

Interim report

Jan-Sept 2019

Organic sales growth
Q3, 2019: 8% (33)

Operating margin
Q3, 2019: 22.9% (24.9)

(MSEK)	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net sales	95.6	84.3	311.9	253.8	364.8
Gross profit	72.8	62.2	236.9	188.9	270.9
EBITDA	25.6	22.5	105.2	81.1	118.4
Operating profit	21.9	21.0	94.8	75.8	111.6
Operating margin, %	22.9	24.9	30.4	29.9	30.6
Profit/loss before tax	21.5	20.7	94.2	76.1	112.1
Total cash flow	27.7	22.2	48.9	10.1	14.4
Equity ratio, %	74.7	78.7	74.7	78.7	77.9

Continued growth and acquisition of RAL Diagnostics

July 1-September 30, 2019

- Net sales increased by 13 % to SEK 95.6 million (84.3).
- Sales grew organically by 8% (33).
- Operating profit increased to SEK 21.9 million (21.0).
- The operating margin was 22.9% (24.9).
- Profit before tax increased to SEK 21.5 million (20.7).
- Earnings per share before and after dilution were SEK 0.72 (0.70).
- Cash flow from operating activities increased SEK 32.5 million (26.1).

January 1-September 30, 2019

- Net sales increased by 23 % to SEK 311.9 million (253.8).
- Sales grew organically by 18% (6).
- Operating profit increased to SEK 94.8 million (75.8).
- The operating margin increased to 30.4 % (29.9).
- Profit before tax increased to SEK 94.2 million (76.1).
- Earnings per share before and after dilution were SEK 3.14 (2.48).
- Cash flow from operating activities was SEK 101.0 million (61.3).

Significant events after the period close

- On October 1, Cellavision completed the acquisition of RAL Diagnostics (RAL) for a purchase price of SEK 268 million on a cash and debt-free basis. RAL develops and sells high quality products for sample preparation in hematology, microbiology, cytology and pathology. Cellavision and RAL together create an increased customer value in digital morphology by offering a complete and integrated solution for the hematology laboratory.

CEO's comments

The third quarter of 2019 was a stable quarter for Cellavision, given the strong quarter in 2018, with organic growth of eight percent. Sales were SEK 95.6 million (84.3). There was strong development in APAC, where sales grew by 54 percent and the Americas also reported a good quarter, with growth of 16 percent. EMEA was weaker, with negative growth of 18 percent.

Profitability was good during the quarter, with an operating profit of SEK 21.9 million (21.0), corresponding to an operating margin of 22.9 percent (24.9). The profitability is a result of Cellavision's effective indirect business model and good gross margins. Cash flow from operating activities for the quarter was SEK 32.5 million (26.1). The first nine months' cash flow from operating activities was SEK 101.0 million (61.3).

On October 1, Cellavision acquired the France-based company RAL Diagnostics (RAL). RAL operates in high-quality sample preparation in hematology, microbiology, pathology and cytology.

Cash flow progressed well in the quarter and was SEK 27.7 million (22.2), thus increasing net cash to SEK 218.2 million (164.4). A large part of the net cash will be used in the acquisition of RAL.

Market development

The Americas developed well in the quarter and sales grew by 16 percent to SEK 46.4 million (40.1). In the USA and Canada positive growth continues, with an increasing number of installations at end customers despite the relatively well-penetrated market. We also see improved sales of applications and software. Brazil, where we established our own organization for local market support in 2017, is now also reporting rising sales. For the first nine months of the year growth in the region is 29 percent.

EMEA reported a weaker quarter, with 18 percent negative growth, after having sales rising for six consecutive quarters. In the past 18 months we have considerably increased our

activities in this region by establishing our own organizations for market support in the Middle East, France, the German-speaking countries of Europe, the United Kingdom/Ireland, Spain/Portugal and Italy. These teams are now fully operational and the growth for the first nine months of the year was 16 percent.

APAC reported a strong quarter, with 54 percent growth. We conduct most of our marketing activities in all our markets, not least China, Japan and Australia, and continue to see growing interest in Cellavision's products and solutions. For the first nine months of the year growth in the region was 16 percent.

Segment expansion - the acquisition of RAL is a natural step in Cellavision's strategy

The acquisition of RAL was completed on October 1, 2019 and since then is part of Cellavision.

RAL's products in sample preparation are turning to an already developed market with other players in competition, unlike Cellavision's market before the acquisition, where traditional microscopy is replaced by digital microscopy in hematology. With products in sample preparation, Cellavision gets a future recurring revenue stream and the opportunity to improve sample preparation quality, which is of great importance for the final results of blood analysis.

We have started a series of activities to develop the opportunities this acquisition provides for realizing synergies. The now integrated product range and potential to standardize workflows at laboratories the world over means an increase in Cellavision's addressable market in hematology to a total of about six billion SEK.

RAL holds a strong position in EMEA, but has a selective presence in the Americas and APAC markets, where Cellavision has established a strong position in recent years. Consequently, there is a sound basis for effective sales expansion of RAL's solutions globally through Cellavision's market support organization and partnership.

The acquisition of RAL also supplies Cellavision with considerable experience and knowledge in microbiology, cytology and pathology, which opens up new future opportunities to apply Cellavision's technology beyond hematology.

