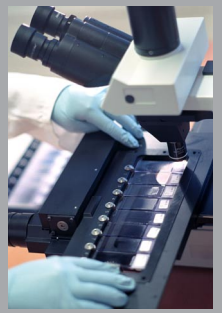
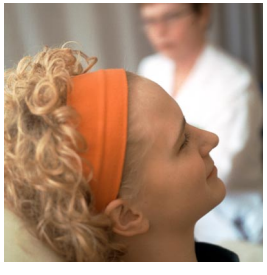
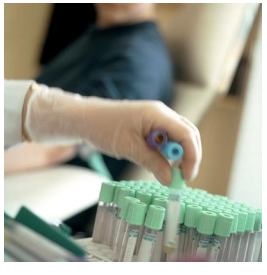
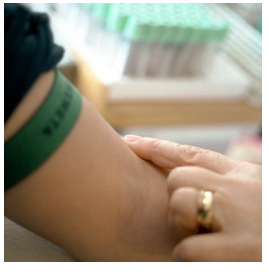
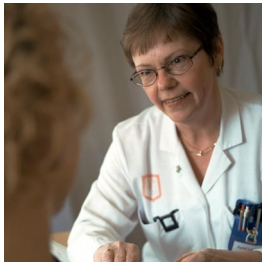
2001 ANNUAL REPORT

CELLAVISION



- Net sales totaled SEK 8.0 million (0), operating income SEK -53.0 million (-30.4), and the net result SEK -53.1 million (-30.2)
- Ten systems sold
- Agreements signed with important reference customers such as the MAS University Hospital in Malmö and Rigshospitalet in Copenhagen.
- DiffMaster™ Octavia clearance received by the FDA for sales in the USA
- CellaVision establishes itself in the USA through subsidiary and the acquisition of TII (Triangle Imaging Inc.)
- Distribution agreements signed with Germany, Korea, and The Czech Republic
- CellaVision is granted three new patents in the areas of digital image processing and staining techniques
- New share issue provided the Company with SEK 73 million

Key Figures

Amounts in SEK thousands	**2001**	**2000**	**1999**
Net sales	8 043	0	0
Operating income	-53 037	-30 357	-11 089
Cash flow for the year	-65 593	-32 029	-20 250
Equity	82 604	66 673	21 691
Cash balance	49 654	60 680	12 903
Solvency, %	72	79	71
Number of employees	49	39	23

A few words about the past year

– Interview with Yvonne Mårtensson, CEO, CellaVision

"Customers value our product and are willing to pay for what it can provide."

How would you summarize 2001?

– Last year marked a real take-off for the commercial phase of CellaVision's operations. We got DiffMaster™ out on the market and we also got our first customers, with several Scandinavian reference customers among them. In total we sold ten systems, of which three were MICRO21® systems in the USA.

Last year we also signed a distribution agreement with a number of talented collaborative partners outside of Scandinavia. We are now ready to begin our introduction to the international market, with full swing.

The FDA approved DiffMaster, allowing us to market and sell the product in the USA. And through the acquisition of our American competitor Triangle Imaging Inc., we gained a base for our marketing and sales efforts in the USA.

Why was CellaVision not introduced onto the stock market?

– We had planned to introduce our share onto the stock market during 2001, but due to the prevalent financial climate during the year – with very weak market development – we decided to wait.

Instead, we carried out a directed new share issue at the end of 2001. This provided us with SEK 73 million and provided us with a new major investor, Skandia Liv. Skandia Liv is a stable and long-term source of financing and I strongly believe that the market will view Skandia Liv's investment in our company positively.

When will CellaVision be introduced onto the stock market?
– Hopefully, we will make our initial public offering of CellaVision within 18 months. Everything is in place and we are now merely waiting for a more positive market climate to develop.

During the year you also acquired your first customers. How is this important?
– To begin with, it is proof that the product can be used in the situations it is designed for. And our sales show that customers value our product and are willing to pay for what it can provide.

The MAS University Hospital and Rigshospitalet are both well respected hospitals, which makes them very valuable as reference customers. We also collaborate with Sahlgrenska University Hospital, which is also counted as a reference hospital.

In the beginning of 2002, we sold a system to Huddinge University Hospital. This installation will have network capabilities that connects Huddinge with Söder Hospital. Now we are ready for the international commercialization of our product.

How far have you come in the Scandinavian market?
– We have taken part in exhibitions in the Scandinavian countries and have so far sold one instrument outside Sweden, to Rigshospitalet in Copenhagen, so the product has been introduced to the Scandinavian market.

What level of sales can be expected during 2002?
– Last year we sold a total of ten systems. I don't want to quote any figures for 2002, but we count on increasing our sales considerably to a great extent thanks to the distribution agreements we have signed.

Why was Germany chosen as the first market outside of Scandinavia?
– Germany is Europe's largest market. In addition, our collaborative partner Sysmex Europe has its headquarters in Germany. An initial distribution agreement has been signed and covers the German market. Negotiations are currently underway with Sysmex concerning distribution in other European countries.

Why did you sign distribution agreements with The Czech Republic and South Korea?
– We came in contact with two very capable distributors, BioVendor in the Czech Republic and Kormed in South Korea, and took advantage of the opportunities that these contacts provided. These companies have a great deal of experience in our market and can work relatively independently with little support. It is hard to provide good support over long distances, which is why we must choose our distributors carefully.

What is happening on the American market?
– With the acquisition of Triangle Imaging Inc. (TII), we gained a base for our marketing and sales in the American market. CellaVision Inc. will continue to sell TII's product MICRO21®.

Our own product DiffMaster has been cleared by the FDA and we are preparing for the introduction of this product into the American market. Among other things, we shall establish connections with one or more distributors. The idea is that CellaVision Inc. shall function as a source of support for these distributors and as a direct contact to American customers.

Don't MICRO21 and DiffMaster compete with one another?
– MICRO21 is a more process-oriented product where the slides are scanned in a continous flow. This product is best suited for large laboratories. DiffMaster has CellaVision's considerably more advanced software, that can identify and classify more types of cells, and can be loaded with eight slides at a time. This product is better suited for medium sized labs where high demands are placed on the identification of abnormal cells.

Will MICRO21® be launched in the European market?
– No. In the long-term we will further develop DiffMaster™ and develop a product for the large laboratories on the Continent.

Will any research be carried out in the USA?
– No, all research and development will be carried out in Sweden.

How many patents does CellaVision currently hold?
– We now have seven approved patents. Three of these were approved during 2001. Generally speaking, the technology that we have patented can be used within many areas. Our intention is to use it in the area of cell and tissue analysis.

How do you view CellaVision's personnel, today and in the future?
– We currently have about 50 employees. A major part of the employees work with product development and research. 15 employees work with marketing and sales (including CellaVision Inc.). We currently have a good mix of competences and expect no major personnel changes in 2002. In the long-term, the need for marketing and sales staff will increase.

What will take place during 2002?
– We want to concentrate on sales of DiffMaster and MICRO21. At the same time, we will continue developing our software and the next generation of our hardware platform. During 2002, we will launch an add-on application for DiffMaster that pre-classifies red blood cells. This product is most required by customers in the USA and on the European continent. The next launch will be a bone marrow application. During the year we will be represented in most of the European markets and shall initiate sales of DiffMaster in the USA.

How does it feel to be CEO of a dynamic growth company?
– A growth company, by definition, is a company that has increased its sales by at least 25% per year for five consecutive years. By that definition CellaVision is not, therefore, a growth company. But we are working to become one!

To answer your question, I truly enjoy being the CEO of a young, high-tech company. With new technology within a new market segment and where all can clearly see the advantages of the products we offer.

At the same time, this poses an exciting challenge, to build a functional organization that can show results. It is wonderful to watch the will and dedication of individuals creating a future for our company.

Yvonne Mårtensson, CEO

Vision

The Company's vision is to create a new global de facto standard for digital microscopy analysis, thus contributing to improving the quality of medical care and to more cost-efficient health care.

Business concept

The company's business concept is to develop and market system solutions for medical microscopy analysis. These systems are based on cell databases, software for image processing, automated microscopy and Internet-based communication.

Goal

The company's goal is to be the world's leading supplier of digital image processing technology in cell and tissue analysis.

Strategies

To enable the company to position itself in accordance with the established goal, CellaVision's business is based on the following strategies.

Develop applications for new areas of analysis

The company will apply the experience and technical advantage that was gained in the development of DiffMaster™ to other areas of medical analysis, such as bone marrow and pathology, that are considered possible and profitable to automate.

Maintain and strengthen the company's technical advantage

CellaVision will continue to devote considerable resources to research and development in order to maintain and strengthen the company's lead in the development of software for automatic image analysis. CellaVision will continue to act forcefully to protect the company's technology against infringement and to build up a patent portfolio. In addition, development of previously launched products will be continuous.

Focus on software development

CellaVision will utilize the expertise of partners for hardware production and assembly of products, which to a large extent will consist of standard components. DiffMaster will be assembled and tested directly at the customer site, thus resulting in minimal inventories. Other products will also, if possible, be assembled at the customer site or by a sub-supplier. The company will continue to work constantly to establish strategic relationships for distribution and technical development with global players within in vitro diagnostics. The objective is to enable CellaVision to focus on its core business, which is the development of software for digital medical image processing and analysis.

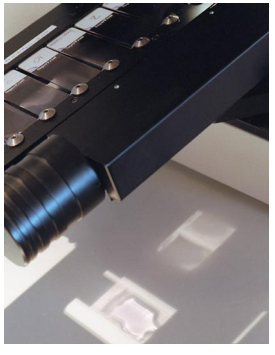
Create close ties to the market

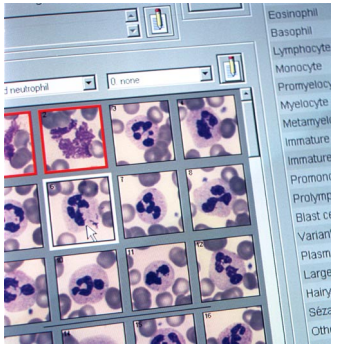
CellaVision's products have been developed in close cooperation with customers. By establishing its own sales organization in the Nordic countries, CellaVision will strengthen its knowledge and experience of customer requirements and preferences. Although marketing and sales in other countries will be handled by business partners, CellaVision will have its own personnel for customer service and technical support in such strategically important markets as the United States, which is served by CellaVision Inc.

Develop medical expertise

In addition to CellaVision's own medical expertise, the company will expand the network of physicians and biomedical technicians that has been built up since the company was established. These contacts are particularly important in the initial phases of a development project in a new area of medical expertise, as well as for continuous improvement of existing products.

The Market





The market for clinical tests

Being able to make reliable diagnoses in conjunction with medical examinations requires several different clinical tests, which include microscopy analyses of blood, bone marrow and tissue material. Clinical tests are an important component in a well-functioning health care system. Tests are conducted to diagnose or follow up possible diseases and treatments. General practitioners, hospital physicians or other qualified medical personnel determine if a test shall be performed, take specimens from patients and submit the specimens for analysis. Tests are performed on various specimen types, such as blood, urine, cerebrospinal fluid, bone marrow and tissue. Although clinical tests comprise a relatively small portion of the total medical costs, they are often the first step in the allocation of significant medical resources.

In the United States and Europe, consolidation has taken place both among smaller, independent laboratories and between larger players. This consolidation process continues and is being driven by:

- rationalization resulting from wide-ranging automation,
- declining compensation levels from commercial and national compensation systems and the transition from cost-based to fixed compensation for standardized products,
- increased demands from customers and payors, for higher quality services, more rapid reporting and lower prices, and
- low capacity utilization of analysis instruments in the industry.

The technical solutions that have emerged are primarily intended to increase efficiency and to lower costs. Today, laboratories place greater emphasis on organizing operations according to the workflows that arise. Time-consuming steps are rationalized through automation and robot technology. Modern information technology is utilized to increase the efficiency of information and control systems, while at the same time creating opportunities for new work routines built up around telemedicine and communications, for example.

CellaVision estimates that the global market for in vitro diagnostics amounts to about USD 20 billion. According to Theta Reports, the United States and Europe account for 42% and 41%, respectively, while Japan and the rest of the world account for 12% and 5%, respectively. The sub-disciplines clinical chemistry and hematology account for the major share of test volumes, but a significantly lower share of the total value.

