

CellaVision AB (publ)

Financial Report – Quarter 4 – 2006

January 1 – December 31, 2006

- Net sales increased by 49% to SEK 15.5 million (10.4) during the fourth quarter, and by 40% to SEK 54.8 million (39.0) accumulated
- Operating loss amounted to SEK -1.3 million (-4.1) during the fourth quarter, and to SEK -8.6 million (-16.5) accumulated
- Net loss amounted to -1.2 (-4.1) during the fourth quarter and to SEK -8.8 million (-16.7) accumulated
- The exclusive distribution agreements with Sysmex Europe and Sysmex America have been extended by three years, and several markets have been added
- Liquid assets amounted to SEK 16.8 million (17.6) by the end of the year

1. Operations

GENERAL

CellaVision AB is the market leading supplier of imaging products for routine analysis of blood. 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™ Diff IQ. 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™ Diff IQ 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. CellaVision markets and sells its products through a number of exclusive distributors, except for the Nordic and Canadian markets where CellaVision sells direct.

MARKET AND SALES

Net sales during the fourth quarter 2006 was SEK 16 million in comparison to SEK 10 million during the fourth quarter the previous year, an increase of 49%.

Sales increased by 40% during the year as compared to 2005. During the year Europe and Asia accounted for around two-thirds of net sales, and the USA for the remaining third. Sales were divided between the two systems CellaVision DM96 and CellaVision DM8 by 80% and 20% respectively.

Interests for digital morphology continued to grow during 2006, particularly in Europe and the USA. CellaVision's products are becoming an increasingly important component in the line of automatic laboratory instruments. The products increase our distributors' business opportunities, since they now can offer their customers a complete hematology line. CellaVision now has more than 250 systems active in routine analysis, most of them spread around Europe and the USA.

During the year the CellaVision products were approved for the Canadian market. During the second half of the year CellaVision has delivered several instruments to three hospitals in Canada. The com-

pany has chosen to sell directly, and Canada now constitutes, alongside with the Nordic region, a geographical region which is covered by CellaVision's own personnel without the support of a distributor.

In the Nordic region several hospitals have replaced their first CellaVision systems, DiffMaster™ Octavia, with the next generation of CellaVision DM products. Ålborg University Hospital and Linköping University Hospital are two of these. Additional hospitals have become new customers. In total, CellaVision's systems can be found in 25 hospitals around Sweden, Norway, Denmark, and Finland.

PARTNERSHIPS AND AGREEMENTS

The company signed an agreement with Kitron AB in Flen for complete production of CellaVision DM96. Production was formerly done in Switzerland with final assembling and testing at CellaVision in Lund. CellaVision chose a supplier that is certified to produce and test the product according to demands made by the European In-Vitro Diagnostic Directive (IVDD) and the American FDA. The aim is also to lower costs of production per instrument with the greater volume of production. The project of transferring production to Flen was completed during the third quarter.

Some countries require ISO-certification in order to sell CellaVision's products. CellaVision decided to ISO-certify the company according to ISO-13485 during 2006 and therefore signed a cooperation agreement with the BSI Group (British Standards) with this objective in mind. The process of ISO-certification was completed during the second quarter and ISO-certification (ISO-13485) was obtained on the 18th of April, 2006.

In June, approval by Health Canada to sell the products CellaVision DM96 and CellaVision DM8 in Canada was gained.

During the year the exclusive distribution agreements with Sysmex Europe and Sysmex America have been prolonged by three years. As a non-exclusive distributor Sysmex also has the possibility to include CellaVision's products in public tenders in Sweden, Denmark, and Norway. Sysmex serves as an alternative sales channel that during the year has resulted in sales to several clients in the Nordic region.

CellaVision has also established sales channels in Hong Kong, China, and Kuwait via other distributors.

RESEARCH AND DEVELOPMENT

During 2006 CellaVision has continued developing and improving the company's softwares by adding functions for communication with laboratory information systems and other 3rd party information systems, an updated database engine, improved pre-classification of white blood cells, and functions for user support.

Work on the company's hardware platforms during 2006 has largely been confined to cost reductions through moving productions to Kitron.

