,075,036	13	761	4,400	138,006
2000	Options	3,000	5,078,036	0	762	120	138,126
2000	Options	11,500	5,089,536	2	763	690	138,816
2001	Options	15,000	5,104,536	2	766	900	139,716
2001	Bonus issue	5,104,536	10,209,072	766	1,531	-	139,716
2001	New issue	2,656,070	12,865,142	399	1,930	73,042	212,758
2002	Options	94,610	12,959,752	14	1,944	1,892	214,650
2002	New issue	545,455	13,505,207	82	2,026	15,000	229,650
2003	-	-	13,505,207	-	2,026	-	229,650
2004	New issue	6,645,504	20,150,711	997	3,023	33,227	262,877
2005	New issue	3,428,571	23,579,282	514	3,537	24,000	286,877
2006	New issue	272,265	23,851,547	41	3,578	1,906	288,783
2007	-		23,851,547	-	3,578	-	288,783
2008	-		23,851,547	-	3,578	-	288,783
2009	-		23,851,547	-	3,578	-	288,783
2010	-		23,851,547	-	3,578	-	288,783

Change of listing to Nasdaq OMX Stockholm

CellaVision's share was listed on Nasdaq OMX Stockholm on May 31, 2010. Trading in the share more than doubled during the year. CellaVision is traded under the ticker symbol CEVI and the ISIN code SE0000683484.

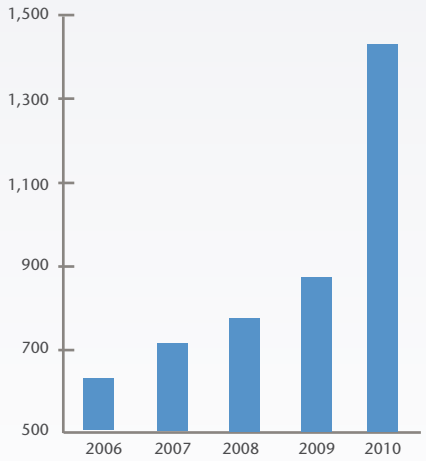
Employee option programs

The company had no outstanding option programs as at December 31, 2010.

Ownership structure

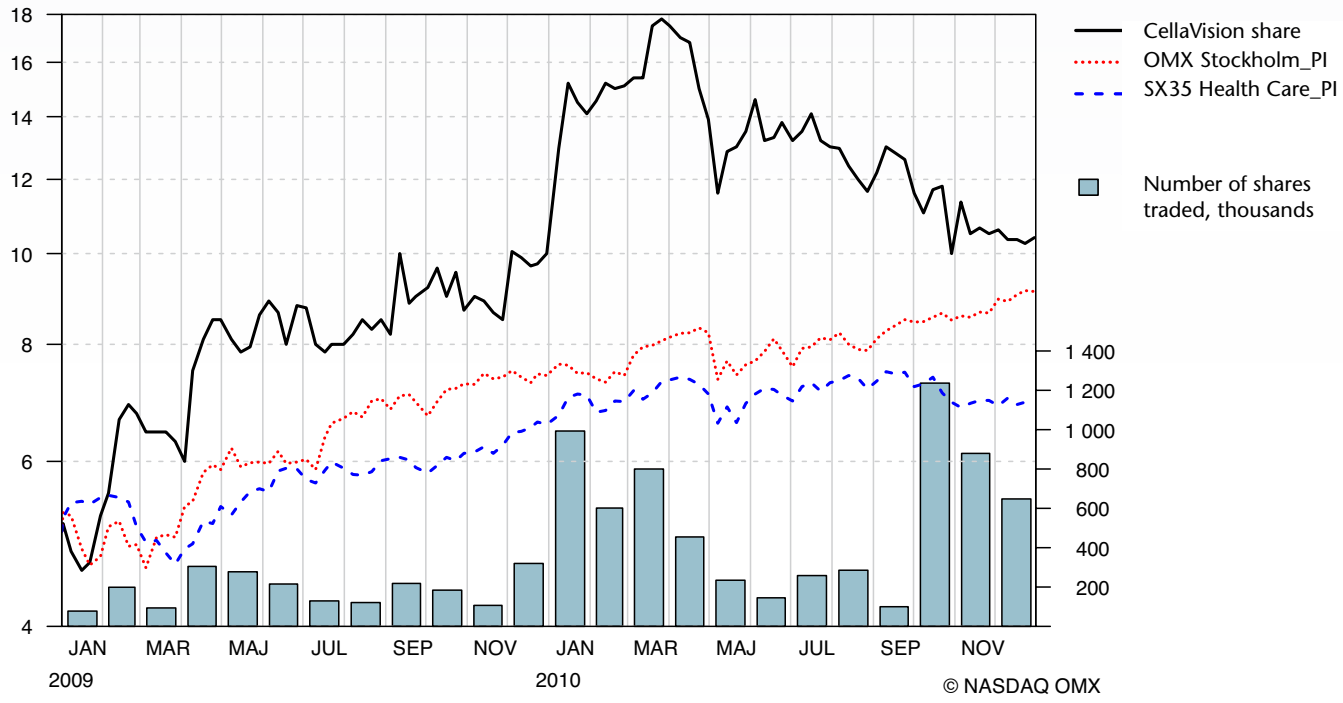
The specification of the ownership structure of CellaVision below is based on data from Euroclear (formerly VPC) as at 30 December 2010. The ten largest shareholders accounted for 62.8 per cent of the capital. Altogether CellaVision had 1 444 (878) shareholders as at the above date.