According to the HCFA in the United States, there were more than 145,000 certified laboratories in the United States in July 2000, of which slightly more than 8,000 hospital laboratories and some 5,000 private laboratories were judged to be working with hematological analyses, including

differential counts of white blood cells. The combined number of laboratories in Europe and Japan is equal to the number in the United States.1

The market for microscopy

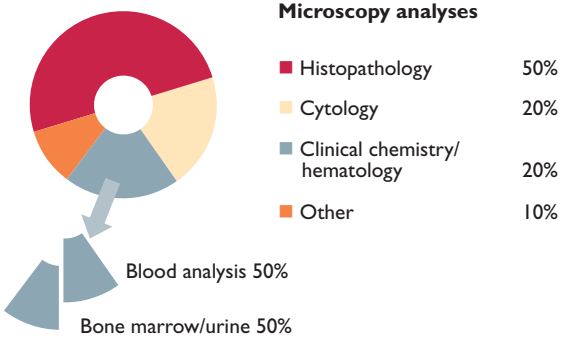
According to CellaVision's estimates, about 2 to 3 million microscopy analyses are performed annually around the world.

Most microscopy analyses are performed in the context of what is usually called laboratory medicine, which includes the sub-disciplines histopathology, cytology, clinical chemistry (which in turn includes hematology, bone marrow, cerebrospinal fluid, synovial fluid and urine sediment), immunology and microbiology. In all of these sub-disciplines, manual microscopy is used to reach the correct diagnosis.

Some of these areas are considered more suitable than others for automation. These include hematology, due to its simple sample structure, sample preparation and the number of possible diagnoses. Also included among the disciplines that may be possible to automate but for which continued methods development will be required, is histopathology, which analyzes tissue samples from the body's various organs. Which analyses will be automated is determined primarily by whether profitability can be achieved, although the prospects for mastering the technical challenges are also taken into consideration.

Microscopy is primarily used in diagnosing the following pathological conditions:

Cancer
Bacteria infection
Virus infection
Parasitic infestation
Inflammatory diseases
Immune disorders
Genetic defects



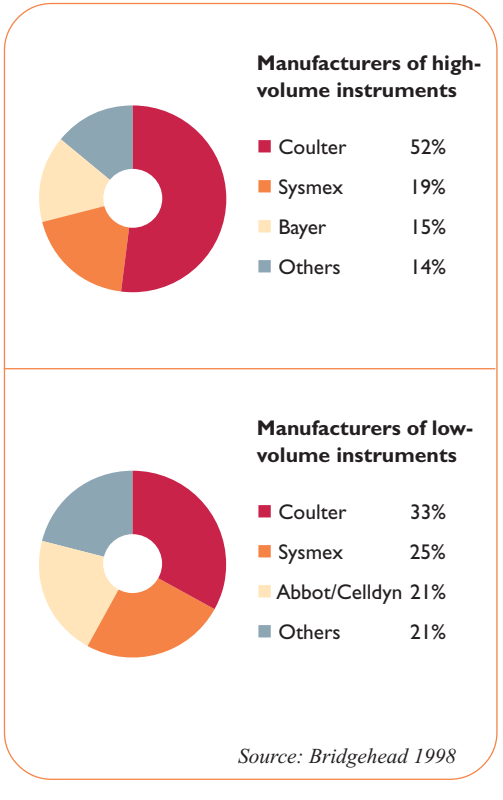
Hematology – blood

Blood is composed of different types of cells in a fluid called plasma. There are three types of cells in blood:

- Red blood cells (erythrocytes)
- White blood cells (leukocytes)
- Platelets (thrombocytes).

Diagnoses based on blood are a common method of detecting such conditions as anemia and various types of blood cancer, such as leukemia.

Previously, detailed analysis of red and white blood cells was performed entirely manually using a microscope. During the last 30 years, the analysis of white blood cells has become increasingly automated, thus eliminating the need for manual microscopy. The procedures for hematological analysis differ depending on the type of analysis and where it is performed. Determination of the total count of all blood cell types, meaning red cells, white cells and platelets, which is called a Complete Blood Count (CBC), is normally done by machine. Today's automated analysis instruments, cell counters, count not only the cells themselves, but also classify them into the five types of white blood cells found in a health person in what is called a five-part differential WBC count, and detect the presence of abnormal cells. In addition, analysis



instruments normally provide an overall analysis of the red blood cells and platelets by determining the number of red blood cells, the hematocrit and the concentration of hemoglobin. Automatic analysis instruments, however, cannot determine the type of deviation, which is why on average some 20% of all CBC samples must be analyzed manually under a microscope. This means that of the approximately one billion CBC tests performed annually throughout the world, some 200 million are analyzed under a microscope. CellaVision estimates the value of this manual labor at about SEK 100 per sample, corresponding to a total of SEK 20 billion.

Common to all medical microscopy is that samples for analysis must first undergo several stages of preparation. This preparation is time-consuming and often accounts for a significant portion of the total work required.

The manual part of the analysis procedure allows a subjective component in which test results can differ depending on who performs the analysis. Furthermore, the medical technicians who perform this task are decreasing in number. The high average age of experienced technicians in many markets also makes it difficult for many laboratories to retain their expertise over the long term. Increased automation would thus free up time for technicians while increasing the degree of objectivity and standardization in analysis work.

The market for hematological instruments

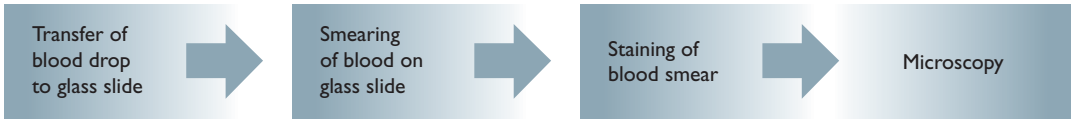
The current market for automatic analysis instruments in hematology can be divided into high- and low-volume segments. Analyzers for the high-volume segment primarily target hospital laboratories and larger commercial reference laboratories. The low-volume segment consists of physician's offices and smaller clinical laboratories. Today, a high degree of automation is available for both the high- and low-volume segments.

In 1997, Theta Reports estimated the total world market for hematological blood analysis systems at about USD 1 billion, with an anticipated annual growth rate of about 4 to 5%. CellaVision estimates that there are some 30,000 laboratories around the world that perform manual microscopy analyses in such numbers that automating the process is justified.

CellaVision's solution

CellaVision has developed an automatic system that pre-classifies white blood cells, including immature cells, in the analysis of blood smears. At the end of 2000, the first product, DiffMaster™ Octavia, was launched. The classification module for the

Specimen preparation for manual differential blood cell count



system is based on neural networks, which means that the software is self-learning and is trained against cell databases. The more information the network is trained against, the greater the reliability in the suggested classification of different cell types can be attained

With DiffMaster™, today's manual examination can be standardized. Standardization provides a more objective and therefore more consistent assessment, thus resulting in higher analysis quality.

The images of white blood cells that the instrument generates during the analysis allow comparisons with other test results for a given patient, thus facilitating a more accurate and simplified follow up of cell changes resulting from the treatment of e.g. leukemia.

DiffMaster can currently pre-classify ten different types of white blood cells plus an additional five types of non-white blood cells. The system also provides a high-resolution overview of the red blood cell image for on-screen analysis.

DiffMaster increases the laboratory's productivity in the following ways:

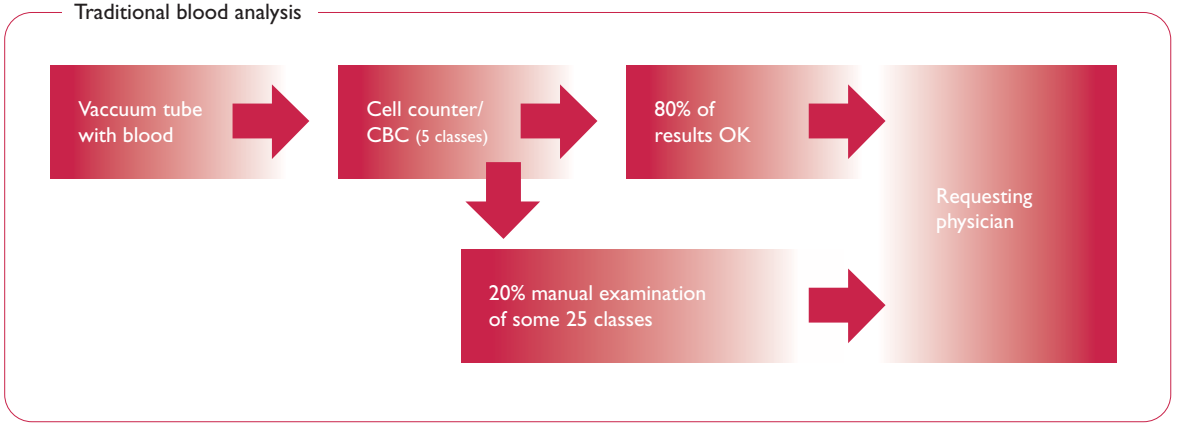
- Automatic generation of suggested classifications for the most commonly occurring cell types gives the expert more time to study the abnormal/ immature cell types.
- Increases standardization in an area traditionally based on subjective analyses and conclusions.
- Provides training and skills enhancement for the operator and quality assurance through cell-by-cell comparisons.
- Digitally archives samples.
- Constitutes a first step for applications in telemedicine through the built-in capacity for transmission of digital images to experts outside the laboratory.

With the acquisition of Triangle Imaging Inc., CellaVision also gained access to MICRO21®. MICRO21 automates the microscopic examination, presenting the results on a computer display and allowing storage of the cell images. The system has FDA clearance for differential blood cells counts, analysis of red cell morphology and six other applications. Like DiffMaster, the system is based on a neural network. MICRO21 is able to identify fewer classes, compared with DiffMaster, but offers greater functionality for automatic feeding of slides.

Competing systems

There are currently few direct competitors to CellaVision's hematology products. The major suppliers lack products for automating the manual components of the differential count. One explanation may be that larger companies often lack the specialist skills required for advanced image analysis.

Further improvements of automatic blood analyzers should be able to reduce the need for manual microscopy analyses as measured in volume. However, in the Company's view, a more rational system such as DiffMaster at the end of the analysis chain would mean that laboratories could adjust the sensitivity of automatic cell count analyzers so that they indicate a greater number of specimens requiring more detailed analysis, meaning automated microscopy.



Flow cytometry is a method used for specific and often expensive and complex analyses with biochemical markers. This instrument is found primarily in research laboratories but is being used increasingly as a diagnostic instrument, particularly in the diagnosis of cancer and HIV, where new pharmaceuticals require a more detailed analysis of the cell's DNA and RNA components in a process called immunophenotyping. Development of flow cytometry towards more general and simpler applications would be possible and would thus replace some microscopy examinations with very specific indications.

Sysmex – Omron HEG

The Japanese company Sysmex is one of the largest equipment suppliers in hematology and sells both automatic cell counters for CBC, sample preparation equipment and software for communications between the various instruments. In May 2000, Sysmex acquired the blood image analysis operations of the Japanese company Omron. The product included in this acquisition was the HEG-50 which is an automatic, computerized digital microscope for differential blood cells counts. Omron's systems, which are based on decision tree, are currently marketed primarily on the Japanese market for sale to the very large, commercial laboratories existing on the Japanese market. Since Sysmex, through its subsidiary Sysmex Europe, distributes DiffMaster, which principally addresses smaller laboratories, HEG instruments can be seen as a complement to DiffMaster.

AMS

The Israeli company AMS showed its first product at Medica 2000. Today, the company has an application that resembles DiffMaster. However, the product can only classify normal cells. It is also slower and based on hardware that produces poorer image quality. The product was tested at a university hospital in Austria with unacceptable results. The company claims to have several systems in operation in the Middle East, but it has not been possible to verify this claim.

Hematology – bone marrow

The number of differential count of white blood cells in bone marrow analyses is significantly less than the number of differential counts of white blood cells for peripheral blood. CellaVision estimates that a total of about 30 million bone marrow analyses are performed throughout the world each year. The Company estimates that the cost of each test is at least SEK 1,000. Cell analyses of bone marrow smears are most often performed in hematology departments. In the laboratory decision process, it is often routine to take bone marrow specimens from patients with abnormalities in peripheral blood. Blood cells are produced in the bone marrow, and bone marrow analyses therefore partially overlap blood analyses. Diseases that can be identified through bone marrow specimens are primarily leukemia, lymphoma and anemia (blood cancer and blood deficiency).

