



CELLAVISION AB (publ)

Interim report for the period January 1 – September 30, 2008

Fifth consecutive quarter of profitability

- Net sales for the period of January to September rose by 13 percent to SEK 62.1 million (55.1), of which the third quarter accounted for SEK 20.8 million (21.1).
- The operating profit for the period was SEK 6.3 million (0.1) and for the third quarter SEK 3.6 million (3.8).
- Earnings per share for the period amounted to SEK 0.25 (-0.01). For the third quarter the earnings per share were SEK 0.14 (0.16).
- Cash and cash equivalents amounted to SEK 11.3 million (16.2) at the end of the interim period.

Important events during the quarter

- The exclusive distribution agreement with Sysmex Europe was extended until 2010.
- Official approval to market the analyzer CellaVision® DM in Japan was received.
- A reference laboratory chain in Canada purchased CellaVision DM96 instruments for two laboratories.
- The application for body fluids was approved for sale in Canada – the first orders were received.

CellaVision in summary

(MSEK)	Q3 2008	Q3 2007	Jan 1- Sep 30, 2008	Jan 1- Sep 30, 2007	Full year 2007
Net sales	20.8	21.1	62.1	55.1	74.6
Gross profit	16.6	11.4	42.4	31.2	45.3
Operating result	3.6	3.8	6.3	0.1	3.1
Net result	3.4	3.7	6.0	-0.2	2.6
Cash flow	-5.6	7.5	-5.0	-0.5	-0.4

CEO's comment

"It is exciting to report a positive result for the fifth quarter in a row – a reflection of our steady sales growth. The establishment of our own sales organisation in the US is progressing according to plan, and I am hoping to see some results from our investment before the end of the year. At the same time our partnership with Sysmex, our distributor in the US, is continuously successful."

"The individual quarters are difficult to compare because we are dependent on the distributor's sales success and inventory levels. The revenue from the various geographical markets varies between the periods, which is entirely normal in this industry. Coupled with the dollar exchange rate, the positive result of the third quarter is mainly due to sales in North America. We are however expecting a more even distribution between Europe and North America for the full year."

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CELLAVISION IN BRIEF

CellaVision AB develops, markets, and sells the market leading image analysis based systems for routine analysis of blood and other body fluids. The company has a core competence in development of software and hardware for automatic image analysis of cells and cell changes for applications in health and medical care. The company offers cutting edge expertise in advanced imaging analysis, artificial intelligence, and automated microscopy.

Currently the company focuses on the following three products: CellaVision® DM8, CellaVision® DM96, and CellaVision® Competency Software. The CellaVision DM product family includes analyzers which automate manual differential counts of white blood cells and characterization of red blood cells. The products provide an unprecedented level of efficiency, consistency and collaboration between laboratory staff and sites. CellaVision Competency Software is a combined proficiency testing and educational software for manual blood cell differential in laboratories. Additional software applications are under development.

The CellaVision customers are large and medium sized hospital-laboratories and independent commercial laboratories in mainly Europe and the US. In most countries the products are sold through distributors. In the Nordic countries and through subsidiaries in the US and Canada, CellaVision sells direct.

SUMMARY OF THE PERIOD JANUARY – SEPTEMBER

Market and sales

Sales for the period of January – September increased by 13 % to SEK 62.1 million (55.1). During the interim period Europe accounted for 42 % (54) of sales, North America for 57 % (43), and the rest of the world for 1 % (3).

Sales for the third quarter amounted to SEK 20.8 million (21.1). Europe accounted for 15 % (70) of sales, North America for 85 % (23), and the rest of the world for 0 % (7). The strong result for North America is mainly due to increased sales to the American distributor. Traditionally CellaVision has an uneven flow of orders, which is true for the industry as a whole, and is largely due to the distributors' sales successes and inventory levels. There is a strong demand for CellaVision's products, but there can be significant variations in the order volumes for individual quarters.