Number of shareholders



Shareholder	Number of shares	Ownership in %
Stiftelsen Industrifonden	3,587,257	15.0
Metallica Förvaltnings AB	2,773,967	11.6
Christer Fåhraeus and companies	2,400,000	10.1
Livförsäkrings AB (Skandia) publ	1,626,783	6.8
Tredje AP-fonden	1,607,620	6.7
Lindekullen Holding AB	963,786	4.0
Sjätte AP-fonden	644,416	2.7
Unionen	491,634	2.1
Försäkringsaktiebolaget, Avanza Pension	489,689	2.0
Pfizer Health AB	429,611	1.8
Others	8,836,784	37.2
Total	23,851,547	**100.00**

Share performance



GLOSSARY

Areas of analysis

Hematology

This includes blood and bone marrow tests. Important information can be obtained about diseases of the blood and bone marrow, such as allergies, infections, leukemias and other diseases of the blood. Hematology laboratories often also perform analyses of other body fluids.

Cytologi

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 premalignant cell changes.

Pathologi

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.

Artificial intelligence/Artificial neural networks

Mathematical model that mimics the brain's method of learning.

Bone marrow

Bone marrow samples can give important information on various diseases such as leukemia and other diseases of the blood. Cells are produced in the bone marrow and then released to the blood.

CBC

Complete Blood Count. Measurement of the three cell types existing in blood: white and red blood cells and thrombocytes. Performed by a cell counter

Manual differential count

Microscopic morphological differential count of blood cells. This investigation involves analysing the distribution between cells and their morphology, i.e. size, form and colour. This is done by smearing a drop of blood on a microscope slide, which is put into CellaVision's instrument or a manual microscope. This examination is special because it enables study of the size, form and colour of the cells. CellaVision's instrument pre-classifies the white blood cells into 17 classes and makes an assessment of the red blood cells. This analysis can detect infections, allergies, anaemia and serious cancers such as leukemia and lymphoma.

Cell counter

Blood samples are first analysed in an instrument that counts the number of cells. These instruments are found in all medium-sized and large hematology laboratories. The cell counter analyses either three or five normal white blood cell classes, makes an analysis of the red blood cells and parameters such as hemoglobin and (hematocrit) erythrocyte volume fraction. Samples showing any type of abnormality are sent on for further examination in CellaVision's instruments, where the blood is smeared and stained on a microscope slide. Without access to CellaVision's instrument, the sample is examined manually in a microscope.

Cell morphoplogy

The science that studies the structure of cells, i.e. size, form and colour.

Clinical chemistry

Clinical chemistry (also known as clinical biochemistry, chemical pathology, medical biochemistry or pure blood chemistry) is the area of pathology that is generally concerned with analysis of bodily fluid.

