

CellaVision AB (publ)
Financial Report – Quarter 1 – 2006
January 1 – March 31, 2006

- Net sales amounted to SEK 9,1 million (9,1)
- The order backlog amounted to SEK 3,3 million (0)
- Operating loss was SEK -4,7 million (-4,2) and net loss SEK -4,8 million (-4,3)
- Liquid assets amounted to SEK 15,3 million at the end of the quarter

ESSENTIAL EVENT AFTER THE REPORTING PERIOD

- ISO-certification was granted (ISO-13485) April 18, 2006

1. Operations

GENERAL

CellaVision AB (publ) is an emerging high-tech company with a core competence in development of software for automatic image analysis of cells and cell changes and for applications in health and medical care. The company offers cutting-edge expertise in sophisticated image processing, image analysis and automated microscopy.

The company currently focuses on the following three products: CellaVision™ DM8, CellaVision™ DM96, and CellaVision™ Diff IQ. CellaVision DM96 and DM8 are analyzers which automate manual differential counts of white blood cells and characterizations of red blood cell morphology. CellaVision™ Diff IQ is a software for education and competency testing of manual blood cell differentials in laboratories.

The company's products are sold to hospital-laboratories and independent commercial laboratories. Today CellaVision is represented in Europe, the U.S. and to some extent in Asia. CellaVision markets and sells its products through a number of exclusive distributors except for the Nordic market where CellaVision sells direct. A wholly owned subsidiary in USA, CellaVision Inc. serves as a support-unit to the American distributor.

MARKET AND SALES

During the quarter, total sales remained on similar level as those of the first quarter of 2005. An expected sales increase was not met due to orders being placed late in the quarter and the postponing of several purchases. The order backlog amounted to SEK 3.3 million (0) at the end of the quarter, and the conclusion has been drawn that the slow development of sales should be seen as temporary. During the quarter, Europe accounted for 42% of the net sales, the U.S. for 52%, and the rest of the world for 6%.

The first instrument was delivered to CellaVision's new distributor in Hong Kong and China during the quarter. The distributor is now initiating the process of registering the products with the Chinese authorities, a process expected to take around 8 months.

PARTNERSHIPS AND AGREEMENTS

As stated in earlier reports, CellaVision has signed a manufacturing agreement with Kitron AB in Flen for complete production of CellaVision DM96. The manufacturing transfer of CellaVision DM96 to Kitron AB in Flen has been initiated aiming at serial production during the second quarter of 2006. The increased expense level in the first quarter compared to 2005 is partly due to the costs of moving this production.

Some countries require ISO-certification in order to sell CellaVisions products. CellaVision has decided to ISO-certify the company according to ISO-13485 during 2006 and has therefore signed a cooperation agreement with the BSI Group (British Standards) with this objective in mind.

RESEARCH AND DEVELOPMENT

During the quarter, CellaVision has continued the development and improvement of the company's software with functions for interaction with laboratory computer systems and other external systems, updated database engine, and a new updated artificial neural network for the pre-classification of white blood-cells, amongst other applications.

At the end of the quarter CellaVision had a patented portfolio containing 17 innovations, which so far have generated 21 patents.

2. Sales, financial results, and capital expenditures

Net sales for the first quarter amounted to SEK 9.1 million (9.1), unchanged compared to the same period the previous year. Europe accounts for 42% of the sales, the U.S. for 52% (40), and the rest of the world for 6% (0). The gross profit of the quarter amounted to 56% (47). This improvement in gross profit is partly due to the somewhat decreased costs of production of CellaVision DM96 compared to the first quarter of 2005, and partly to the negative effect of SEK 360 million on the gross profit as a result of the write-down of DiffMaster inventory.

The net loss for the quarter amounted to SEK -4.8 million (-4.3). Total expenses for the quarter amounted to SEK 9.7 million (8.5). At the end of the first quarter the number of employees are higher compared to the same period last year, 33 vs. 31, which is reflected in a somewhat higher expense level in the first quarter this year compared to the same quarter last year. Yet another reason for the higher expense level in the first quarter compared to 2005 is the cost of moving the production of CellaVision DM96 from Lund to Kitron in Flen.

During the first quarter the company has not undertaken any development projects in phases in which expenditures shall be capitalized. Depreciations of SEK 0.9 million (0.9), on capitalized development expenditures, were booked as costs of goods sold in the quarter. Capital expenditures amounted to SEK 0.1 million (0.1) during this period.

3. Financing

Liquid assets amounted to SEK 15.3 million (15.1) at the end of the quarter. The negative cash flow before changes in working capital amounted to -3.7 (-2.9). The average monthly cash flow before changes in working capital amounted to SEK -1.2 million (-1.0) throughout the quarter.

4. Personnel

At the end of the quarter, the company had 33 (31) employees (FTE), of which 8 (7) were women.

5. Essential events after the reporting period

The ISO certification process is now finalized. The ISO-certification was granted (ISO-13485) April 18, 2006.