During the third quarter CellaVision extended its exclusive distribution agreement with Sysmex Europe to the year 2010. The partnership has developed successfully during the past years and has resulted in a steady market penetration and continuous sales growth. The agreement gives Sysmex Europe the right to continue selling CellaVision's products in Europe, the Middle East, and Africa (EMEA) for another two years. Europe is one of CellaVision's most important markets and accounted for around 60 percent of the total turnover in 2007. The company began working with Sysmex Europe in 2001.



During the third quarter CellaVision was given official approval to market the analyzer CellaVision DM in Japan. Japan is the second largest market in the world with around 9000 hospitals and 900 commercial laboratories, and has large potential for medical technology products in general. CellaVision will primarily focus on the approximately 1000 larger hospitals and commercial laboratories benefitting the most from automating their processes. The product will be marketed and sold by CellaVision's newly launched subsidiary in Japan, CellaVision Japan K.K, which was officially opened on September 11. The company is expected to be completely operative before the end of the year.

CellaVision signed an agreement with a leading reference laboratory chain in Canada to install CellaVision® DM96 analyzers and software for remote review, CellaVision® Remote Review Software, at two of their laboratories. The reference laboratory chose CellaVision's products to reduce the total labor spent performing manual differentials and to bridge geographical distances between the two laboratories. The order is a strategically important step as CellaVision now is expanding its direct sales in North America. During the third quarter the company's application for body fluids, CellaVision® Body Fluid Application, was approved for sale in Canada and the first orders were received. North America, including Canada, is one of CellaVision's most important markets. In 2007, North America counted for approximately 40 percent of the company's total turnover.

Research and development

During the third quarter CellaVision focused on development projects aimed at more cost-effective hardware. As a response to client requests of more efficient network functions in the software, CellaVision is planning on releasing software with increased support for network communication and functions for incorporated cell counter data. A release is planned for the following quarter.

INVOICING, INCOME, AND INVESTMENTS

Net sales for the Group amounted to SEK 62.1 million (55.1) during the interim period of January 1 – September 30, an increase of 13 % compared to the same period the previous year. Net sales during the third quarter amounted to SEK 120.8 million (21.1).

The gross margin during the interim period amounted to 68 % (57) and during the third quarter to 80 % (54). The increase is related to increased sales of software licenses, spare parts and consumables and the dollar exchange rate during the quarter.

The Group's operating profit during the interim period was SEK 6.3 million (0.1), and for the quarter SEK 3.6 million (3.8). Total operating expenses for the quarter amounted to SEK -11.0 million (-7.5). The dollar exchange rate has had a positive influence on the result of around SEK 1.6 million during the quarter.

Capitalised costs for development projects were SEK 2.3 million (2.2) for the quarter. Investments in property, plant, and equipment during the quarter amounted to SEK 0.7 million (0.7).



FINANCING

The Group's cash and cash equivalents at the end of the period was SEK 11.3 million (16.2). The cash flow from operating activities for the quarter was SEK 2.3 million (1.0).

PARENT COMPANY

Parent company sales for the interim period amounted to SEK 62.7 million (55.5). Pre-tax earnings amounted to SEK 8.3 million (2.4).

Parent company sales for the third quarter amounted to SEK 21.0 million (21.4). Pre-tax earnings amounted to SEK 4.0 million (5.0).

The parent company's gross investments in the interim period amounted to SEK 1.7 million (1.3).

PERSONNEL

The number of employees of the Group, restated as full-time positions, was 45 at the close of the period (39). Of these, 29 (26) were men and 16 (13) women.

OTHER INFORMATION

Group

On 30 September 2008 the Group consisted of the parent company and the wholly-owned subsidiaries CellaVision Inc. (USA), CellaVision Canada Inc. (Canada), CellaVision Japan K.K. (Japan) and CellaVision International AB.

Accounting policies

The consolidated financial statements are prepared in accordance with Financial Reporting Standards, IFRS. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Annual Accounts Act. In other respects the interim report has been prepared in accordance with the accounting policies and valuation methods presented in the Annual Report for 2007.