Geographical expansion

Geographical expansion is crucial to Cellavision's growth. In the third quarter of the year we did not establish any new organizations for local market support, and we are now fully operative in our latest establishments. We will strengthen the organization in some of our current markets to meet growing demand. Altogether Cellavision now has 17 local organizations offering market support in more than 30 countries.

Innovation

The Cellavision® DC-1, our new product for small and mid-size laboratories, was CE marked in February. The reception from our various distribution partners has been positive and most of them have now launched the Cellavision® DC-1 in their own sales channels. Step by step, we are now increasing production and delivery volumes. There will be full industrial production from 2020 onwards.

In 2019 we achieved commercial approval for the Cellavision® DC-1 in a number of important markets in addition to the EU countries. Examples are Canada, Australia, Japan, India, Korea, Brazil and several more countries. We have also initiated the action required to take the next step in the application process for sales approval of the Cellavision® DC-1 in the USA and China in 2020.

Compared with the previous year we have grown the organization in innovation by 33 percent and the cost of research and development reduces profit for the quarter by SEK 15.8 million (10.9). Going forward, we will continue to increase our investments, including recruiting talent in research and development, to secure our future innovation power and our growth opportunities in the short and long term.

Zlatko Rihter, President and CEO

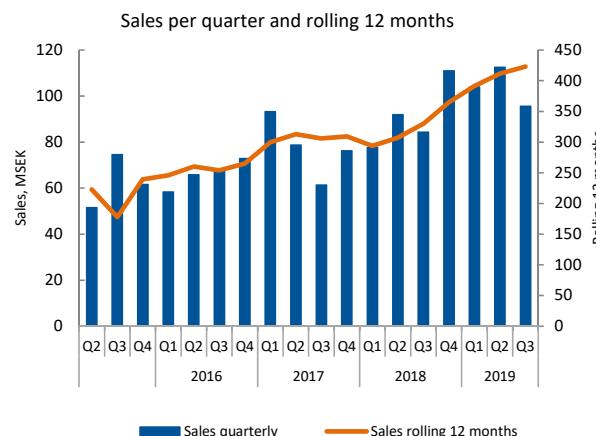
Sales, performance and investments

Sales and exchange rate effects

Net sales for the Group in the third quarter were SEK 95.6 million (84.3), an increase of 13 percent compared with the corresponding period in 2018. Cellavision's sales often fluctuate between different quarters, both for individual regions and for the Group as a whole.

Cellavision invoices more than 90 percent of its net sales in euro or US dollars, which means that exchange rate fluctuations have an impact on the company's reported net sales and earnings. Adjusted for positive exchange rate effects of five percent, net sales increased organically by eight percent compared with the corresponding quarter in 2018.

The Group's net sales in the first three quarters of the year amounted to SEK 311.9 million (253.8). Adjusted for positive exchange rate effects of four per cent, the organic growth corresponds to 19 percent compared with the corresponding period in 2018.



Operating expenses

Total operating expenses in the third quarter increased to SEK 50.9 million (41.2). The increase is due to planned long-term initiatives to broaden the product portfolio and increase market presence.

Cellavision is running several development projects aimed at strengthening the company's product offer. Total research and development costs increased to SEK 18.9 million (13.7), of which SEK 3.0 million (2.9) of the expenses has been capitalized. The main part of the capitalized expenditure is related to application development.

The project is in the completion phase and the system has been granted CE marking. This makes the system available for sale in the countries that accept CE marking. The first systems have been delivered and the rate of production is gradually increasing. Depreciation of the Cellavision® DC1 was started in the third quarter. Clinical studies whose results are to be used for registration in the USA and China have been started.



Operating profit and operating margin

Operating profit for the quarter was SEK 21.9 million (21.0), with an operating margin of 22.9 percent (24.9). Operating profit for the first three quarters of the year was SEK 94.8 million (75.8) with an operating margin of 30.4 percent (29.9). The improved performance is due to an increased sales volume with a better gross margin.

Net financial income

Cellavision has no interest-bearing liabilities, except leasing debt. Net financial income is mainly attributable to exchange rate gains/losses on intra-group transactions and interest on lease liabilities in accordance with IFRS 16.

Cash flow

The Group's cash and cash equivalents at the close of the quarter amounted to SEK 218.2 million (164.4). The Group's total cash flow for the quarter was SEK 27.7 million (22.2). Decreased trade receivables in the quarter are the main reason for the cash flow increase compared with the previous year.

Acquisition of RAL Diagnostics

Cellavision completed its acquisition of RAL Diagnostics (RAL) after the close of the period. RAL manufactures products for sample preparation in hematology, pathology, cytology and microbiology. In 2018 RAL had sales of about SEK 87 million and an EBITDA margin of about 15 per cent. The cash purchase price for RAL is set at SEK 268 million on a cash and debt-free basis and is financed through a combination of Cellavision's own liquid funds and bank loans. RAL is located in Bordeaux, France, and has about 45 employees. The acquisition is estimated to have a marginal impact on Cellavision's earnings per share for the current financial year.

Development in geographical markets

Americas: SEK 46.4 million (40.1)

Sales in the Americas increased by 16 percent to SEK 46.4 million (40.1) compared with the same period in the previous year. The American market continues to report positive growth with increased market share and an incipient replacement market. The company's North American organization is continuing to address the laboratories that have not yet converted to Cellavision's solution. There is increasing interest in the company's products in Latin America, where Brazil in particular has got well under way.