Bone marrow samples are taken from bones in the chest or the hip. All bone marrow analysis is performed

by physicians, which means that the analysis is more expensive, compared with those performed by medical technician. The objective of the analysis is to identify cells not normally found in bone marrow or changes in the distribution of normally occurring cells. Compared with the analysis of peripheral blood, the analysis is more complicated. Complicating factors include the difficulty of obtaining an acceptable sample smear and the greater number of cells that must be classified. This complexity means that it is more difficult to automate this type of analysis.

CellaVision's solution

CellaVision is developing software based on the same technology used for analyzing peripheral blood but using an image database of blood cells in bone marrow. The software for bone marrow will be more sophisticated than that for peripheral blood. Although the number of bone marrow analyses is less than the number of peripheral blood analyses, an automation of bone marrow analyses may mean significant cost savings, in that physicians' time is freed up. In addition, since the number of experienced experts is decreasing, automation may contribute to laboratories being able to maintain their level of expertise. Furthermore, automation can contribute to improving analysis quality, since the system will have telemedicine functions that will allow images to be sent to other experts for consultation. Thus there is also a potential within bone marrow analysis for automation and standardization.

Blood analysis

Analysis of blood smears and the conclusions that can then be drawn are based on the presence of immature blood cells divergent shapes or sizes that have been pre-maturely released from the bone marrow, as well as the occurrence of deviations in the proportional distribution of the different types of white blood cells. In a healthy person, there are normally five types of white blood cells: neutrophils, eosinophils, basophils, monocytes and lymphocytes. The first three are also called granulocytes, since their cytoplasm assumes a granular appearance on staining. An adult has between 7 000 and 10 000 white blood cells per micro-liter of blood.

In healthy persons, the number of red blood cells does not vary significantly, while the total number of white blood cells and the proportional distribution of red and white blood cells may vary sharply. This is because the white blood cells are responsible for various defense mechanisms. It is therefore often diagnostically important to determine the number of each type. This is called a differential count. The proportional distribution of the different white blood cell types in a healthy individual is as follows[1]:

Neutrophils	60-70%
Basophils	1-4%
Eosinophils	0,3-0,5%
Monocytes	2-6%
Lymphocytes	25-33%

An increased proportion of neutrophils and/or monocytes may indicate that the body has been subjected to some kind of infection. An increased proportion of eosinophils and basophils may indicate an allergic condition. Parasitic infestations often also result in an increased number of eosinophils.

The occurrence of immature white blood cells, such as myelocytes, promyelocytes and metamyelocytes which are normally found in the bone marrow, is often an indicator of cancer and cause for further analysis of the sample.

[1] *Haug, Sand, Sjaastad: Människans fysiologi.*

Competing solutions

Flow cytometry is currently used for examination of bone marrow in conjunction with bone marrow transplants, primarily in treating lymphoma. In this case, flow cytometry is used to identify residual disease in the bone marrow to be transplanted, as well as to identify cases in regress as quickly as possible.

Currently there are no automated systems for this application, and the manual procedure used today is CellaVision's primary competitor. The reason is that the number of tests is relatively limited and that this area is regarded as difficult to automate.

Histopathology

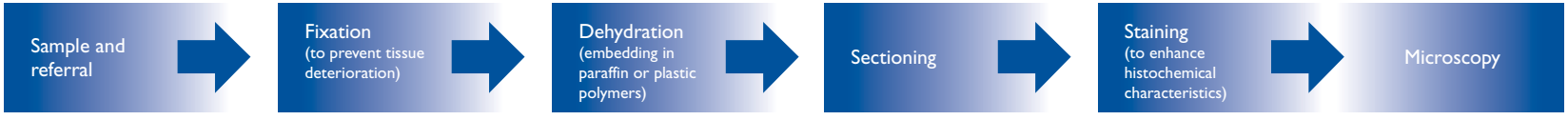
Histopathology is the study of the human body's diseases. The discipline includes knowledge of the causes of diseases, mechanisms underlying their progression, macroscopic and microscopic changes and complications and the resulting conditions associated with these changes. The completely dominant activity in histopathology is diagnosis of tissue samples or pathological anatomic diagnosis (PAD).

A PAD may be performed using tissue samples from all body organs. The body consists of many different tissues, and the number of possible diagnoses per tissue type is large. Greatly simplified, PAD is intended to determine if there is a detectable cell change in the tissue and, if so, whether the change is benign or malign. For large tissue samples, particularly for malign tumors, the extent of the change should also be determined.

As indicated above, microscopy analyses in histopathology represent the largest segment within clinical testing due to the difficulty of automating these procedures in the same manner as has been done in hematology and cytology. A product that can overcome these difficulties and include automatic classification, analysis and diagnosis is considered to have significant market potential. Pathology accounts for slightly more than 50% of the number of microscopy analyses. All analysis is performed manually and by physicians.

Unlike hematology and cytology, where the analysis procedure is relatively simple, histopathology requires several types of staining and sample preparation stages depending on the type of tissue and the specific issue in question. The methods used to study the prepared samples are as varied as the sample preparations, and it is thus impossible to give any general guidelines for what should be examined. However, the pathologist receives some guidance from the referral accompanying the sample. The pathologist begins the analysis by trying to obtain an overall impression of the sample through a macroscopic analysis in which the pathologist's clinical knowledge and experience provide guidance in selecting what should be studied under the microscope at different levels of magnification and with different staining alternatives.

The pathology process



Completion of a PAD results in a statement on the basis of a tissue sample that places high demands on a holistic view. The large number of different tissues in the body means that the number of possible analyses becomes very large, since different tissues are examined in different ways. The various tissue structures and pathological variations that can occur in the body make the analysis more complicated than hematological analyses, for example. Automation of PAD is therefore considered more complex than automation of analyses of peripheral blood and bone marrow.

Internet-based training and quality assurance

The market for health and medical care-related services and products on the Internet is expected to increase rapidly over the coming years. All the new Internet services in the health care sector have created awareness on the part of medical personnel. Developments in the field of medicine place demands on those who perform image analyses for diagnostic purposes that they must continuously increase their skills in order to maintain the quality of work at a high and even level. Continued training, however, takes time away from employees' primary task, while the number of experienced medical technicians is decreasing. Using the Internet for training purposes is thus becoming increasingly accepted. At the same time, the Internet can be used as a fast, inexpensive and concise reference tool for daily work.

CellaVision's offering

CellAtlas™ consists of a large reference library of high-quality cell images. The cells are displayed on the screen in a virtual microscope. CellAtlas is not only a cell image database, but may also serve as a forum for training and the exchange of knowledge. Several laboratories currently rely on books for the classification and identification of unusual cells. Via CellAtlas, medical technicians can easily and quickly compare the unusual cell with the CellAtlas reference library and solicit the assistance of colleagues around the world.

Clinical chemistry laboratories around the world currently participate in various quality assurance programs. For differential counts of white blood cells, this means that prepared slides are sent out to laboratories that perform a manual differential count of white blood cells and submit their answers to a quality assurance organization. CellAtlas can also offer digital quality assurance programs for differential counts of white blood cells using digital cell images available on the Internet. Through distribution and assessment of pre-defined digital cell images as a complement to biological specimens, unique opportunities are created for an accurate assessment of the variability between different laboratories or individual experts/technicians.

CellAtlas is also an effective marketing tool that facilitates sales of the Company's microscopy-based products. CellAtlas was launched internationally at the International Society of Hematology conference in Toronto, Canada in August 2000.

Competitors to CellAtlas

There are currently a number of Internet sites with limited functionality and a limited number of images. These sites are administered both by academic centers, organizations without commercial interests and commercial companies. Examples of relevant Internet sites are provided by Bayer, WebMD/Healtheon, University of Utah, Harvard Medical School and Diesis.

Books with high-quality photographic images are also competitors to CellaVision's CellAtlas.

Several of the larger hematology companies have launched software applications with small, limited image databases. The most widely know program is HematoVision, which is marketed by the French hematology company ABX.

Product portfolio

Technology

Since its inception, CellaVision has developed a technology platform that is the foundation for the Company's products and product development. These are also the areas in which CellaVision has its core expertise. The Company intends to protect its technology against infringement and to build up a patent portfolio.

Image enhancement technology

A prerequisite for being able to analyze cell images on a computer screen is that the image quality is equal to that obtained in a microscope. CellaVision has developed image processing algorithms that enable on-screen analysis to equal, and in certain cases exceed, the perceived image quality in a microscope. This technology has created a new format for image analysis tools in medical applications.

Advanced image processing

CellaVision has developed efficient algorithms for image processing, primarily normalization and segmentation of digital images of cells. Through this technology, reliability in the classification of cells is expected to increase.

Advanced feature extraction

One of the most important yet most difficult parameters for obtaining high reliability in cell classification is the identification of unique cell characteristics in a process called feature extraction. CellaVision has developed algorithms for this purpose based on advanced mathematics introduced over the last decade. The foundation for the cell classification system is a complex hierarchy of neural networks developed by the company that updates identification characteristics through a process that is continuously refined as more images are processed by the neural network engine.

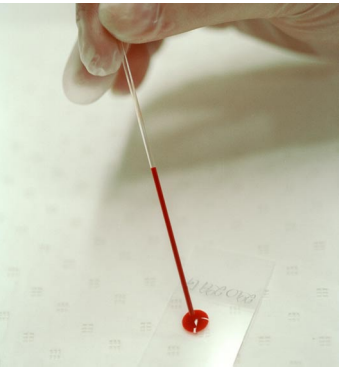
Auto-focus

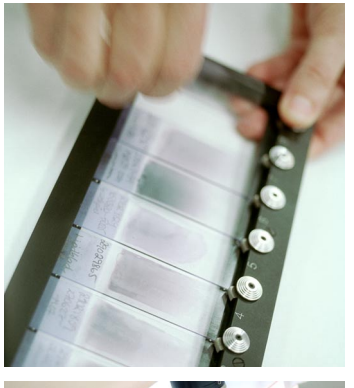
One of the most time-consuming steps in automated microscopy is to ensure the correct focus for the digital images. CellaVision has several algorithms for auto-focusing that allow quick and reliable focusing on selected areas of the sample.

Launched products

DiffMaster™ Octavia

DiffMaster Octavia is a system composed of the Cytologica™ analytical software and the Octavia hardware platform. The system can perform automatic differential counts of white blood cells using automated microscopy and advanced image processing. DiffMaster is currently capable of pre-classifying ten different types of white blood cells plus an additional five types of non-white blood cells at a rate of 20 to 30 specimens per hour. In





clinical evaluations, the system pre-classified 85% of the blood cells correctly in agreement with medical experts. (See also Clinical evaluations on page 18) In addition, the system provides a high-resolution overview of the red blood cell morphology for on-screen analysis. The core of the system consists of analytical software that uses a neural network and an extensive database to analyze digital cell images. DiffMaster™ Octavia is primarily addressing laboratories with about 3,000 to 18,000 analyses per year, which according to the Company's view constitutes the majority of clinical chemistry and hematology laboratories.

Cytologica™ is a software that was developed for the analysis of white and red blood cells in peripheral blood for the hematological laboratory market. By applying the latest mathematical techniques for image processing, efficient and robust algorithms for focusing, normalization, segmentation and identification of cell characteristics (feature extraction) have been developed. The suggested classification in Cytologica is based on a neural network engine. The suggested classification will be improved as more images of blood cells in peripheral blood are added to the cell database which the neural network engine is trained on. In order to ensure standardization, upgrading will be performed by the Company. The software is compatible with the central information for patient data, LIS, which is used by laboratories.

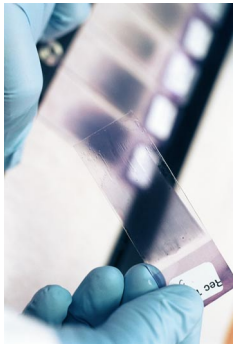
The Octavia hardware consists of an automated system containing a standard microscope with a lens motorized in the vertical plane, a camera, a computer and a motorized stage with spaces for eight glass slides. The automation allows the system to identify cells in a blood smear and suggest a cell type association. For each white blood cell that DiffMaster™ identifies, an image is collected which is then analyzed, pre-classified and sorted into the appropriate cell class.