Information about risks and uncertainties

Reduced demand and currency instabilities contribute to a level of uncertainty, although not necessarily risks. For a more detailed description of the risks and uncertainties facing CellaVision, please refer to the risk and sensitivity analysis in the Annual Report for 2007.



Future reports

Year-end bulletin

February, 2009

The interim reports are available at www.cellavision.com.

The Board and CEO assure that the interim report reflects a fair overview of the parent company's and Group's operations, current status, and results and describes possible risks and uncertainties that the parent company and the Group may encounter.

Lund, October 22, 2008

Lars Gatenbeck
Chairman of the Board

Christer Fåhræus
Member of the Board

Torbjörn Kronander
Member of the Board

Sven-Åke Henningsson
Member of the Board

Niels Freiesleben
Member of the Board

Yvonne Mårtensson
CEO

Our review report has been submitted on October 22, 2008.

Deloitte AB

Per-Arne Pettersson
Authorized Public Accountant

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Corporate ID: 556500-0998

CellaVision's share is listed on First North at the OMX Stockholm Stock Exchange.

The company's Certified Advisor is Remium AB.



Review Report

Introduction

We have conducted a review of the interim report for CellaVision AB (publ.) as of September 30, 2008 and for the nine-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of 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.

Focus and scope of the review

We conducted our review in accordance with the Standard on Review Engagements SÖG 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 significantly less scope than an audit in accordance with Auditing Standards in Sweden, RS, and other generally accepted auditing practices. 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 would have been identified if an audit had been conducted. Accordingly, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Lund, October 22, 2008

Deloitte AB

Per-Arne Pettersson
Authorized Public Accountant

Consolidated Income Statement

All amount in ' 000 SEK	Jul-Sep 2008	Jul-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	2007
Revenue	20 799	21 091	62 118	55 141	74 565
Cost of goods sold	-4 229	-9 710	-19 758	-23 982	-29 312
Gross Profit	16 570	11 381	42 360	31 159	45 253
Sales and Marketing expenses	-6 538	-2 808	-15 159	-10 297	-15 135
Administration expense	-3 395	-4 075	-11 466	-11 803	-16 066
R&D expenses	-5 951	-3 369	-16 001	-12 829	-17 532
Other operating income	559	22	175	157	384
Other operating expenses	-	482	-	-286	-157
Capitalized development expenditures	2 306	2 199	6 419	3 991	6 395
Operating result	3 551	3 832	6 328	92	3 142
Financial income	41	0	156	1	260
Financial expense	-197	-95	-479	-304	-777
Profit before income tax	3 395	3 737	6 005	-211	2 625
Tax	-	-	-	-	-
Net profit	3 395	3 737	6 005	-211	2 625

Per share data	Jul-Sep 2008	Jul-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	2007
Earnings per share, SEK	0,14	0,16	0,25	-0,01	0,11
Equity per share SEK	1,11	0,73	1,11	0,56	0,84
Equity ratio, %	45%	37%	45%	40%	45%
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	5,75	8,40	5,75	8,40	6,75

Quarterly results

All amount in ' 000 SEK	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Revenue	20 799	22 809	18 510	19 424	21 091	17 298
Gross Profit	16 570	13 935	11 855	14 094	11 381	10 244
Gross Margin in %	80	61	64	73	54	59
Overhead cost	-13 019	-12 417	-10 596	-11 044	-7 549	-12 995
Operating result	3 551	1 518	1 259	3 050	3 832	-2 751
Net profit	3 395	1 424	1 186	2 836	3 737	-2 836
Cashflow	-5 618	864	-272	124	7 457	1 778

Consolidated Balance sheet

All amount in ' 000 SEK

	2008-09-30	2007-09-30	2008-06-30	2007-12-31
Assets				
Intangible assets	12 838	5 030	10 893	7 354
Tangible assets	2 395	1 830	1 803	1 257
Financial assets	77	25	71	24
Inventory	6 843	4 183	4 137	3 952
Trade receivables	20 523	16 779	20 025	11 565
Other receivables	4 628	3 194	3 579	3 621
Cash and bank	11 321	16 223	16 939	16 347
Total assets	58 626	47 264	57 447	44 120