Software sales made a positive contribution in the quarter. Sales of the Cellavision® Advanced RBC Application developed well after sales approval from the American authorities, and the Cellavision® Remote Review also made a contribution to sales in the quarter.

Cellavision participated in the AACC Annual Scientific Meeting & Clinical Lab Expo in Anaheim California in the quarter. The meeting is one of the largest of its kind in the world and the company's new analyzer for small and mid-size labs, the Cellavision® DC1, attracted great interest among the visitors. Further, several training sessions for the company's different distribution partners were held in Latin America in the quarter.

APAC: SEK 28.0 million (18.2)

Sales in APAC increased by 54 percent to SEK 28.0 million (18.2), compared with the same period in the previous year. The strongest contributors to sales in the quarter were the markets in China and Japan. Sales will continue to fluctuate between regions and individual quarters. During the quarter the company also delivered analyzers to both India and Korea. The effect of Cellavision's strategy with an organization for local market support is showing good results.

Software sales developed well in the quarter, where the Cellavision® Remote Review software and Cellavision® Proficiency training tool contributed particularly to sales.

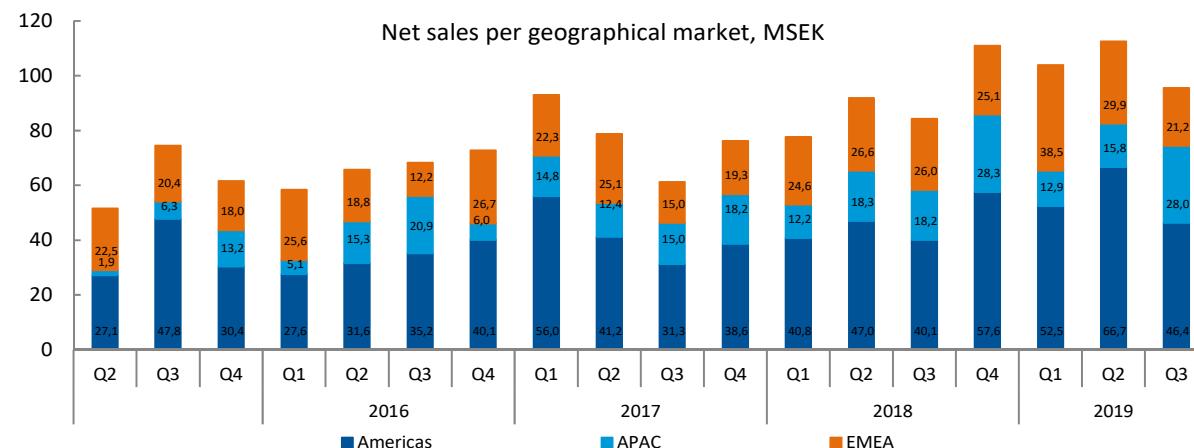
Cellavision's subsidiary in Japan celebrated its ten-year anniversary and presented the Cellavision® DC1 for the first time to the Japanese market and end customers and distributors. At the two-day Xi Jing Morphology Class, there were 600 participants in attendance in Xian, China and about 80,000 followed the event online.

EMEA: SEK 21.2 million (26.0)

Sales in EMEA decreased by 18 percent to SEK 21.2 million (26.0) compared with the same period in the previous year. Sales fluctuate between regions and individual quarters. Interest in the company's solutions is great and potential for continued penetration is good in EMEA. Sales of the Cellavision® DC1 got under way in the quarter and the company's consistent strategy of focusing on local organizations for market support is having an effect.

Software sales were weaker in the quarter, while aftermarket sales were relatively good.

During the quarter the company exhibited at two congresses; the IBMS Institute of Biomedical Science Congress in Birmingham, United Kingdom and the DGKL Deutscher Kongress für Laboratoriumsmedizin in Magdeburg, Germany.



Other information

Research and development

The production rate of Cellavision's new system for small and mid-size laboratories, the Cellavision® DC1, will gradually increase during the year, with a focus on streamlining and improving efficiency in production. Cellavision is running several development projects aimed at strengthening the offer to the company's customers, in which the work on the Cellavision® DC-1 has led to technological advances that in the long term may be used in new analyzers. In addition, work is being carried out to develop new applications for both older and newer analyzers.

At the close of the period Cellavision's patent portfolio contained 19 patented inventions and 59 registered patents.

The Group continuously capitalizes expenditure on new development. Capitalized expenditure for development projects increased during the quarter to SEK 3.0 million (2.9). Total research and development costs, before capitalization, amounted to SEK 18.9 million (13.7).

Personnel

The number of employees of the Group, restated as full-time equivalents, was 136 (111) at the close of the quarter. Of these, 87 were men (74) and 48 women (37).

Information concerning risks and uncertainties

Reduced demand and changes in exchange rates constitute uncertainties but not material risks. For a more detailed description of the risks and uncertainties facing Cellavision, please refer to the risk analysis and Notes 2 and 5 in the Annual Report for 2018.