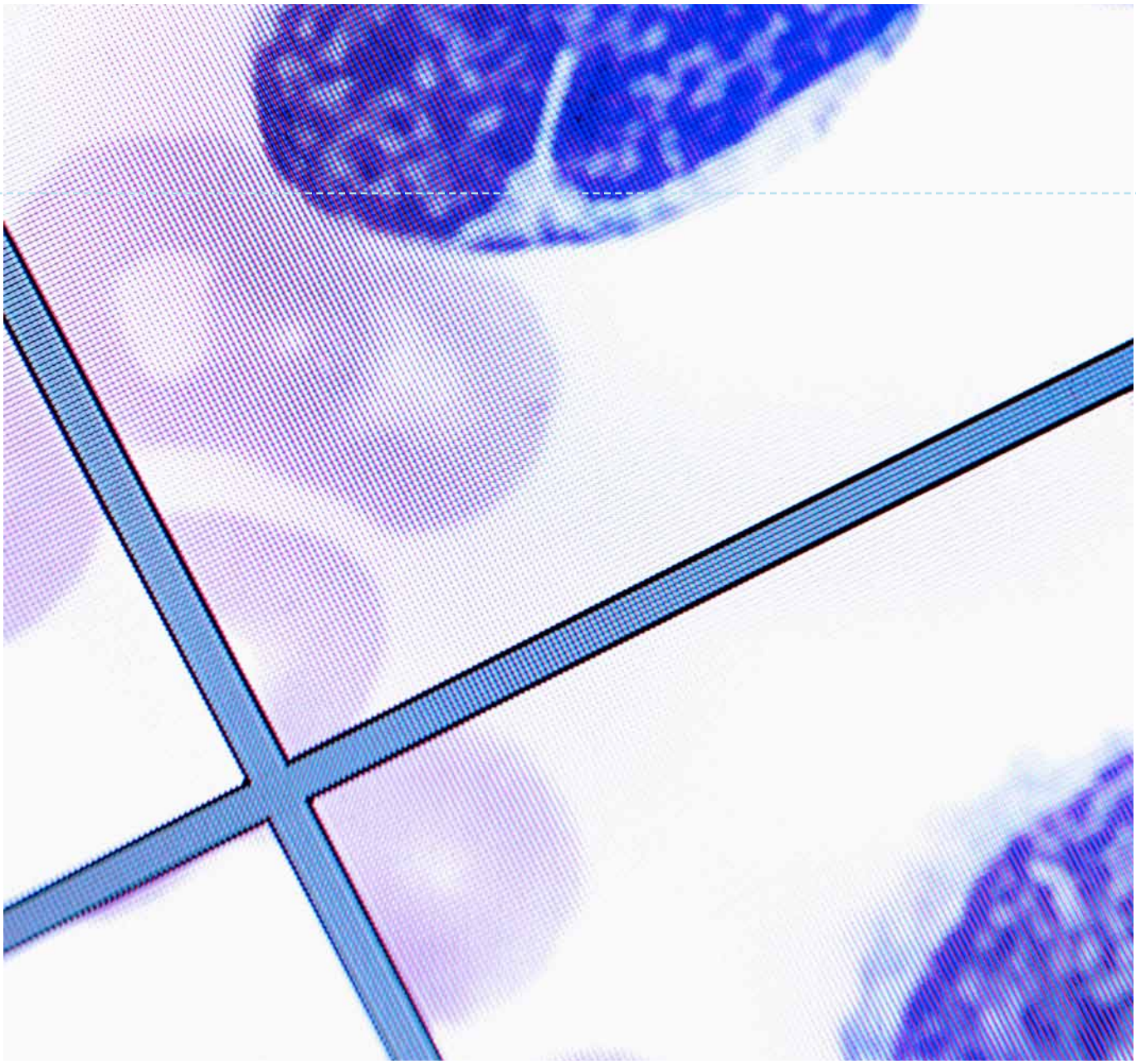
Immunology

The science that studies the structure and function of the immune defence system.

Mikrobiology

The science that studies microorganisms, such as bacteria, fungi and virus.

Sources: NetDoktor.se; Fakta: Blodprov; Wikipedia; Birgitta Swolin, Associate Professor at the Clinical Chemistry laboratory at the Sahlgrenska University Hospital, Gothenburg, Sweden



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