At the end of the quarter, CellaVision had a patented portfolio containing 17 innovations, which so far have generated 22 patents.

2. Sales, financial results, and capital expenditures

Net sales amounted to SEK 15.5 million (10.4) during the fourth quarter and accumulated to SEK 54.8 million (39.0) for the year, which was 49% and 40% higher respectively than the same period the previous year. Europe accounts for 59% (64) of sales, the USA for 33% (30), and the rest of the world 8% (6). The gross profit in the fourth quarter amounted to 66% (60) and accumulated to 58% (50) for the year. The improvement in the Group's gross profit is due to the write-down in inventory value of the product DiffMaster of SEK 1.4 million in 2005, as well as to depreciations in the same year regard-

ing capitalized development projects of the DiffMaster amounting to SEK 3.4 million. No corresponding inventory write-downs or depreciations have been done in 2006.

The Group's net result for the quarter was SEK -1.2 million (-4.1) and accumulated to SEK -8.8 million (-16.7) for the year. Total operating expenses for the quarter amounted to SEK 12.3 million (10.3) and accumulated to SEK 41.3 million (36.1). By the end of the quarter the number of employees (FTE) was 37 compared to 32 at the same time the previous year, which has contributed to the relatively raised costs in 2006. Yet another reason for the increased expenses in 2006 as compared to 2005 is the cost of moving the production of CellaVision DM96 from Lund to Kitron in Flen.

Capitalized costs regarding development projects amounted to SEK 0.7 million (0.0) during the quarter and accumulated to SEK 0.7 million (0.0) during the year. No depreciations on capitalized development expenditures from earlier periods have been booked as costs of goods sold in the quarter as these were completely depreciated by the 31st of March, 2006 (SEK 0.9 million). During the year these depreciations amounted to SEK 0.3 million (3.8). Capital expenditures amounted to SEK 1.4 million (0.1) during the period.

3. Financing

Liquid assets amounted to SEK 16.8 million (17.6) at the end of the year. The cash flow before changes in working capital amounted to SEK -5.1 million (0.2) for the quarter and SEK -10.4 million (-8.4) accumulated. The average monthly cash flow before changes in working capital, amounted to SEK -0.9 million (-0.7) during 12 months.

4. Personnel

During the 3rd quarter, the company management team was enhanced by Jeanette Bengtsson, employed as Operations Manager. Jeanette has extensive experience from the Med Tech industry in Operations, QA and Regulatory Affairs. The most recent employer was Cresco Ti Systems and AstraTech.

At the end of the quarter, the company had 37 (32) employees (FTE), of which 9 (8) were women.

5. Events after the reporting period

No events taken place after the closing date are reported in this financial report.

6. Consolidated accounts

Consolidated income statement	Q4 2006	Q4 2005	2006	2005
All amounts in KSEK	OCT – DEC	OCT – DEC	JAN – DEC	JAN – DEC
Net sales	15 497	10 408	54 777	39 017
Cost of good sold ¹	-5 260	-4 194	-22 764	-19 390
<i>Gross profit</i>	<i>10 237</i>	<i>6 214</i>	<i>32 013</i>	<i>19 627</i>
Selling expenses	-3 818	-4 556	-13 352	-13 556
Administrative expenses	-3 569	-2 575	-12 705	-10 795
R & D expenses	-4 591	-2 959	-15 081	-11 470
Other operating income	-25	0	133	0
Other operating expenses	-278	-250	-333	-295
Capitalized development expenditures	719	0	719	0
<i>Operating result</i>	<i>-1 325</i>	<i>-4 126</i>	<i>-8 606</i>	<i>-16 489</i>
Interest income	178	43	355	163
Interest expenses	-79	-11	-530	-407
<i>Result after financial items</i>	<i>-1 226</i>	<i>-4 094</i>	<i>-8 781</i>	<i>-16 733</i>
Tax	0	0	0	0
Net result	-1 227	-4 094	-8 782	-16 733

¹Cost of goods sold is charged with a single inventory write-down of a total of SEK 0.0 million (1.4).