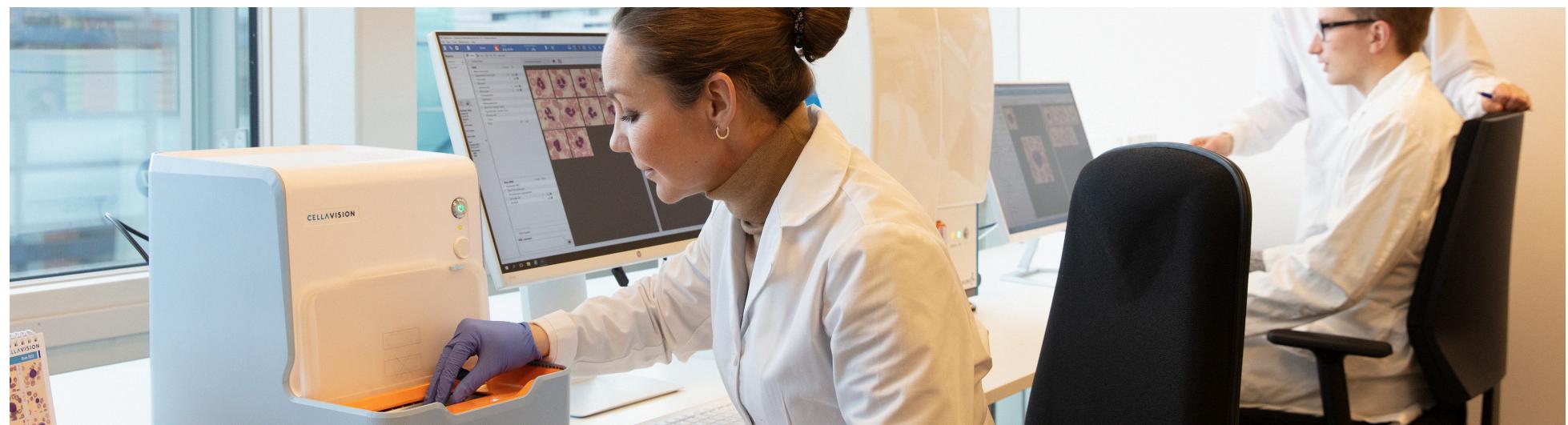
New tax rates

In stage one the corporate tax rate will be reduced from 22 percent to 21.4 percent for financial years starting on or after January 1, 2019. In stage two the corporate tax rate will be decreased to 20.6 percent from the financial year starting on January 1, 2021.

The company has made an assessment of when temporary differences will be reversed and the effect on deferred tax liabilities and deferred tax assets. The company applies 21.4 percent to the temporary differences to be reversed or utilized in 2019 and 2020 and 20.6 percent on others to be reversed or utilized as of 2021.

Introduction of IFRS 16

As of January 1, 2019, Cellavision applies IFRS 16 Leases. Cellavision has rental agreements for office premises and leases for cars that with the introduction of IFRS 16 are recognized on the balance sheet. The introduction of IFRS 16 has meant an increase in the balance sheet total of SEK 31.6 million. For more information about the effect of introducing IFRS 16, please see Note 1 and the consolidated cash flow statement.



The Nomination Committee and the Annual General Meeting in 2020

The Nomination Committee for the Annual General Meeting in 2020

In accordance with a resolution of the 2019 Annual General Meeting the Nomination Committee shall consist of representatives of each of the four largest shareholders terms of voting rights at the end of August 2019. The Chairman of the Board, Sören Mellstig, convenes the Nomination Committee and may participate in the work as an adjunct.

Ahead of the Annual General Meeting in 2020, the Nomination Committee consists of: Christer Fåhraeus, (appointed by Christer Fåhraeus with Companies) Nicklas Hansen (appointed by William Demant Invest A / S), Bo Lundgren

(appointed by Swedbank Robur Funds) and Joel Eklund (appointed by Grenlunden CEVI AB)

Shareholders wishing to submit proposals to the Nomination Committee can send an email to ir@cellavision.com, or ordinary mail to: The Nomination Committee, CellaVision AB, Mobilvägen 12, 223 62 Lund.

bolagsstamma@cellavision.se or ordinary mail addressed to: The Board of Directors, CellaVision AB, Mobilvägen 12, 223 62 Lund.

The request must have been received at the latest seven weeks before the Annual General Meeting in order to be included in the notice to attend and thus the agenda of the Annual General Meeting

Annual General Meeting 2020

CellaVision's Annual General Meeting in 2020 will be held in Lund at three o'clock CET, on April 23, 2020. Shareholders wishing to have matters considered at the Annual General Meeting can send a written request by email to:

Declaration by the board of directors and president and CEO

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

Lund, October 23, 2019

Sören Mellstig
Chairman of the Board

Christer Fåhraeus
Member of the Board

Åsa Hedin
Member of the Board

Anna Malm Bernsten
Member of the Board

Niklas Prager
Member of the Board

Jurgen Riedl
Member of the Board

Stefan Wolf
Member of the Board

Zlatko Rihter
President/CEO

Consolidated Income Statement in Summary

All amount in '000 SEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net sales	95,599	84,337	311,938	253,847	364,812
Cost of goods sold	-22,845	-22,130	-75,063	-64,936	-93,946
Gross profit	72,754	62,207	236,875	188,911	270,866
Sales and marketing expenses	-24,388	-21,409	-71,073	-59,585	-82,362
Administration expenses	-10,673	-8,898	-30,241	-26,274	-37,644
R&D expenses	-15,824	-10,875	-40,810	-27,269	-39,253
Operating profit	21,870	21,024	94,751	75,782	111,607
Interest income and financial exchange rate gains	564	-53	1,799	1,255	2,010
Interest expense and financial exchange rate losses	-956	-253	-2,317	-921	-1,520
Profit/loss before tax	21,478	20,719	94,233	76,117	112,097
Tax	-4,307	-3,919	-19,446	-16,976	-23,408
Profit/loss for the period	17,171	16,800	74,787	59,141	88,688