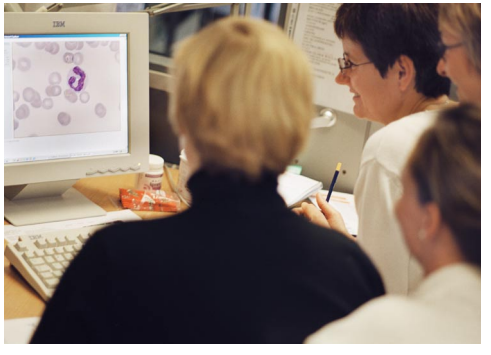
DiffMaster Octavia presents the results in an overview on the computer display so that all cells of the same class can be studied simultaneously. Two different cell classes can be displayed and studied simultaneously, and a zoom function is available for individual cells to allow more detailed examination. Working on a computer display contributes to improved work ergonomics, compared with analysis under a microscope. The operator verifies the suggested classifications. Because the system software includes functions for storing and searching among the results, the digital cell images can be saved on the computer or other appropriate storage media (CD-ROM), which means that slides do not need to be saved to the same extent as currently. The digital format also provides new opportunities for following how a patient responds to a certain treatment.

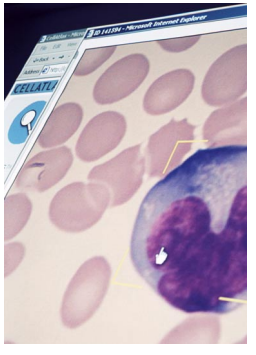
Håkan Jansson
Software Developer

Background
M. Sc. in Computer Science, University of Lund (LTH). Ten years as programmer and developer at Skanska IT Solutions. Three years as instructor at Malmö University.

"I work with the DiffMaster's graphic user interface, the part of the system that you see on the screen. The challenge for us is to simplify and find a logical work method – a system can have many possibilities, but the emphasis should be placed on that which one uses most often. We have a good level of collaboration with our customers and build our systems so that the user interface is easy to adjust according to how the user actually uses the system. Our areas of core expertise are imaging technology and neural networks – advanced content that requires simple solutions."







The results are equivalent with manual methods, and the image quality is equal to that of a traditional microscope. In addition, the system constitutes CellaVision's first telemedicine application, since the capacity to transmit digital images is built in. Images can be sent by e-mail to colleagues around the world for comments and assessment.

Clinical evaluations

CellaVision conducted clinical evaluations during 2000 at two Swedish university hospitals in which the results from differential counts of white blood cells performed with DiffMaster™ Octavia and manual microscopy (reference method) respectively were compared. Some 160 samples were analyzed at each hospital, of which about half were normal samples and half were pathological or abnormal. A sample was considered pathological or abnormal if immature cells were present or if the proportions of the five normal cell types were displaced. In the evaluations, accuracy, precision and clinical sensitivity were studied.

DiffMaster met the pre-defined requirements. DiffMaster Octavia pre-classified 85% of the total blood cells correctly in agreement with the medical experts.

CellAtlas™

CellAtlas is an Internet portal that contains a reference library, training tools and a forum for biomedical experts. CellAtlas is distributed directly over the Internet and targets the same type of hospital laboratories as DiffMaster, as well as smaller laboratories with little or no automation of the analysis process, training facilities and quality assurance organizations.

The CellAtlas website is based on extensive databases containing digitized microscopy images of cells. Each database is focused on a specific field of medicine. CellAtlas is currently based on the cell image database for peripheral blood. As CellaVision compiles image databases for new applications, such as bone marrow and histopathology, the medical applications of CellAtlas will gradually expand.

The primary application of the cell image databases is as a training tool. CellAtlas contains interactive lectures and exams designed by experts in hematology.

The database enables users to perform advanced searches among thousands of images of both normal cells and cells with pathological deviations. The cell images are displayed on the computer screen together with their classification. Interesting reference cell images can be saved in individual databases for future analysis. With CellAtlas, the analysis can be expected to gain increased quality, thus enabling increased standardization of diagnoses

that currently are mainly based on subjective evaluations.

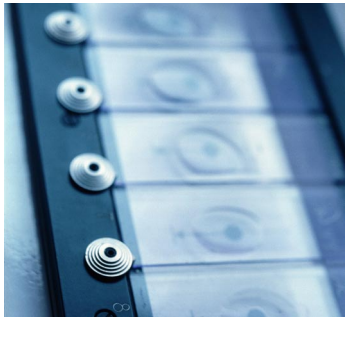
MICRO21®

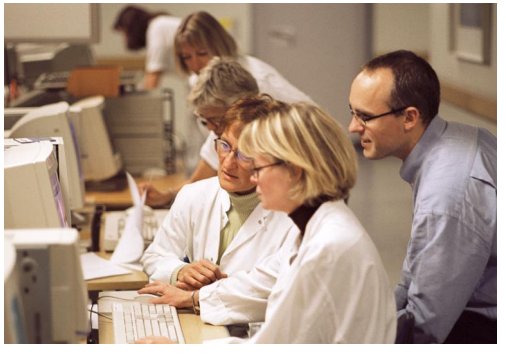
MICRO21 is, like DiffMaster™, a system for differential counts of white blood cells. MICRO21 consists of the software NeuralVision, a neural network, and slide feeding, optics, video and monitor hardware subsystems. The system can automatically scan pre-loaded slides to locate, preclassify, display and store full-color digital images of a specified number of cells. The system can display up to 100 cell images simultaneously. A pen-based touch-sensitive screen allows medical technicians to review and reclassify cells. The system can identify fewer classes compared to DiffMaster, but offers greater functionality for automatic feeding of slides.

Regulatory requirements

The sale and use of most of CellaVision's products and systems is and will continue to be subject to approval by the authorities in the countries in which the Company intends to market its products. The most important and administratively most onerous approval processes are found in the US, the EU and Japan. These are described in the text box below. These three regulatory frameworks are being harmonized through multilateral agreements. The harmonization process is proceeding slowly, however, and it is CellaVision's view that full harmonization will not occur within the foreseeable future, since the regulatory frameworks are based on somewhat different assumptions. This means that the Company will need to meet the requirements of all three regulatory frameworks for the products it develops. According to CellaVision's assessment, a 510(k) procedure will be applicable in most cases in future registration applications in the US for the company's products and systems. See also Official requirements below.

The Company's product development, production and marketing comply with current requirements in accordance with QSR/GMP for the US and IVDD for the EU. In March 2001, the Company obtained clearance from the FDA to market and sell DiffMaster™ Octavia in the United States.





As an important foundation for future products, CellaVision conduct research related to the core technologies on which the Company's products are based. Through research in these areas, CellaVision's products can be made more efficient and new products can be developed.

In addition to the specific development projects that CellaVision is currently conducting, the Company plans to develop a version of DiffMaster™ in the future that will be aimed at smaller laboratories. The objective is that the hardware will be located on the customer site, while the software will be hosted centrally where the analysis of the cell images is performed. This system will be able to communicate over the Internet.

CellaVision's current system is physically independent of other laboratory equipment. Over time, the Company intends to collaborate with other suppliers of hematology equipment to jointly develop a system intended to automate the entire process surrounding blood analysis in a clinical laboratory.

CellaVision also conduct ongoing hardware development projects in part to enhance and improve processes and in part to achieve cost efficiency.

Analytical software under development

Network applications

In order to further optimize use of DiffMaster, network solutions are developed in several stages, with the purpose of enabling remote verification work via so-called review stations. A complete client /server concept will eventually be developed.

Cytologica™ Bone Marrow

Cytologica Bone Marrow is a software for the analysis of blood cells in bone marrow. In the same manner as algorithms were developed for the Cytologica application for peripheral blood, algorithms are now being developed for focusing, normalization, segmentation and identification of unique characteristics (feature extraction) for blood cells in bone marrow. Development of these algorithms is based on the cell image database collected from bone marrow samples.

Pathologica™

Pathologica will be a tool for automatic analysis of pathology specimens, such as skin and intestine. Developing algorithms for tissue is more complicated than for bone marrow. The complexity derives primarily from the three-dimensional structure of the sample and from sample preparation. It will probably not be possible to fully automate this application but rather to integrate sophisticated staining procedures and other image enhancement

techniques such as fluorescence. A preliminary study is currently underway in this area.

Hardware platform under development

Multi

The Multi platform will be able to automatically handle a larger number of slides in a continuous flow. The Multi platform is based on the same optical principle as Octavia but will use a different technique for automatic feeding of the glass slides. Multi will increase the laboratory's flexibility in handling samples.

After-sales market

CellaVision's ambition is, in the long-term, to offer a wider assortment of complementary products to existing customers. Examples of such products to be evaluated include supplemental software, preventive maintenance service, disposable items, and reagents.

Intellectual property

CellaVision devoted attention at an early stage to the importance of protecting its intellectual property rights, and it is the Company's policy to continuously seek patent protection for the products that the Company develops. At present, CellaVision holds seven patents relating to auto-focusing, Autoslide (a circular glass slide), alignment of dissimilar images, image compressing, a fast staining method and digital image enhancement. In total, 19 patent applications have been filed and are under consideration by the relevant authorities.

A number of brand names are also used in CellaVision's operations. Patent protection has been sought and partially obtained for these brands. Trademark applications have been submitted in the US, Japan and within the EU for the products and names that are closest to market launch, including CellaVision™, DiffMaster™, Cytologica™, Pathologica™ och CellAtlas™. In addition, CellaVision has registered Internet domain names for CellaVision and most product names in the Company's most important markets.

In the future, CellaVision also intends to act forcefully to protect the intangible rights that the Company considers important for its business. The Company's board of directors considers that CellaVision through these measures will obtain the necessary protection for the Company's intangible rights.

Marketing and sales

CellaVision currently has a marketing and sales

Christer Fåhraeus
Board Member and founder

Background
Master of Science in Bioengineering, BSc, and PhD in Neurophysiology. Founder of Precise Biometrics AB and C-Technologies AB.

"CellaVision's blood cell analysis software is, beyond a doubt, world-leading. Its design is built upon an understanding of a chain of events – the staining of the sample, illumination of the slide, algorithms for auto focus, cell morphology, color balancing, mathematical filters, and neural networks. With this knowledge, CellaVision can expand the application areas, first to include bone marrow analysis and then tissue sample analysis.

The goal is to be the largest supplier of software for blood analysis and, in the long-term, for all routine microscope analysis of human tissue. To reach this goal, we must collaborate with several major suppliers and the quality of our software must be continually tested and affirmed in scientific studies."

organization consisting of 14 employees, of whom eight work from the head office in Lund and five are located in the United States in Jupiter, Florida. CellaVision will market and sell the Company's products through its own organization in the Nordic countries and work with partners and distributors in other markets. However, CellaVision plans to have its own personnel available in key markets, such as the United States, in order to actively support the Company's sales partners with marketing and customer support. The objective is also that scientific advisers (see "Organization" page 24) should also participate in the continued build up of an international contact network consisting of test laboratories and opinion leaders in relevant fields.

In parallel with sales of DiffMaster™, the Company will study opportunities for strategic alliances with global players intended to incorporate CellaVision's technologies into other suppliers' system solutions. In creating such solutions, the Company will strive to ensure that CellaVision's identity remains visible, thus strengthening the brand internationally. This ambition is part of an effort to realize the vision of creating a de facto standard in the Company's core areas of business.

Nordic region

DiffMaster was launched in Sweden at the Medicine Scandinavia exhibition in Gothenburg during 2000 and in April 2001, sales activities began in other Nordic countries and were well received. To date, CellaVision has installed four systems with important reference customers and a number of additional prospects are testing the system. The first reference customers will be important in continued marketing efforts, and several of them will be linked to the Company as strategic development partners. (See also Business partners page 25).

Nordic customers are offered great flexibility in financing the system. The financing alternative offered consists of cash purchase, leasing, functional rental (price per test) or various combinations thereof. The base price for the end customer is between SEK 600,00 and SEK 800,000 per system. Future add-on sales will include software for new applications, service, sample processing kits and training and quality assurance via CellAtlas™ modules.

The United States

DiffMaster was pre-launched in the United States in July 2001 at a conference in Chicago (AACC).

Pat LaMothe
Sales Manager, USA

Background
B.S. in Medical Technology/Health Care Administration, New York University. Worked most recently at Bayer Diagnostics in the USA and has previous marketing and sales experience in the area of hematology.

"It is very stimulating to work with a company such as CellaVision, where the employees work together as a dedicated, progressive team, and are always forging the way for new technology."

The American market has some similarities with the Swedish market – there is ongoing, considerable, and goal-oriented effort to acquire new and better instruments at the best possible price. Customer values are the same – they want to establish collaboration with respectable companies that stand behind their products and that provide their customers with good service and high quality products."