Equity and liabilities

Equity	26 506	17 309	22 919	20 072
Långfristiga skulder				
Short term debt	9 978	6 645	8 168	7 711
Short term debt with interest	11 034	13 135	15 888	7 453
Trade payables	9 256	7 495	8 212	6 084
Other liabilities	1 852	2 680	2 260	2 800
Total equity and liabilities	58 626	47 264	57 447	44 120

Consolidated statement of changes in equity	2008-09-30	2007-09-30	2008-06-30	2007-12-31
Balance at the beginning of the year	20 072	17 735	20 072	17 735
Exchange adjustment	429	-215	237	-288
New issues	-	-	-	-
Net profit for the year	6 005	-211	2 610	2 625
Balance at the end of the year	26 506	17 309	22 919	20 072

Cash flow analysis

All amount in ' 000 SEK

	Jul-Sep 2008	Jul-Sep 2007	Jan-Sep 2008	2007
Result before taxes	3 395	3 737	6 005	2 625
Adjustment for items not included in cash flow	-654	-2 529	489	2 612
Taxes	-	-	-	-
Cash flow from operations before changes in working capital	2 741	1 208	6 494	5 237
Changes in working capital	-452	-208	-6 967	1 425
Cash flow from operations	2 289	1 000	-473	6 662
Capitalisation of development costs	-2 306	-2 200	-6 419	-6 394
Aquisitions in financial non-current assets		-24	-54	-24
Aquisitions in tangible non-current assets	-747	-670	-1 661	-944
Cash flow from investment activities	-3 053	-2 894	-8 134	-7 362
New issues	-	-	-	-
New loans and instalments of dept	-4 854	9 351	3 581	295
Cash flow from financing activities	-4 854	9 351	3 581	295
Total cash flow	-5 618	7 457	-5 026	-405
Liquid funds at beginning of period	16 939	8 766	16 347	16 752
Liquid funds at end of period	11 321	16 223	11 321	16 347

Income Statement - Parent Company

All amount in ' 000 SEK	Jul-Sep 2008	Jul-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	2007
Revenue	21 041	21 407	62 688	55 468	74 766
Cost of goods sold	-8 285	-10 788	-24 507	-25 015	-33 150
Gross Profit	12 756	10 619	38 181	30 453	41 616
Sales and Marketing expenses	-2 720	-430	-8 649	-6 702	-9 690
Administration expense	-2 776	-4 170	-11 465	-11 899	-16 066
R&D expenses	-5 951	-3 369	-16 001	-12 829	-17 532
Other operating income	559	457	175	-	384
Other operating expenses	-	-	-	-157	-157
Capitalized development expenditures	2 306	2 199	6 419	3 991	6 395
Operating result	4 174	5 306	8 660	2 857	4 950
Financial income	37	100	152	101	256
Financial expense	-197	-378	-477	-584	-772
Profit before income tax	4 014	5 028	8 335	2 374	4 434
Tax	-	-	-	-	-
Net profit	4 014	5 028	8 335	2 374	4 434

Balance sheet - Parent Company

All amount in ' 000 SEK	2008-09-30	2007-09-30	2008-06-30	2007-12-31
Assets				
Intangible assets	12 838	5 031	10 893	7 354
Tangible assets	1 949	1 556	1 699	1 226
Financial assets	703	106	704	106
Inventory	5 558	4 182	3 459	3 568
Trade receivables	16 988	20 091	23 222	9 427
Other receivables	13 129	4 131	4 697	7 906
Cash and bank	9 881	14 374	14 580	15 845
Total assets	61 046	49 471	59 254	45 432
Equity and liabilities				
Equity	27 126	16 732	23 114	18 790
Långfristiga skulder				
Short term debt	11 777	9 766	16 595	9 882
Short term debt with interest	11 034	13 216	9 156	7 453
Trade payables	9 257	7 077	8 129	6 507
Other liabilities	1 852	2 680	2 260	2 800
Total equity and liabilities	61 046	49 471	59 254	45 432