Other comprehensive income:

Components not to be reclassified to net profit:	0	0	0	0	0
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Components to be reclassified to net profit:					
<i>a) Financial assets at fair value</i>					
Reclassified to operating result	1,384	147	3,274	-417	-374
Revaluation of financial assets	-2,890	4,797	-8,544	-7,424	-4,947
Income tax relating to financial assets	322	-1,088	1,128	1,725	1,137
<i>b) Translation difference</i>					
Translation difference in the group	1,043	196	1,715	741	797
Sum of Components to be reclassified to net profit:	-140	4,052	-2,428	-5,375	-3,387
Sum of other comprehensive income:	-140	4,052	-2,428	-5,375	-3,387
Comprehensive result for the period	17,030	20,852	72,359	53,766	85,302

Per share data

Per share data	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Earnings per share, before and after dilution, SEK */	0.72	0.70	3.14	2.48	3.72
Equity per share, SEK	13.71	10.85	13.71	10.85	12.17
Number of shares outstanding	23,851,547	23,851,547	23,851,547	23,851,547	23,851,547
Average number of shares outstanding	23,851,547	23,851,547	23,851,547	23,851,547	23,851,547
Stock exchange rate, SEK	381.50	271.00	381.50	271.00	191.50
Dividend per share	0.00	0.00	1.50	1.50	1.50

* Based on the profit/loss for the period divided by the average number of shares in issue

Quarterly earnings trend

All amount in '000 SEK	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net sales	95,599	112,448	103,891	110,965	84,337	91,899
Gross profit	72,754	87,095	77,026	81,955	62,207	68,981
Gross margin in %	76.1	77.5	74.1	73.9	73.8	75.1
Expenses	-50,885	-49,158	-42,081	-46,131	-41,182	-37,409
Operating profit	21,870	37,937	34,945	35,824	21,024	31,572
Net profit	17,171	30,279	27,337	29,548	16,800	23,321
Cash flow	27,734	-23,845	45,001	4,287	22,223	-9,660

Consolidated Balance Sheet in Summary

All amount in '000 SEK	09/30/2019	09/30/2018	06/30/2019	12/31/2018
Assets				
Intangible assets	75,058	63,654	73,500	67,818
Tangible assets	6,231	4,376	6,484	6,815
Right of use assets	26,325	0	27,926	0
Deferred tax assets	0	0	0	0
Financial assets	3,612	3,200	3,600	3,579
Inventory	37,426	27,508	35,000	34,454
Trade receivables	57,931	51,364	66,782	75,813
Other receivables	12,715	14,512	14,304	15,246
Cash and bank	218,185	164,422	190,196	169,057
Total assets	437,483	329,036	417,792	372,782
Equity and liabilities				
Equity	326,956	258,840	309,926	290,375
Deferred tax liability	9,183	7,357	9,012	8,059
Other provisions	2,458	3,090	2,458	2,458
Leasing debt, long-term	20,384	0	21,990	0
Leasing debt, short-term	6,794	0	6,506	0
Short term debt	49,371	38,568	45,065	43,385
Trade payables	20,375	19,642	20,897	26,753
Warranty provisions	1,962	1,539	1,938	1,752
Total equity and liabilities	437,483	329,036	417,792	372,782

Consolidated statements of changes in equity

All amount in '000 SEK	09/30/2019	09/30/2018	06/30/2019	12/31/2018
Balance at the beginning of the year	290,375	240,851	290,375	240,851
Dividend	-35,777	-35,777	-35,777	-35,777
Net profit for the year	74,787	59,141	57,616	88,688
Comprehensive result for the period	-2,428	-5,375	-2,287	-3,387
Balance at the end of the year	326,956	258,840	309,926	290,375

Cash Flow Analysis in Summary

All amount in '000 SEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Result before taxes	21 478	20 719	94 233	76 117	112 097
Adjustment for items not included in cash flow	11 619	7 770	15 216	12 060	14 499
Taxes	-8 754	-5 003	-18 354	-16 853	-16 075
Cash flow from operations before changes in working capital	24 343	23 487	91 095	71 325	110 521
Changes in working capital	8 197	2 590	9 877	-10 010	-36 452
Cash flow from operations	32 540	26 077	100 972	61 315	74 069
Capitalization of development costs	-3 044	-2 874	-10 894	-14 072	-18 419
Aquisitions in intangible non-current assets	0	0	0	0	-900
Aquisitions in financial non-current assets	-12	-573	-33	-583	-962
Aquisitions in tangible non-current assets	-432	-407	-990	-735	-3 576
Cash flow from investment activities	-3 488	-3 854	-11 917	-15 390	-23 857
Amortization of leasing debts	-1 318	0	-4 388	0	0
Dividend	0	0	-35 777	-35 777	-35 777
Cash flow from financing activities	-1 318	0	-40 166	-35 777	-35 777
Total cash flow	27 734	22 223	48 889	10 148	14 434
Liquid funds at beginning of period	190 196	142 822	169 057	154 546	154 546
Exchange rate fluctuations in liquid funds	256	-623	239	-272	77
Liquid funds at end of period	218 185	164 422	218 185	164 422	169 057