CellaVision also participated in an additional conference in the US in December 2001.

Through the acquisition of the assets of Triangle Imaging Inc., CellaVision gained access to experienced personnel for marketing, sales and customer support in the US market. In conjunction with the acquisition, CellaVision also gained access to an existing inventory of MICRO21® systems. During an initial phase, CellaVision will sell MICRO21 in the US market. In the beginning of 2002, laboratories in the United States will start evaluating DiffMaster™, while the Company begins the work of identifying optimal partners for sales and distribution.

Other markets

Sales began in Germany in September 2001 in collaboration with Sysmex Europe after DiffMaster had been evaluated both internally by Sysmex Europe and by a large laboratory with very favorable results.

During November and December, distribution agreements were signed with Korea and the Czech Republic. The first system was also shipped to Kormed in Korea.

During 2001, CellaVision has participated in two international exhibitions in Germany.

Logistics and delivery

Initially, CellaVision's products will be marketed and sold as complete systems that include both hardware and software. The Company's strategy is to enter strategic partnerships for distribution outside the Nordic region but also to be able to develop products together with partners in which CellaVision's software is integrated and sold on license. CellaVision's strategy is thus not to produce its own hardware, unless technical consideration so require. The intention is that the Company should focus on its core competence, software development.

Purchase of sub-components

Most of the sub-components included in the hardware for the DiffMaster system are standard components from a small number of large suppliers. A few components are customer specific and have been developed jointly with sub-supplier.

Assembly

The DiffMaster systems sold to date or which are on stock have been assembled by CellaVision. Assembly consists of mounting the various sub-components from sub-suppliers and integrating them with CellaVision's software.

Delivery to end-users

In the Nordic countries, CellaVision will manage the entire marketing and sales process, including delivery to end-users. Final assembly and the subsequent quality control will be performed by

CellaVision or a contracted partner. In countries that are handled by exclusive distributors, a complete system including all components can either be delivered to the distributor's warehouse or directly to the end customer for final assembly and quality control. In both cases, final assembly and verification will be performed by the distributor's employees. CellaVision retains product responsibility, however, even if delivery and assembly of the product is performed by a partner.

In cases where CellaVision has contracts with strategic partners regarding technical cooperation or pure license sales, the Company will supply software to the partner in accordance with the agreed specifications. The hardware platform will then be handled by the strategic partner.

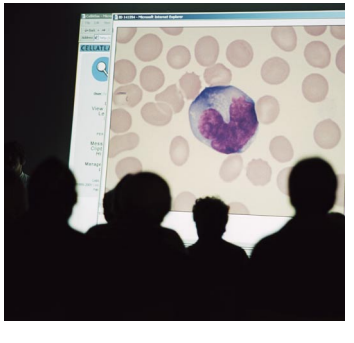
Organization

CellaVision has a small core organization with a number of business partners and sub-suppliers. The organization has been adapted to a project environment typical for a company focused on product development. However, through its market presence and the creation of a marketing organization, the Company is currently focusing on sales and customer-oriented activities. The Company's offices are located in the Ideon Industrial Park in Lund, Sweden. The Group consists of the parent company CellaVision AB and the subsidiaries CellaVision Inc. and CellaVision International AB. The latter company does not conduct business operations.

CellaVision Inc. was established in July 2001 for the acquisition of the assets of Triangle Imaging Inc. The acquisition's purpose was to speed up CellaVision's penetration of the American market. CellaVision Inc. is located in Jupiter, Florida and has six employees, all with significant experience from selling products on the American laboratory market.

Personnel

As of December 31, 2001, CellaVision had 49 employees, of whom 25 were working with research and development. Most of the company's employees are graduate engineers and work with the development of software for image analysis. Of these, two have PhD degrees. The marketing organization also includes a physician and five medical technicians. During 2000, personnel turnover amounted to 11%. The average age of the Company's employees was 34 years on December 31, 2000. All CellaVision employees are offered to purchase the Company's warrants.



Medical network

In addition to its own employees, CellaVision has a medical network consisting of physicians and medical technicians associated with the Company. The network consists of 15 persons, of whom six are physicians and nine are medical technicians. All have experience from the areas in which CellaVision is working or for which the Company intends to develop products.

Scientific advisers

CellaVision's scientific advisers are responsible for providing support for the Company by:

- developing proposals for scientific studies relating to applications of the Company's existing or future products,
- assisting in finding laboratories around the world that are interested in participating in clinical evaluations and can act as a reference laboratory, and
- acting as hosts for scientific seminars arranged by CellaVision for invited physicians and other laboratory personnel.

Business partners

CellaVision's strategy includes establishing partnerships with selected industrial partners, colleges and universities in order to gain access to sales and distribution channels, advanced technology and strategic production and logistics. In addition, CellaVision should seek collaboration with hospitals so that they will serve as references and contribute to improving product development. At present, CellaVision has established partnerships with the following parties.

Sysmex Corporation

The Japanese company Sysmex is the world's second largest player in the hematology market. The company's product portfolio includes cell counters, software for internal laboratory communications, products for slide preparation and other related products.

CellaVision has a distribution agreement with Sysmex Corporation through its subsidiary Sysmex Europe, which is responsible for the Sysmex group's sales and marketing in Europe, the Middle East and Africa. The agreement included exclusive distribution rights for CellaVision's DiffMaster™ Octavia system in Germany. Discussions are in progress regarding other markets. In conjunction with the signing of the German distribution agreement, discussions were initiated with the parent company in Japan regarding collaboration in product development.

Kormed

Kormed Corporation has 10 years of experience with sales to CellaVision's target group in Korea. The company has existed since 1979 and imports and distributes various types of laboratory equipment and bio-chemical reagents. CellaVision has an agreement with Kormed for the distribution of DiffMaster Octavia in Korea.

Biovendor

Biovendor Laboratory Medicine has many years of experience in sales of laboratory equipment in Czech market. CellaVision has an agreement with BioVendor covering the distribution of DiffMaster Octavia in the Czech Republic.

Sahlgrenska University Hospital

CellaVision has entered a partnership with Sahlgrenska University Hospital relating to the Company's product DiffMaster. The objective of the partnership is that the hospital with its expertise and capacity will assist CellaVision with knowledge and studies for developing DiffMaster for future applications, participate in an exchange of ideas and be able to serve as a reference for the Company's future contacts.

Malmö University Hospital (MAS)

A partnership agreement similar to the one established with Sahlgrenska has also been established with MAS. MAS is the Company's foremost commercial customer, and in parallel with clinical evaluations, the hospital will use DiffMaster™ for routine analyses.

Rigshospitalet in Copenhagen

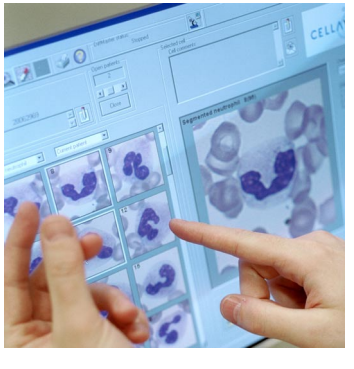
At the end of 2001, a system was sold to Rigshospitalet in Copenhagen, Denmark's leading hospital. Rigshospitalet's decision serves to confirm the qualities of the system, such as time optimization, knowledge dissemination, and the system's ergonomic benefits, and has a positive effect on the market. As one of Scandinavia's largest hospitals, Rigshospitalet is an important reference and collaborative partner.

Malmö University

CellaVision has established a partnership with Malmö University that offers training for biomedical analysts. This partnership is intended to increase awareness and acceptance of CellAtlas™ and digital imaging among biomedical analysts, while allowing Malmö University to evaluate CellAtlas as a training and reference tool.

Equalis

Equalis is an organization that offers external quality assurance programs for clinical analyses. During 2002, Equalis will evaluate a quality assurance program based on digital images from CellaVision within the CellAtlas framework.



Share capital

As of December 31, 2001, CellaVision's share capital totaled SEK 1,929,771.30 distributed between 12,865,142 shares with a nominal value of SEK 0.15 each. Each share provides one vote and each person entitled to vote at shareholders' meetings may vote using the full number of shares owned and represented by said person without any limit on the number of votes. All shares provide equal rights to shares in the Company's assets and profits.

Shareholders structure

CellaVision's shareholder structure as of December 31, 2001 is presented in the table below. As of December 31, 2001, CellaVision had a total of almost 600 shareholders.

Warrants

At the CellaVision board meeting held on September 6, 1999, it was decided, with the support of the authorization provided at the extraordinary shareholders' meeting held on May 26, 1999, to issue a subordinated loan with a nominal value of SEK 10,000 via the issue of subordinated debentures coupled to 260,000 separable warrants, each entailing the right, between September 15, 1999 and June 1, 2002, to subscribe to two CellaVision shares per warrant at an issue price of SEK 20 per share. The subordinated loan has now been redeemed. Currently, there are 254,000 outstanding warrants held by senior executives (68,500), employees (121,000), and former employees (64,500) of CellaVision.

At the CellaVision board meeting held on December 9, 1999, it was decided, with the support of the authorization provided at the extraordinary shareholders' meeting held on November 15, 1999, to issue a subordinated loan with a nominal value of SEK 100,000 via the issue of subordinated debentures coupled to 60,000 separable warrants, each entailing the right, between January 1, 2001 and January 1, 2004, to subscribe to two CellaVision shares per warrant at an issue price of SEK 30 per share. The subordinated loan was redeemed during January 2002. All of these warrants are held by Stiftelsen Industrifonden.

At the CellaVision board meeting held on June 5, 2000, it was decided, with the support of the authorization provided at the extraordinary

Shareholders	*Number of shares*	*Capital and votes, %*
H & B Capital	2 276 182	17,5
Christer Fåhraeus	2 055 444	16,0
Företagskapital Kompanjonfond KB	1 578 786	12,3
Förvaltnings AB Metallica	1 387 105	10,8
Skandia Liv	909 091	7,1
Other	4 658 534	36,3
TOTAL	**12 865 142**	**100,0**

Warrants

Warrant program	*Number of outstanding warrants*	*Additional shares with full redemption*	*Strike price SEK*	*Maturity date*
1999/2002	254 000	508 000	20,0	2002-06-01
2000/2003	400 000	800 000	41,0	2003-06-08
2001/2004	60 000	120 000	30,0	2004-01-01

shareholders' meeting held on April 12, 2000, to issue a subordinated loan with a nominal value of SEK 10,000 via the issue of subordinated debentures coupled to 400,000 separable warrants, each entailing the right, between June 9, 2000 and June 8, 2003, to subscribe to two CellaVision shares per warrant at an issue price of SEK 41 per share. The subordinated loan is now redeemed. All warrants are outstanding and are held by board members (30,000), senior executives (42,200), scientific advisors (20,000), employees (44,950), and former employees (9,000) of CellaVision and by CellaVision International AB (253,850). With full redemption, the warrants comprise about 11.1 percent of the company's shares. If all the warrants are exercised, the number of shares in the company will increase by 1,428,000 and CellaVision will be provided with liquid funds totaling SEK 46.6 million, of which SEK 214,200 will be put into the share capital.

Shareholder Agreements

A consortium agreement has been entered by H&B, Christer Fåhraeus, Företagskapital, and Metallica. Among other things, this agreement regulates the election of board members and stipulates limitations concerning the transfer of shares between the aforementioned parties. The agreement will become void in conjunction with the Company's shares being quoted publicly.