Per share data¹	Q4 2006	Q4 2005	2006	2005
	OCT – DEC	OCT – DEC	JAN – DEC	JAN – DEC
Net result, diluted and undiluted, SEK	-0,05	-0,17	-0,37	-0,81
Weighted average number of shares, SEK	23 852	23 852	20 578	20 578
Weighted average number of shares, diluted and undiluted, SEK	23 852	23 852	23 852	20 578
Number of shares at end of period, diluted and undiluted, SEK	23 852	23 852	23 852	23 852

¹Items from the income statement are calculated in relation to the number of shares before dilution, based on the weighted average number of shares and diluted based on the number adjusted for warrants outstanding at the end of the period.

Quarterly results	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06
All amounts in KSEK								
Net sales	9 088	11 248	8 273	10 408	9 061	18 630	11 589	15 497
Gross profit after deprecia- tions	4 309	5 884	3 220	6 214	5 043	10 318	6 415	10 237
Gross profit in %	47	52	39	60	56	55	55	66
Expenses	-8 467	-9 269	-8 040	-10 340	-9 739	-10 602	-8 716	-11 563
Operating result	-4 158	-3 385	-4 820	-4 126	-4 696	-284	-2 301	-1 325
Net result	-4 280	-3 440	-4 919	-4 094	-4 835	-349	-2 371	-1 227
Operating cash flow	-491	-8 206	-6 571	-1 600	-118	-1 901	3 507	-538

Consolidated Balance Sheet

Assets	DEC 31 2006	DEC 31 2005
All amounts in KSEK		
Subscribed, unpaid, new shares	0	1 266
<u>Intangible assets</u>		
Capitalized development expenditures	1 280	881
Tangible assets	1 373	1 302
Current assets	21 925	25 203
Cash	16 751	17 588
TOTAL ASSETS	41 329	46 240
Shareholders equity and liabilities		
Shareholders equity	17 735	26 561
Long term liabilities	0	0
Short term liabilities	22 314	18 439
Current liabilities	1 280	1 240
TOTAL EQUITY AND LIABILITIES	41 329	46 240

Consolidated Cash Flow Statement

All amounts in KSEK	Q4 2006 OKT - DEC	Q4 2005 OKT - DEC	2006 JAN - DEC	2005 JAN - DEC
Operating result	-1 325	-4 126	-8 606	-16 489
Cash flow from operating activities before changes in working capital	-5 052	-1 024	-7 086	-8 444
Changes in working capital	5 233	-576	7 667	-8 424
Cash flow from operating activities	181	-1 600	581	-16 868
<u>Investing activities</u>				
Acquisition of tangible assets	-79	-32	-1 809	-133
Disposal of tangible assets	493	0	493	0
Capitalized development expenditure	-719	0	-719	0
Cash flow from investing activities	-305	-32	-2 035	-133
Cash flow from financing act.	-1 199	12 639	618	15 364
Changes in cash and cash equivalents	-1 323	11 008	-735	- 1 636
Translation difference	-90	71	-101	67
Cash and cash equivalents, beginning of period	18 165	6 509	17 588	19 157
Cash and cash equivalents, end of period	16 752	17 588	16 752	17 588

Financial Ratios

	DEC 31 2006	DEC 31 2005
Equity assets ratio, %	43	57
Net debt/equity ratio	0,40	-0,33
Return on shareholders equity, %	Neg.	Neg.
Return on capital employed, %	Neg.	Neg.
Interest-bearing liabilities	7 158	8 793
Number of employees at end of period (FTE)	37	32
Shareholders equity per share (Undiluted)	0,74	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	JAN - DEC	JAN - DEC
All amounts in KSEK	2006	2005
Opening balance	26 561	18 148
New share issue	0	15 266
New share issue to set-off loan	0	10 000
Guarantee remuneration	0	640
Fundraising cost	0	-1 272
Translation difference	-44	512
Net result	-8 782	-16 733
Closing balance	17 735	26 561

7. Other information

On December 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.

The accounting principles are unchanged since the annual report 2005. The company's annual report regarding 2006 will be published according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). The application of IFRS will not bring about changes to the financial reports that are included in this annual report.

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Stockholm, February 19, 2007

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

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The company headquarters are in Lund, Sweden. The company also has a U.S. subsidiary in Jupiter, FL, USA. For more information, please visit www.cellavision.com.