Disclosures regarding IFRS 16:

Interest regarding leasing debt amounts to SEK 694 thousand
 Amortization of leasing debt amounts to SEK 4,388 thousand

Income Statement - Parent Company

All amount in '000 SEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net sales	93,878	84,786	307,359	249,420	358,349
Cost of goods sold	-29,536	-28,837	-96,257	-77,484	-118,335
Gross profit	64,342	55,949	211,102	171,936	240,014
Sales and marketing expenses	-16,910	-14,672	-49,141	-39,623	-55,552
Administration expenses	-10,621	-8,898	-30,081	-26,274	-37,573
R&D expenses	-18,868	-13,747	-51,705	-41,274	-57,672
Operating profit	17,943	18,633	80,176	64,766	89,217
Interest income and financial exchange gains	560	-57	1,699	1,245	1,991
Interest expense and financial exchange losses	-697	-252	-1,564	-901	-1,485
Profit before income tax	17,806	18,325	80,311	65,111	89,722
Taxes	-3,810	-4,031	-17,187	-14,324	-19,439
Net profit	13,995	14,294	63,125	50,787	70,284

Statement of Comprehensive Income

Net profit for the period	13,995	14,294	63,125	50,787	70,284
Other comprehensive income	0	0	0	0	0
Sum of other comprehensive income	0	0	0	0	0
Comprehensive profit for the period	13,995	14,294	63,125	50,787	70,284

Balance Sheet - Parent Company

All amount in '000 SEK	09/30/2019	09/30/2018	06/30/2019	12/31/2018
Assets				
Intangible assets	8,507	11,373	9,021	11,189
Tangible assets	5,939	3,764	6,126	6,310
Deferred tax assets	2,844	2,078	2,844	2,844
Financial assets	3,582	3,205	3,582	3,582
Inventory	31,159	21,842	29,097	28,848
Trade receivables	52,518	48,350	62,099	70,676
Receivables from group companies	455	6,450	1,537	5,067
Other receivables	12,232	12,732	13,539	12,960
Cash and bank	208,629	153,495	181,649	160,664
Total assets	325,865	263,289	309,494	302,140
Equity and liabilities				
Equity	253,602	206,758	239,607	226,255
Other provisions	2,458	3,090	2,458	2,458
Short term debt	34,900	25,898	32,091	32,386
Trade payables	20,030	18,967	20,483	26,161
Liabilities to group companies	12,913	7,037	12,916	13,129
Warranty provisions	1,962	1,539	1,938	1,752
Total equity and liabilities	325,865	263,289	309,494	302,140

Notes

NOTE 1. ACCOUNTING POLICIES

Accounting policies

The Group applies International Financial Reporting Standards (IFRS), as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Annual Accounts Act and the Nasdaq Stockholm Rule Book for Issuers. The parent company applies the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. The accounting policies and calculation methods applied are consistent with those described in the annual report for 2018, with the exclusion of what is stated below regarding the implementation of IFRS 16 Leases.

New standards applied as of January 1, 2019

As of January 1, 2019 Cellavision applies IFRS 16 Leases. IFRS 16 means that the former classification into operating and finance leases is replaced by a model in which assets and liabilities for virtually all leases is recognized as right of use assets in the statement of financial position. Cellavision has lease contracts for office premises and lease agreements for cars that are recognized as right of use assets in the statement of financial position as of January 1, 2019.

Cellavision has applied the simplified transition method (modified retrospective approach) upon transition. The method implies that the comparative year of 2018 has not been restated in accordance with the new standard, instead the effect of IFRS 16 is reported to its full extent in the opening balance as of January 1, 2019.

The effect of the transition to IFRS 16 has meant that right of use assets and a leasing debt of 31.6 MSEK is reported in the statement of financial position as of January 1, 2019. The majority of the right of use assets consist of premises, which amount to 29.9 MSEK. The value of right of use assets has been determined by the present value of the lease debts as of this date. For premises, Cellavision has used the company's estimated incremental borrowing rate of 3 % when discounting the remaining lease debt. For car leasing agreements, the implicit interest rate for each agreement has been used for calculation. For all right of use assets, the term of the agreements has been used for the assessment of the depreciation period applied.

The balance sheet total for the Group has thus increased upon implementation and reconciliation tables, non-IFRS measures, solvency and EBITDA, and earnings per share have been affected.

NOTE 2. SEGMENT REPORTING

Segment reporting

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

NOTE 3. ALLOCATION OF SALES

All amount in ' 000 SEK	Jul-Sep 2019		Jul-Sep 2018	
	Instruments	Other	Instruments	Other
Americas	24,377	22,013	26,386	13,706
APAC	24,910	3,110	17,179	1,047
EMEA	15,775	5,413	20,581	5,438
Total	65,062	30,537	64,147	20,190

All amount in ' 000 SEK	Jan-Sep 2019		Jan-Sep 2018	
	Instruments	Other	Instruments	Other
Americas	102,228	63,366	84,644	43,097
APAC	50,043	6,640	43,954	4,806
EMEA	65,183	24,477	57,726	19,620
Total	217,454	94,484	186,324	67,523

NOTE 4. FINANCIAL INSTRUMENTS

All amount in ' 000 SEK	Jan-Sep 2019		Jan-Sep 2018	
	Reported value	Fair value	Reported value	Fair value
Financial assets				
Derivative assets	4	4	765	765
Financial liabilities				
Derivative liabilities	-10,826	-10,826	-8,837	-8,837

Derivative assets are included in other current receivables in the statement of financial position and derivative liabilities are included in short term debt. The derivatives refer to forward exchange contracts held for currency hedging.