Year	Transaction	*Increase in number of shares*	*Total number of shares*	*Increase in share capital SEK*	*Total share capital SEK*	*Nominellt belopp per aktie SEK*
1996	New share issue	150	650	15	65	100
1996	New share issue	110	760	11	76	100
1997	Bonus issue	760	1 520	76	152	100
1997	Split 1000:1	1 518 480	1 520 000	0	152	0,1
1997	New share issue	75 000	1 595 000	8	160	0,1
1997	New share issue	122 000	1 717 000	12	172	0,1
1998	New share issue[a]	100 000	1 817 000	10	182	0,1
1998	New share issue[b]	158 000	1 975 000	16	198	0,1
1999	New share issue[c]	1 296 750	3 271 750	130	327	0,1
1999	New share issue[d]	333 332	3 605 082	33	361	0,1
2000	Bonus issue	0	3 605 082	180	541	0,15
2000	New share issue[e]	1 354 454	4 959 536	203	744	0,15
2000	Exercise of warrants[f]	2 500	4 962 036	0	744	0,15
2000	Exercise of warrants[g]	1 000	4 963 036	0	744	0,15
2000	Exercise of warrants[h]	2 000	4 965 036	0	745	0,15
2000	Exercise of warrants[i]	22 000	4 987 036	3	748	0,15
2000	Exercise of warrants[j]	88 000	5 075 036	13	761	0,15
2000	Exercise of warrants[k]	3 000	5 078 036	0	762	0,15
2000	Exercise of warrants[l]	11 500	5 089 536	2	763	0,15
2001	Exercise of warrants[m]	15 000	5 104 536	2	766	0,15
2001	Bonus issue	5 104 536	10 209 072	766	1 531	0,15
2001	New share issue[n]	2 656 070	12 865 142	399	1 930	0,15

[a] *Directed placement to Länsförsäkringar Wasa Liv Försäkring and a small number of external investors. Issue price SEK 45.*
[b] *Directed placement to Teknoseed AB and a small number of external investors. Issue price SEK 55.*
[c] *New share issue to Förvaltnings AB Metallica, Företagskapital Kompanjonfond KB, Christer Fåhraeus, the National Executive Council of the Swedish Red Cross and a small number of external investors. Issue price SEK 20.*
[d] *Directed placement to Förvaltnings AB Metallica and Företagskapital Kompanjonfond KB. Issue price SEK 30.*
[e] *Directed placement to Health and Brand Capital, Christer Fåhraeus, Företagskapital Kompanjonfond KB, Tillväxtdepå Nr 1 KB and the Church of Sweden. Issue price SEK 55.*
[f] *Exercise of warrants requested by a small number of external investors. Issue price SEK 60.*
[g] *Exercise of warrants requested by a small number of external investors. Issue price SEK 40.*
[h] *Exercise of warrants requested by a small number of external investors. Issue price SEK 40.*
[i] *Exercise of warrants requested by a small number of external investors. Issue price SEK 50.*
[j] *Exercise of warrants requested by a small number of external investors. Issue price SEK 50.*
[k] *Exercise of warrants requested by a small number of external investors. Issue price SEK 40.*
[l] *Exercise of warrants requested by a small number of former CellaVision employees. Issue price SEK 60.*
[m] *Exercise of warrants requested by two former CellaVision employees and one external investor. Issue price SEK 60.*
[n] *Directed new share issue to current owners and Skandia Liv. Issue price SEK 27.50 (or bonus issue).*

⊙ The Board and CEO of CellaVision AB (publ), corporate identity number 556500-0998, submits the following directors' report concerning the fiscal year January 1, 2001– December 31, 2001.

Operations

CellaVision is a young company, founded in 1994 by Christer Fåhraeus, with cutting-edge expertise within digital image analysis. The company's business idea is to develop and market system solutions for medical microscope analysis. Today, operations are focused on three products, DiffMaster™, MICRO21®, and CellAtlas™. DiffMaster and MICRO21 are both systems for automated differential counting of white blood cells. CellAtlas is a web-based tool that simplifies cell analysis and classification.

Sales and result

The Group's net sales during the year totaled SEK 8.0 million (0). The Group's result for the year totaled SEK -53.1 million (-30.2). Sales have begun and the increase in the Company's expenses is due to the increased number of employees and marketing and sales efforts in conjunction with the commercialization of the Company's products. No expenditure for development work has been capitalized during the fiscal year. The result for the year has been charged with the amortization of capitalized development costs in the amount of SEK 3.4 million (0). The Company's monthly cash flow before changes in working capital and excluding financing activities averaged during the year SEK -3.7 million (-2.2). The Company's monthly cash flow was only marginally affected by establishment activities in the USA. This is thanks to an existing customer base that regularly purchases services and spare parts and lease a number of MICRO21 systems. When the Company acquired the assets of Triangle Imaging Inc., we gained, among other items, a stock of MICRO21 systems valued at almost SEK 10 million. The acquisition entailed a goodwill item of about SEK 8 million. This goodwill will be amortized over a five-year period. The result for 2001 has been charged with goodwill amortization totaling SEK 0.7 million (0).

Liquidity and financing

As of December 31, 2001, the Group's liquid funds, including short-term investments, totaled SEK 49.7 million (60.7). The Group's cash flow from current operations before changes in working capital totaled SEK -44.2 million (-26.1). During June and October, Industrifonden paid the second and third installments respectively of the approved loan totaling SEK 15 million. The entire loan of 15 SEK million had been utilized as of December 31, 2001. The Company, via a directed new share issue during December 2001, strengthened its capital base by SEK 73 million before deductions for issue costs. The current majority owners, H&B Capital, Christer Fåhraeus, Metallica, and Företagskapital Kompanjonfonden, contributed with SEK 40 million. Skandia Liv invested as a new institutional owner, contributing with SEK 25 million and thereby becoming the fifth largest owner. Other existing owners made subscriptions totaling SEK 8 million. This new share issue increased the share capital by SEK 398,411 and was registered at the Swedish Patent and Registration Office (Patent- och

Registreringsverket, PRV) on December 28, 2001. Shareholders' equity within the Group, as of December 31, 2001, totaled SEK 82.6 million (66.7) and equity per share totaled SEK 6.42 (excl. outstanding warrants).

Financial policy

The Company has a financial and foreign currency policy that, in brief, entails the following. After securing sufficient liquid funds for current operations, the Company shall, with due consideration for a sufficient margin to cover unforeseen events, use the estimated surplus funds to invest in interest-bearing securities with the highest possible rating and/or deposit the surplus in a Swedish bank. All investments of surplus liquid funds shall be made in Swedish crowns. No investments in individual securities shall exceed SEK 100 million. Contracted net flows in foreign currencies within 6 months shall be hedged 100 percent. Forecasted net flows within 3 months shall be hedged 50 percent. Here, "net flows" refers to flows in both foreign currencies and Swedish crowns where contracted coupling to a foreign currency exists. Net exposure, in accordance with the above, shall amount to a minimum of SEK 200 thousand for a single currency, if hedging is to be implemented.

Market

Marketing and sales activities for DiffMaster™ have been carried out at a high tempo in the Swedish market and, as of April 2001, the Scandinavian market as well. At the end of 2001, the Company had sold seven DiffMaster instruments and installed one DiffMaster on a fee per test basis. In Germany, the Company's distributor, Sysmex Europe, concluded its evaluation of DiffMaster. The outcome was very positive and at the end of the year Sysmex began selling DiffMaster™ Octavia in Germany in conjunction with the large medico-technical product convention in Germany, Medica. During July, the Company established itself in the USA via a subsidiary, CellaVision Inc. Through this wholly-owned subsidiary, a strategic acquisition was made of the assets of the American company Triangle Imaging Inc. (TII). TII, previously known as IMI, Intelligent Medical Imaging, had been CellaVision's main competitor within the field of the digital analysis of white blood cells. Via this acquisition, CellaVision gains direct access to the MICRO21® automated microscope, including the technology, existing stock, and existing customer base, as well as a detailed survey of potential customers in the American market. In conjunction with the acquisition, five new employees were appointed in the USA, all from TII. All these employees have many years of experience of the laboratory market. During 2001, CellaVision Inc. sold three MICRO21 systems. In March 2001, the Company obtained a clearance from the FDA (Food and Drug Administration) to market DiffMaster Octavia in the American market. A pre-launch of the DiffMaster Octavia was held at the end of July/beginning of August, in conjunction with AACC in Chicago, the world's largest annual convention for clinical chemists.

Research and development

Development work with different image processing

techniques that in the long run will lead to new applications and more cost-effective systems is carried out in parallel to the day-to-day product maintenance of the Company's commercialized products. During the third and fourth quarters, CellaVision gained its fourth, fifth, and sixth patents within the fields of image processing and staining techniques. Development work to optimize and improve the performance of the DiffMaster™ continues as planned. The development of the next generation hardware platform, in order to increase the automation of DiffMaster, has begun.

Organization and employees

CellaVision is a group with two subsidiaries, CellaVision Inc. and CellaVision International AB. Today, personnel are employed in the Parent Company and CellaVision Inc. During the year, the organization gained resources within all areas, but primarily within market expertise in the American market. The average number of employees increased by 35% during the operational year. The number of employees at year-end was 49.

Board of directors

During the year, the Board held 14 meetings at which minutes were kept, including two by phone conference and two by correspondence. At the annual general meeting of shareholders in April, Leif Smeby was elected to the Company's Board. Leif Smeby is Director of Research at Gambro. Co-opted to the Board is Jonas Brambeck, Industrifonden. The Board has, among other issues, dealt with the Company's short and long-term business strategy and financing. The Board has appointed a committee from its members that deals solely with financing matters. Each month, the Board gets reports on the Company's activities, liquidity, result, and financial position.

Investments

The Group's investments in tangible fixed assets totaled SEK 3.3 million (1.1). Examples of investments are computer equipment and office equipment.

Proposal for the appropriation of the accumulated deficit – Parent company

Loss brought forward	SEK 0
Loss for the year	SEK -50 504 459
Total	**SEK -50 504 459**

The Board and CEO propose that the accumulated deficit, SEK -50,504,459, be balanced against the share premium reserve, which will be reduced by an equivalent amount. The Group's accumulated loss as of December 31, 2001 totals SEK -51,038,568.

Annual general meeting

The annual general meeting will be held on April 29, 2002, at 5 pm on CellaVision's premises in Ideon in Lund, Delta 5, Scheelevägen 19 A, 3 tr. (See further information on page 52).

Lund, Sweden, March 13, 2002

Hans Harvig
Chairman of the board

Christer Fåhraeus

Peter Benson

Christer Pettersson

Lars Gatenbeck

Christer Nilsson

Leif Smeby

Yvonne Mårtensson
CEO

Our auditors' report was submitted in Malmö, Sweden on March 14, 2002

ARTHUR ANDERSEN AB
Per-Arne Pettersson
Authorized accountant

2001 Accounts

Income statements

INCOME STATEMENTS *Amounts in SEK thousands*	*Notes*	*Group* *Jan 1-Dec 31* **2001**	*Group* *Jan 1-Dec 31* **2000**	*Parent company* *Jan 1-Dec 31* **2001**	*Parent company* *Jan 1-Dec 31* **2000**
Net sales	*1*	8 043	0	3 850	0
Cost of goods sold	*8*	-6 949	0	-5 343	0
Gross profit		**1 094**	**0**	**-1 493**	**0**
Selling expenses		-16 692	-7 134	-11 572	-7 134
Administrative expenses		-15 893	-12 587	-15 891	-12 587
Research and development expenses		-21 846	-10 570	-21 846	-10 570
Other operating income		370	0	0	0
Other operating expenses		-70	-66	-70	-66
Operating loss	*2, 3, 4, 6, 7, 8*	**-53 037**	**-30 357**	**-50 872**	**-30 357**
Profit/Loss on financial investments					
Interest income		1 260	1 451	1 634	1 407
Interest expenses		-1 279	-1 005	-1 266	-1 005
Loss after financial items		**-53 056**	**-29 911**	**-50 504**	**-29 955**
Tax on profit/loss	*9*	0	-295	0	0
Net loss for the year		**-53 056**	**-30 206**	**-50 504**	**-29 955**
Earnings per share		-5,09 SEK	-3,52 SEK	-4,84 SEK	-3,49 SEK
Diluted earnings per share		-4,47 SEK	-3,25 SEK	-4,26 SEK	-3,22 SEK

Balance sheets – Assets

BALANCE SHEETS *Amounts in SEK thousands*	*Notes*	*Group* *Jan 1-Dec 31* **2001**	*Group* *Jan 1-Dec 31* **2000**	*Parent company* *Jan 1-Dec 31* **2001**	*Parent company* *Jan 1-Dec 31* **2000**
ASSETS					
Subscribed shareholders contribution unpaid[1)]		22 301	0	22 301	0
Fixed assets					
Intangible assets					
Capitalized development expenditure	*5*	13 772	17 215	13 772	17 215
Goodwill	*6*	7 823	0	0	0
Total intangible assets		**21 595**	**17 215**	**13 772**	**17 215**
Tangible fixed assets					
Equipment	*7*	3 771	1 758	3 641	1 758
Total tangible fixed assets		**3 771**	**1 758**	**3 641**	**1 758**
Long-term financial assets					
Shares in Group companies	*10*	0	0	100	100
Receivables, Group companies		0	0	17 772	0
Total long-term financial assets		**0**	**0**	**17 872**	**100**
Total fixed assets		**25 366**	**18 973**	**35 285**	**19 073**
Current assets					
Inventory					
Finished products and goods for resale		9 317	2 534	2 535	2 534
Current receivables					
Account receivables		5 526	0	2 594	0
Other receivables		1 602	1 758	1 602	1 758
Receivables, Group companies		0	0	2 098	0
Prepaid expenses and accrued revenues	*11*	1 580	940	1 535	924
Total current receivables		**8 708**	**2 698**	**7 829**	**2 682**
Cash and bank balances		49 654	60 680	49 211	57 990
Total current assets		**67 679**	**65 912**	**59 575**	**63 206**
TOTAL ASSETS		**115 346**	**84 885**	**117 161**	**82 279**

1) The total ammount was paid in to CellaVision during January.