6. Consolidated Accounts

Consolidated income statement	Q1 2006	Q1 2005	2005
All amounts in KSEK	JAN – MAR	JAN – MAR	JAN – DEC
Net sales	9 061	9 088	39 017
Cost of goods sold	-4 018	-4 779	-19 390
Gross profit	5 043	4 309	19 627
Selling expenses	-3 004	-3 125	-13 556
Administrative expenses	-3 301	-2 583	-10 795
R & D expenses	-3 472	-2 816	-11 470
Other operating income	41	57	0
Other operating expenses	-3	0	-295
Operating result	-4 696	-4 158	-16 489
Interest income	71	55	163
Interest expenses	-210	-177	-407
Result after financial items	-4 835	-4 280	-16 733
Tax	0	0	0
Net result	-4 835	-4 280	-16 733
Per share data	Q1 2006	Q1 2005	2005
	JAN – MAR	JAN – MAR	JAN – DEC
Net result, undiluted, SEK	-0,20	-0,21	-0,81
Net result, diluted, SEK	-0,20	-0,21	-0,81
Weighted average number of shares, undiluted, SEK	23 852	20 151	20 578
Weighted average number of shares, diluted, SEK	23 852	20 751	20 578
Number of shares at end of period, undiluted, SEK	23 852	20 151	23 852
Number of shares at end of period, diluted, SEK	23 852	20 751	23 852

Quarterly results	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006
All amounts in KSEK									
Net Sales	5 545	8 108	6 780	9 410	9 088	11 248	8 273	10 408	9 061
Gross profit	1 397	3 155	3 298	2 655	4 309	5 884	3 220	6 214	5 043
Gross profit in %	25	39	49	28	47	52	39	60	56
Expenses	-9 706	-10 260	-7 725	-9 411	-8 467	-9 269	-8 040	-10 340	-9 739
Operating result	-8 309	-7 105	-4 427	-6 756	-4 158	-3 385	-4 820	-4 126	-4 696
Net result	-8 389	-7 106	-4 512	-4 886	-4 280	-3 440	-4 919	-4 094	-4 835
Operating cash flow	-5 688	-8 127	-7 272	-3 499	-491	-8 206	-6 571	-1 600	-118

Consolidated Balance Sheet			
	MARCH 31	MARCH 31	DEC 31
Assets			
All amounts in KSEK	2006	2005	2005
Subscribed, unpaid, new shares	0	0	1 266
<u>Intangible assets</u>			
Capitalized development expenditures	0	3 704	881
Tangible assets	1 018	2 203	1 302
Current assets	38 918	29 624	42 791
TOTAL ASSETS	39 936	35 531	46 240
Shareholders equity and liabilities			
All amounts in KSEK			
Shareholders equity	21 646	13 868	26 561
Provisions	1 220	1 060	1 240
Long term liabilities	0	10 000	0
Current liabilities	17 070	10 603	18 439
TOTAL EQUITY AND LIABILITIES	39 936	35 531	46 240

Consolidated Cash Flow Statement			
	Q1 2006	Q1 2005	2005
All amounts in KSEK	JAN - MAR	JAN - MAR	JAN - DEC
Operating result	-4 696	-4 158	-16 489
Cash flow from operating activities before changes in working capital	-3 656	-2 868	-8 444
Changes in working capital	3 538	2 377	-8 424
Cash flow from operating activities	-118	-491	-16 868
<u>Investing activities</u>			
Capitalized development expenditures	0	0	0
Acquisition of tangible assets	-68	-18	-133
Disposal of tangible assets	0	0	0
Cash flow from investing activities	-68	-18	-133
Cash flow from financing act.	-2 052	-3 570	15 364

Changes in cash and cash equivalents	-2 237	-4 079	- 1 636
Translation difference	-5	17	67
Cash and cash equivalents, beginning of period	17 588	19 157	19 157
Cash and cash equivalents, end of period	15 346	15 095	17 588

Financial ratios	MARCH 31 2006	MARCH 31 2005	DEC 31 2005
Equity assets ratio, %	54%	39%	57%
Net debt/equity ratio	-0,46	-0,83	-0,33
Return on shareholders equity, %	Neg.	Neg.	Neg.
Return on capital employed, %	Neg.	Neg.	Neg.
Interest-bearing liabilities	5 475	3 602	8 793
Number of employees at end of period (FTE)	33	31	32
Shareholders equity per share (Undiluted)	0,91	0,69	1,29

Equity/assets ratio

Shareholders equity in relation to total assets.

Net debt/equity ratio

Net borrowings divided by shareholders equity.

Return on shareholders equity

Net profit/loss in relation to average shareholders equity.

Return on capital employed

Profit/loss after financial items plus financial expense in relation to average capital employed.

Shareholders equity per share

Shareholders equity in relation to the number of shares at end of period. Splits and share issues are taken into account.

Changes in shareholders equity All amounts in KSEK	JAN - MARCH 2006	JAN - MARCH 2005	JAN - DEC 2005
Opening balance	26 561	18 148	18 148
New share issue	0	0	15 266
Directed new share issue, set-off against loan	0	0	10 000
Fundraising cost	0	0	-632
Translation difference	-80	0	512
Net result	-4 835	-4 280	-16 733
Closing balance	21 646	13 868	26 561

7. Other Information

On March 31 2006, the Group consisted of the parent company and the subsidiaries: CellaVision Inc. and CellaVision International AB.



The company applies all applicable recommendations from the Swedish Accounting Council except for RR 27 and RR 29.

The accounting principles are unchanged since the annual report 2005.

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Lund, April 25 2006

The Board of CellaVision AB (publ), corporate ID 556500-0998

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CellaVision AB is an emerging high-tech company with a core competence in development of software for automatic image analysis of cells and cell changes and for applications in health and medical care. The company offers cutting-edge expertise in sophisticated image processing, image analysis and automated microscopy. It markets five products: DiffMaster™, CellaVision™ DM8, CellaVision™ DM96, CellAtlas™ and CellaVision Diff IQ™. All are based on CellaVision's cell databases, and they are used as tools to facilitate cell analysis and diagnosis. The company employs about 30 persons; 50% work with product development. Find out more, visit www.cellavision.com.