The forward exchange contracts are valued in level 2 of the valuation hierarchy, financial instruments where fair value is determined based on valuation model based on other observable data for the asset or liability than quoted prices included in level 1, either directly (ie as price quotes) or indirectly (ie derived from price quotations). The currency forwards are valued on the basis of observable information regarding exchange rates prevailing on the balance sheet date and market interest rates for the remaining maturity.

For other financial assets and liabilities, the carrying amount is considered a reasonable approximation of fair value.

NOTE 5. ACQUISITIONS

Acquisition of subsidiaries

On October 1, 2019, Cellavision AB acquired 100% of the share capital in RAL Diagnostics (RAL) for SEK 261.4 million (EUR 24.3 million), equivalent to 268 SEK million on cash-debt free basis. RAL is a French company, located just outside of Bordeaux with 45 employees. The company manufactures sample preparation products in hematology, pathology, cytology and microbiology. The acquisition of RAL is a step in the Group's strategic direction to be a leader in global digitalization and automation of blood analyses for both the human and veterinary segments. Combining Cellavision's and RAL's core technologies enables improved diagnostics outcome. By combining Cellavision's and RAL's core technologies we will together be able to improve quality within following critical areas for improved outcome: image quality, cell classification and lab workflow. The acquisition is financed through a combination of Cellavision's own cash and cash equivalents and a bank loan arranged by Skandinaviska Enskilda Banken of EUR 11,4 million.

All amount in '000 SEK	RAL Diagnostics
Compensation transferred	
Cash and cash equivalents	261 378
Total transferred compensation	261 378

Acquisition-related expenses are estimated to amount to SEK 3.0 million during the fourth quarter and will be reported as administration expenses in the consolidated income statement.

Acquired net assets as of the date of acquisition have not yet been determined as their valuation at the time of submission of this report has not yet been completed.

All amount in '000 SEK	RAL Diagnostics
Estimated net cash flow at acquisition	
Cash paid compensation	261 378
Acquired cash and cash equivalents	-21 233
Net cash flow	240 145

Reconciliation tables KPIs, non-IFRS measures

The company presents certain financial measures in the interim report which are not defined according to IFRS. The company considers these measures to provide valuable supplementary information for investors and the company's management as they enable the assessment of relevant trends. Cellavision's definitions of these measures may differ from other companies' definitions of the same terms. These financial measures should therefore be seen as a supplement rather than as a replacement for measures defined according to IFRS. Definitions of measures which are not defined according to IFRS and which are not mentioned elsewhere in the interim report are presented below. Reconciliation of these measures is shown in the tables below.

Key performance indicators not defined according to IFRS

Currency effect. Exchange rate effects on sales growth for the period.

Equity/assets ratio. Shareholders' equity including non-controlling interests as a percentage of total assets.

Gross margin. Gross profit as a percentage of net sales.

Gross profit. Net sales less cost of goods sold.

Shareholders' equity per share. Shareholders' equity attributable to Parent Company shareholders divided by the number of outstanding shares at the end of the period.

Operating margin (EBIT), %. Operating profit (EBIT) as a percentage of net sales for the period.

Operating profit (EBIT). Earnings before interest and tax

Net earnings per share

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Profit/loss for the period	17,171	16,800	74,787	59,141	88,688
Number of shares	23,851,547	23,851,547	23,851,547	23,851,547	23,851,547
Net earnings per share	0.72	0.70	3.14	2.48	3.72

Equity per share

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Equity	326,956	258,840	326,956	258,840	290,375
Number of shares	23,851,547	23,851,547	23,851,547	23,851,547	23,851,547
Equity per share	13.71	10.85	13.71	10.85	12.17

Equity-asset ratio

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Equity	326,956	258,840	326,956	258,840	290,375
Balance sheet total	437,483	329,036	437,483	329,036	372,782
Equity ratio	74.7%	78.7%	74.7%	78.7%	77.9%

Gross margin

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net sales	95,599	84,337	311,938	253,847	364,812
Gross profit	72,754	62,207	236,875	188,911	270,866
Gross margin	76.1%	73.8%	75.9%	74.4%	74.2%

Reconciliation tables KPIs, non-IFRS measures, cont'd

Operating margin

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net sales	95,599	84,337	311,938	253,847	364,812
Operating profit	21,870	21,024	94,751	75,782	111,607
Operating margin	22.9%	24.9%	30.4%	29.9%	30.6%

EBITDA

KSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating profit	21,870	21,024	94,751	75,782	111,607
Depreciation	3,772	1,466	10,469	5,322	6,807
EBITDA	25,642	22,490	105,220	81,104	118,414

Net sales

KSEK	Jul-Sep 2019 (%)	Jul-Sep 2019 MSEK	Jul-Sep 2018 (%)	Jul-Sep 2018 MSEK
Last period		84,337		61,348
Organic growth	8%	6,747	33%	20,545
Currency effect	5%	4,515	4%	2,443
Current period	13%	95,599	37%	84,337

Review Report

To the Board of Directors of CellaVision AB
Corporate identity number 556500-0998

Introduction

We have performed a review of the interim report for CellaVision AB (publ.) as per September 30, 2019 and the nine-month period ending on that date. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Emphasis and scope of the review

We conducted our review in accordance with the Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing standards.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion that is expressed on the basis of a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim report does not, in all material respects, accord with IAS 34 and the Annual Accounts Act and, for the parent company, with the Annual Accounts Act.