Balance sheets – Shareholders' equity and liabilities

SHAREHOLDERS' EQUITY AND LIABILITIES *Amounts in SEK thousands*	*Notes*	*Group* *Jan 1-Dec 31* **2001**	 *Jan 1-Dec 31* **2000**	*Parent company* *Jan 1-Dec 31* **2001**	 *Jan 1-Dec 31* **2000**
SHAREHOLDERS' EQUITY	*12*				
Restricted equity					
Share capital		1 930	748	1 930	748
Share capital not yet registered		0	15	0	15
Legal reserve		2 207	2 957	2 187	2 953
Other restricted reserves		129 506	100 909	128 630	98 426
Total restricted equity		**133 643**	**104 629**	**132 747**	**102 142**
Retained losses					
Profit/Loss brought forward		2 017	-7 750	0	-7 791
Loss for the year		-53 056	-30 206	-50 504	-29 955
Total retained losses		**-51 039**	**-37 956**	**-50 504**	**-37 746**
TOTAL SHAREHOLDERS' EQUITY		**82 604**	**66 673**	**82 243**	**64 396**
Provisions		**140**	**0**	**140**	**0**
Long-term liabilities					
Liabilities to credit institutions	*13*	9 461	6 304	9 461	6 304
Total long-term liabilities		**9 461**	**6 304**	**9 461**	**6 304**
Current liabilities					
Liabilities to credit institutions	*13*	10 362	5 000	10 362	5 000
Accounts payable		5 900	3 312	5 855	3 312
Tax liabilities	*9*	330	330	0	0
Other liabilities		704	531	526	532
Liabilities, Group companies		0	0	3 570	0
Accrued expenses and prepaid revenues	*14*	5 845	2 735	5 004	2 735
Total current liabilities		**23 141**	**11 908**	**25 317**	**11 579**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**115 346**	**84 885**	**117 161**	**82 279**
Pledged assets	*15*	666	None	666	None
Contingent liabilities		None	None	None	None

Cash-flow statements

CASH-FLOW STATEMENTS

Amounts in SEK thousands

	Group		Parent company	
	Jan 1-Dec 31 **2001**	*Jan 1-Dec 31* **2000**	*Jan 1-Dec 31* **2001**	*Jan 1-Dec 31* **2000**
OPERATING ACTIVITIES				
Operating loss	-53 037	-30 357	-50 872	-30 357
ADJUSTMENTS FOR NON-CASH ITEMS				
Depreciation on tangible/intangible fixed assets	5 414	730	4 703	730
Changes in accrued expenses	2 610	943	1 799	943
Tax paid	0	-33	0	0
Interest income received	2 124	3 573	1 115	1 062
Interest paid	-1 279	-1 004	-1 231	-1 004
Cash flow from operating activities before changes in working capital	**-44 168**	**-26 148**	**-44 486**	**-28 626**
CHANGES IN WORKING CAPITAL				
Increase in inventory	-6 997	-1 976	0	-1 976
Increase/Decrease in accounts receivables	-5 526	0	-2 594	0
Increase/Decrease in other current receivables	156	499	-1 942	499
Increase in accounts payable	2 588	802	2 543	802
Increase in other current liabilities	380	397	3 564	397
Cash flow from operating activities	**-53 567**	**-26 426**	**-42 915**	**-28 904**
INVESTING ACTIVITIES				
Capitalized development expenditure	0	-4 485	0	-4 485
Goodwill	-8 748	0	0	0
Acquisitions of tangible fixed assets	-3 278	-1 118	-3 149	-1 118
Cash flow from investing activities	**-12 026**	**-5 603**	**-3 149**	**-5 603**
FINANCING ACTIVITIES				
New share issue	51 641	81 075	51 641	81 075
Costs of fundraising	-5 591	-8 368	-5 591	-8 368
Loans raised	8 619	7 580	8 619	7 580
Loans repaid	-102	-480	-102	-480
Long-term loans, Group companies	0	0	-17 282	0
Cash flow from financing activities	**54 567**	**79 807**	**37 285**	**79 807**
Changes in cash and cash equivalents	**-11 026**	**47 778**	**-8 779**	**45 300**
Cash and cash equivalents, January 1	60 680	12 903	57 990	12 690
CASH AND CASH EQUIVALENTS END OF PERIOD	49 654	60 680	49 211	57 990

Accounting principles

General

The annual report is prepared in accordance with the Swedish Annual Accounts Act and generally accepted accounting principles in Sweden. The company follows all applicable recommendations from the Swedish Financial Accounting Standards Council, also recommendations not applicable until 1st of January 2002 (RR1:00, RR:15 and RR:17). The company applies a function-based income statement as per 2001 in order to improve the information given to the reader of the annual accounts.

Consolidated accounts

The financial statements for the Group include the Parent Company, CellaVision AB, and the wholly owned subsidiaries CellaVision Inc and CellaVision International AB. The consolidated accounts have been prepared in accordance with the purchase method. This implies that assets and liabilities of consolidated companies are shown at the market value according to an established purchase analysis. Should the purchase value of shares in subsidiaries exceed the estimated value of the company's net assets according to the purchase analysis, the difference will be made up of Group goodwill, written off over an estimated time of economic life. No internal sales within the Group have taken place throughout the reporting period. Internal intercompany financial balances have been eliminated from the Group accounts. The Group applies the current method of translating the foreign subsidiary accounts. This means that all the assets and liabilities of the subsidiary are translated according to the closing day rate, whereas items in the income statement are translated at the average rate. The translation differences that occur are partly an effect of the difference between the income statement's average rate and the closing day's rate at the end of the year and partly due to net assets being translated at different rate at year end compared to the rate when CellaVision Inc was established in June 2001.The translation differences related to the net result and long-term financial intercompany balances are carried directly to shareholders' equity. For other translation differences see under "Exchange gains and losses".

Revenue recognition

- In the case of the sale of instruments to an end-customer, the revenue represents both payment for the instrument and payment for updating of software. The entire revenue pertaining to both the instrument itself and the software-updates is booked as income when the material risks and benefits associated with the instrument have been transferred to the customer.
- In the case of the sale of instruments to a distributor, the revenue represents both payment for the instrument and payment for updating of software. The entire revenue pertaining to both the instrument itself and the software-updates is booked as income when the material risks and benefits associated with the instrument have been transferred to the distributor.
- In the case of the sale of service and maintenance to an end-customer, the revenue represents payment for service and maintenance of an instrument. The entire revenue is recognized over the contract period.
- In the case of the sale of new software-applications to an end-customer, the revenue represents payment for a new software-application to an instrument. The entire revenue is recognized over the contract period.
- In the case of the placement of instruments based on payment per analysis, the revenue for each period represents both payment for use of the instrument and payment for servicing and updating of software. The revenue comprises a fixed and a variable component. The variable component depends on the number of analyses performed by the instrument. Revenues occur on a monthly basis during the period covered by the agreement.

Development expenditures

Research expenditures are expensed when it occurs. Expenditures for the development of future products are expensed up to and including the prototype stage. Subsequent expenditures prior to commercialization are capitalized. Expenditures for the development of existing applications and hardware platforms are expensed when incurred. To handle this in a good way the Company employs project accounting, under which all development expenditures are allocated to projects. Such expenditures includes:

- goods and material
- instrument
- consulting fees for technology and design
- salaries and payroll overheads

Depreciation of computer and other equipment is not capitalized.

A depreciation plan based on an economic life of five years commences when products subject to development are launched in the market.

Exchange gains and losses

Realized and unrealized exchange-rate differences and translation differences pertaining to costs and intercompany balances of an operating nature are reported as administrative expenses. Translation differences due to short-term financial intercompany balances are reported as interest- income and expenses respectively.

Intangible assets

Intangible assets comprise capitalized development expenditures and Group goodwill. All are reported at acquisition value, less accumulated depreciations according to plan.

Tangible assets

Tangible assets comprise instruments, equipment and computers. All are reported at acquisition value, less accumulated depreciation according to plan.

Depreciation according to plan

Depreciation according to plan is based on the acquisition value of the asset concerned and the estimated economic life.

Depreciation according to plan:

Development expenditures	5 years
Group goodwill	5 years
Instruments	5 years
Equipment	5 years
Computers	3 years

Leasing

The Group has no financial leasing agreements. Operational leasing primarily pertains to office rent, computer equipment and vehicles.

Receivables and liabilities

Receivables are reported at the amount that is expected to be received. Liabilities are reported at nominal amounts. Receivables and liabilities in foreign currencies are valued at the year-end rate.

Inventory

The inventory is valued at the lowest of acquisition value (FIFO) and actual value. The inventory includes both products ready for sale, and components for additional instruments.

Cash-flow statement

The cash-flow statement has been prepared in accordance with the indirect method. Cash, bank balances and current investments are all reported as liquid assets.

Pensions

All pension commitments have been taken over by insurance companies.

Notes 1-2

Amounts in SEK thousands

Not 1. Sales

	2001		2000	
Sales per geographical area	*Group*	*Parent company*	*Group*	*Parent company*
The Nordic countries	887[1)]	887[1)]	0	0
USA	4 192[2)]	0	0	0
The rest of the world	2 964	2 964	0	0
Total	8 043	3 850	0	0

[1)] Of which 129 is rental income
[2)] Of wich 596 is rental income

Not 2. Personnel

a. Average number of employees

	2001		2000	
	No. of employees	*of which men*	*No. of employees*	*of which men*
Parent company	40	34	31	26
Subsidiary	2	1	0	0
Group total	42	35	31	26

b. Salaries and other remuneration

	2001		2000	
	Board and CEO	*Other employees*	*Board and CEO*	*Other employees*
Parent company	1 423	17 306	1 400	11 395
Subsidiary[1)]	0	1 631	0	0
Group total	1 423	18 937	1 400	11 395

[1)] CEO in CellaVision AB is also CEO in CellaVision Inc.

Senior managers
As decided by the annual general meeting, directors' fees to be paid until the next annual meeting were 400. 100 of which is to be paid to the chairman of the board. This amount has not yet been paid.
Salaries and remuneration (excl. social fees), including pension premiums, were paid to the CEO in the parent company in fiscal 2001 totaling 1 301.

c. Social security and pension expenses

	2001		2000	
	Social security expenses	*Of which Pension expenses*	*Social security expenses*	*Of which Pension expenses*
Parent company	8 710	2 750	5 333	1 222
Subsidiary	107	68	0	0
Group total	8 817	2 818	5 333	1 222

d. Capitalized development expenditure

Of the costs in items B and C above, the amounts below have been capitalized as expenditure on development work.

	2001	2000
Parent company	0	3 935
Subsidiary	0	0
Group total	0	3 935

Not 3. Audit fees

Fees paid to the Company's auditors were as follows.