Lund, October 23, 2019

Deloitte AB

Maria Ekelund
Authorized public accountant

This is Cellavision

Vision

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

Business concept

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

CellaVision's core activities

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

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

Company culture

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

Offer to end customers

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

Strategic partnerships

CellaVision collaborates with strategic partners in order to gain scalability in manufacturing and sales.

Suppliers

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

Distribution via suppliers of cell counters

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

Financial targets

Our objective is to create a global standard for digital microscopy in the sub-field hematology. The objective is broken down into important financial targets.

- Sales growth
≥15% Increase sales over an economic cycle by an average of at least 15 percent per year.
- Operating margin
>20% The operating margin is to exceed 20 percent over an economic cycle

CellaVision completed the acquisition of RAL Diagnostics (RAL) on October 1, 2019

On October 1, CellaVision AB acquired the French company RAL Diagnostics (RAL), which manufactures sample preparation products in hematology, pathology, cytology and microbiology.

RAL's reagents enhance the identification of cell and tissue morphology, parasites and bacteria necessary to diagnose many illnesses. RAL supplies innovative products and solutions for standardized laboratory diagnostics and improved performance for cellular image processing. The company in Bordeaux, in France, includes a production facility with current annual production of reagents.

The acquisition of RAL gives CellaVision the ability to further improve the quality of sample preparation, which is of great importance for the result of the blood analysis. The quality of the sample preparation is important for optimal functioning of CellaVision's systems, and there is a great need in both large, small and mid-size laboratories for standardized solutions.

CellaVision's and RAL's products are used together by several laboratories and constitute separate but interdependent steps in a complete blood analysis chain. CellaVision and RAL together create an increased customer value in digital morphology by offering a complete and integrated solution for the hematology laboratory.

In addition to RAL's offering in hematology, a segment amounting to 50 percent, RAL's product portfolio includes the areas of microbiology, amounting to 40 percent, and cytology and pathology which together amount to ten percent. The acquisition thus opens new future opportunities to apply CellaVision's technology beyond hematology.

Questions concerning the report can be addressed to:



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Publication

This information constitutes information that Cellavision AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication at 8:20 a.m. CET on October 23, 2019.

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

Financial calendar

Activity	Date
Year-end bulletin 2019	5 February 2020
Interim Report January-March	22 April
Annual General meeting	23 April
Interim Report January-June	16 July
Interim Report January- September	23 October
Year-end bulletin 2020	29 January 2021

CellaVision in the world

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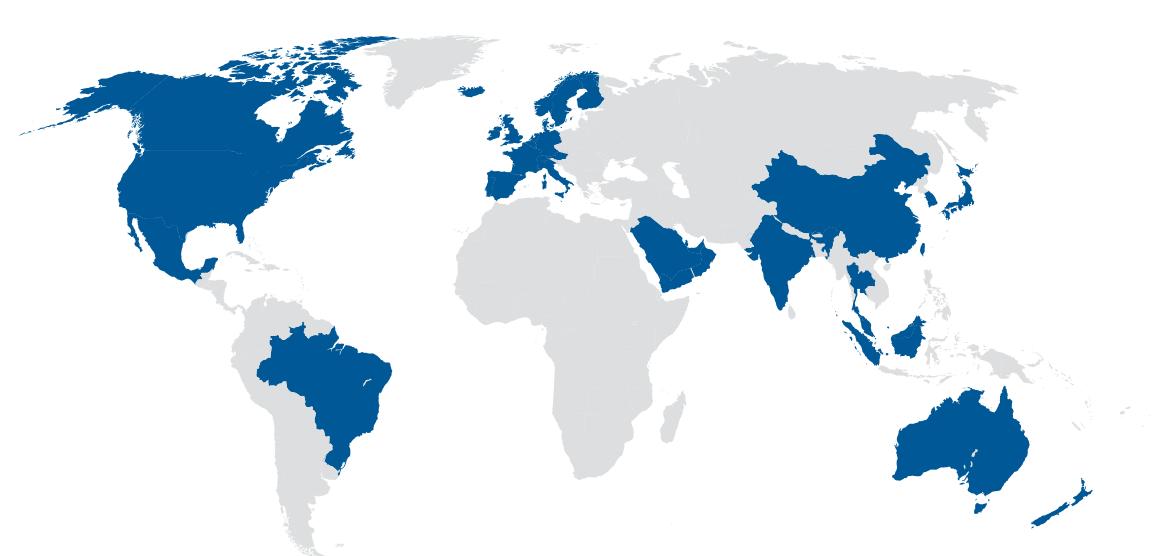
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With the 17 organizations for local market support CellaVision has direct presence more than 30 countries.