	2001		2000	
	Group	*Parent company*	*Group*	*Parent company*
Audits	180	90	70	70
Other assignments	534	244	12	12
Total	714	334	82	82

Not 4. Leasing expenses

Paid during 2001	2 683
Remains to be paid up to 2002-12-31	3 836
Remains to be paid from 2003-01-01 up to 2006-12-31	5 014
Remains to be paid after 2006-12-31	0
Office rent from 2001-01-01 up to 2006-12-31	9 731
Other leasing expenses from 2001-01-01 up to 2006-12-31	1 802

Notes 5-7

Not 5. Capitalized development expenditure

	2001		2000	
	Group	*Parent company*	*Group*	*Parent company*
Opening balance	17 215	17 215	12 730	12 730
Acquisitions	0	0	4 485	4 485
Depreciation for the year	-3 443	-3443	0	0
Residual value, closing balance	13 772	13 772	17 215	17 215

Not 6. Goodwill

	2001		2000	
	Group	*Parent company*	*Group*	*Parent company*
Accumulated purchase cost, opening balance	0	0	0	0
Acquisitions	8 534	0	0	0
Depreciations for the year	-711	0	0	0
Residual value, closing balance	7 823	0	0	0

Not 7. Tangible fixed assets

Equipment	2001		2000	
	Group	*Parent company*	*Group*	*Parent company*
Accumulated purchase costs, opening balance	3 601	3 601	2 482	2 482
Acquisitions	3 278	3 148	1 118	1 118
Divestments	-241	-241	0	0
Accumulated purchase costs, closing balance	6 638	6 508	3 601	3 601
Accumulated depreciation, opening balance	-1 843	-1 843	-1 113	-1 113
Depreciation for the year	-1 260	-1 260	-730	-730
Reversal of accumulated depreciation on divested assets	236	236	0	0
Accumulated depreciation, closing balance	-2 867	-2 867	-1 843	-1 843
Residual value, closing balance	3 771	3 641	1 758	1 758

Not 8. Distribution of depreciations in the CellaVision Group

	2001			2000
	Depreciations on capitalized development expenditure	*Depreciations on goodwill*	*Depreciations on tangible fixed assets*	*Depreciations on tangible fixed assets*
Cost of goods sold	-3 443	0	0	0
Selling expenses	0	-711	-280	-125
Administrative expenses	0	0	-168	-104
Research and development expenses	0	0	-812	-501
Total	-3 443	-711	-1 260	-730

Not 9. Taxes

	2001		2000	
	Group	*Parent company*	*Group*	*Parent company*
Provisions in previous years	330	0	67	0
Tax paid	0	0	-33	0
Provisions	-330	0	-330	0
Tax reported	0	0	-295	0
Loss carry-forwards	124 768	124 768	74 375	74 375
Deferred tax benefit not reported	34 935	34 935	20 825	20 825

Not 10. Shares in Group companies

Company	*Co. reg. no.*	*Reg'd. office*	*No. of shares*	*Par value per share*	*Pctg. capital and votes*	*Book value Dec 31, 2001*
CellaVision International AB	556573-4299	Lund	1 000	SEK 100	100%	100
CellaVision Inc.		USA	10	SEK 0,10	100%	0

Not 11. Prepaid expenses and accrued revenues

	Dec 31, 2001		*Dec 31, 2000*	
	Group	*Parent company*	*Group*	*Parent company*
Office rent	738	738	323	323
Pension premiums	94	94	59	59
Accrued interest income	80	44	390	375
Other	668	659	168	168
Total	1 580	1 535	940	925

Notes 12

Not 12. Changes in shareholders' equity

Group	*Share capital*	*Legal reserve*	*Additional paid-in capital*	*Retained losses*	*Total*
Opening balance	763	2 957	100 909	-37 956	66 673
New shares issued	2	0	898	0	900
Warrant premiums	0	0	875	0	875
Appropriation of losses	0	16	-40 228	40 212	0
Bonus issue	766	-766	0	0	0
New share issue, December 2001 [1)2)]	399	0	72 643	0	73 042
Fundraising costs	0	0	-5 591	0	-5 591
Loss for the year	0	0	0	-53 056	-53 056
Translation difference	0	0	0	-239	-239
Closing balance, December 31, 2001	1 930	2 207	129 506	-51 039	82 604

Parent company	*Share capital*	*Legal reserve*	*Additional paid-in capital*	*Retained losses*	*Total*
Opening balance	763	2 953	98 426	-37 746	64 396
New shares issued	2	0	898	0	900
Appropriation of losses	0	0	-37 746	37 746	0
Bonus issue	766	-766	0	0	0
New share issue, December 2001 [1)2)]	399	0	72 643	0	73 042
Fundraising costs	0	0	-5 591	0	-5 591
Loss for the year	0	0	0	-50 504	-50 504
Closing balance, December 31, 2001	1 930	2 187	128 630	-50 504	82 243

[1)] Of which 122 refere to subscribed but not paid in share capital.
[2)] Remaining part of the issue payment was paid in January.

Not 13. Liabilities to credit institutions

Long-term liabilities	*Dec 31, 2001*		*Dec 31, 2000*	
	Group	*Parent company*	*Group*	*Parent company*
County council fund for technology procurement and product development	4 461	4 461	4 304	4 304
Swedish Industrial Development Fund	5 000	5 000	2 000	2 000
Total	9 461	9 461	6 304	6 304

Current liabilities	*Dec 31, 2001*		*Dec 31, 2000*	
	Group	*Parent company*	*Group*	*Parent company*
County council fund for technology procurement and product development	462	462	0	0
Swedish Industrial Development Fund	9 900	9 900	5 000	5 000
Total	10 362	10 362	5 000	5 000

On March 9, 1999, Industrifonden (the Swedish Industrial Development Fund) approved a loan to the Company for a total of SEK 15 million. Interest on the loan is market rate. Industrifonden has also received 60,000 warrants to subscribe for new shares in the Company. The warrants are valid January 1, 2001–January 1, 2004. The redemption plan for remaining amortisations is set to; SEK 4,9 million by June 30, 2002, SEK 5 million by August 30, 2002 and SEK 5 million by June 30, 2003.

Not 14. Accrued expenses and prepaid revenues

	Dec 31, 2001		*Dec 31, 2000*	
	Group	*Parent company*	*Group*	*Parent company*
Vacation pay liability	1 112	1 112	774	774
Directors' fees	531	531	380	380
Social security expenses	825	825	845	845
Other	3 377	2 536	736	736
Total	5 845	5 004	2 735	2 735

Not 15. Pledged assets

A bank guarantee for a total of 666 has been submitted to a supplier.
The bank guarantee is outstanding until March 31, 2002.

Audit report

⊙ To the Annual General Meeting in CellaVision AB Company registration number 556500-0998

We have examined the annual report, consolidated financial statements, accounts, and administration by the board of directors and CEO of CellaVision AB for the fiscal year January 1–December 31, 2001. The board of directors and CEO are responsible for the accounting records and administration of the Company. Our responsibility is to express an opinion on the annual report, consolidated financial statements, and administration of the Company based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. This means that we planned and performed our audit to obtain reasonable assurance that the annual report and consolidated financial statements do not contain any material misstatements. An audit entails examining a selection of the underlying documentation to verify amounts and other information reported in the accounting records. An audit also includes evaluating the accounting principles and their application by the board of directors and CEO in addition to an overall appraisal of the information compiled in the annual report and consolidated financial statements. As a basis for our opinion on liability, we have examined material decisions, actions, and circumstances in the Company to determine whether or not the CEO or any member of the board could be liable to the Company for damages. We have also examined whether or not the CEO or any member of the Board in some other way has acted in contravention of the Companies Act, the Annual Accounts Act, or the Company's articles of incorporation. We believe that our audit has provided a reliable basis for the following statements.

The annual report and consolidated financial statements were prepared in accordance with the Annual Accounts Act and thus provide a true and fair view of the Company's and the Group's earnings and financial position in accordance with generally accepted accounting principles in Sweden.

We recommend that the annual general meeting adopt the income statements and balance sheets of the parent company and the Group, appropriate the loss by the parent company according to the proposal in directors' report, and discharge the CEO and board members from liability for fiscal 2001.

Malmö, March 14, 2002

ARTHUR ANDERSEN AB

Per-Arne Pettersson
Authorized public accountant

Five-year summary

INCOME STATEMENTS *Amounts in SEK thousands*	2001	2000	1999	1998	1997
Net sales	8 043	0	0	0	0
Cost of goods sold	-6 949	0	0	0	0
Gross profit	**1 094**	**0**	**0**	**0**	**0**
Selling expenses	-16 692	-7 134	-1 425	0	0
Administrative expenses	-15 893	-12 587	-7 177	-3 020	-174
Research and development expenses	-21 846	-10 570	-4 059	-13 886	-5 446
Other operating income	370	0	1 599	0	17
Other operating expenses	-70	-66	-27	-4	-1
Operating loss	**-53 037**	**-30 357**	**-11 089**	**-16 910**	**-5 604**
Profit/Loss on financial investments	-19	447	-249	-550	-184
Tax on profit/loss	0	-295	-67	0	0
Net loss for the year	**-53 056**	**-30 206**	**-11 405**	**-17 460**	**-5 788**

BALANCE SHEETS	2001	2000	1999	1998	1997
Assets					
Intangible assets	21 595	17 215	12 730	4 684	1 534
Tangible fixed assets	3 771	1 758	1 370	1 663	664
Current assets	89 980[2)]	65 912	16 431	912	5 332[1)]
Total assets	**115 346**	**84 885**	**30 531**	**7 259**	**7 530**
Shareholders' equity and liabilities					
Shareholders' equity	82 604	66 673	21 691	-1 739[3)]	2 296
Long-term liabilities	9 461	6 304	3 726	3 927	3 374
Current liabilities	23 281	11 908	5 114	5 071	1 860
Total shareholders' equity and liabilities	**115 346**	**84 885**	**30 531**	**7 259**	**7 530**

[1)] Of which 4 216 refers to subscribed but not paid in share capital.
[2)] Of which 22 301 refers to subscribed but not paid in share capital.
[3)] Negativ shareholders' equity arose when recalculation according to RR15 was made.

Five-year summary

FINANCIAL RATIOS	2001	2000	1999	1998	1997
Shareholders' equity, SEK thousands	82 604	66 673	21 691	-1 739[2)]	2 296
Capital employed, SEK thousands	102 427	77 977	25 895	3 930	5 346
Interest-bearing liabilities, SEK thousands	19 823	11 304	4 204	5 669	3 050
Net investments, SEK thousands	12 026	5 603	8 260	4 518	2 079
Cash flow, SEK thousands	-65 593	-32 029	-20 250	-20 349	-6 704
Interest coverage rate, multiple	-40,48	-28,79	-14,95	-30,30	-27,71
Net indebtedness, multiple	-0,36	-0,74	-0,40	-3,25	1,24
Equity/assets ratio, %	72%	79%	71%	-24%	30%
Proportion shareholders' funds, %	72%	79%	71%	24%	30%
Return on equity, %	neg.	neg.	neg.	neg.	neg.
Return on capital employed, %	neg.	neg.	neg.	neg.	neg.
Average number of employees	42	31	19	15	5
Number of employees at end of period	49	39	23	20	7

PER SHARE DATA[1)]	2001	2000	1999	1998	1997
Net loss					
Undiluted, SEK	-5,09	-3,52	-1,88	-4,67	-1,85
Diluted, SEK	-4,47	-3,25	-1,81	-4,35	-1,76
Shareholders' equity					
Undiluted, SEK	6,42	6,55	3,01	-0,44	0,76
Diluted, SEK	7,41	9,85	4,42	3,75	1,72
Weighted average number of shares					
Undiluted	10 430 411	8 580 118	6 061 792	3 742 000	3 138 500
Diluted	11 858 411	9 300 118	6 321 792	4 011 500	3 291 500
Number of shares at end of period[1)]					
Undiluted	12 865 142	10 179 072	7 210 164	3 950 000	3 040 000
Diluted	14 293 142	11 630 072	7 810 164	5 187 000	3 652 000

[1)] The number of shares has been restated taken into account a split in 1997 (1:1), a split in 1998 (1000:1) and a bonus issue 2001 (1:1).
[2)] Negative shareholders' equity arose when recalculation according to RR15 was made.

Percentage of risk-bearing capital
Total of shareholders' equity and deferred tax liabilities in relation to the balance-sheet total.

Average number of employees
Number of employees at the end of each month, divided by 12.

Shareholders' equity per share, undiluted
Shareholders' equity in relation to the number of shares at year-end. Splits and shares issues are taken into account.

Shareholders' equity per share, diluted
Shareholders' equity in relation to the number of shares at year-end, and assuming full dilution. Splits and shares issues are taken into account.

Net investments
Tangible and intangible investments, adjusted for divestments.

Net earnings per share
Net profit/loss in relation to the weighted average number of shares. Splits and share issues are taken into account.

Net earnings per share after full dilution
Net profit/loss in relation to the weighted average number of shares plus the number arising from full dilution. Splits and share issues are taken into account.

Net debt ratio
Net debt in relation to 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.

Interest coverage ratio
Profit/loss after financial items plus financial expense in relation to financial expense.

Equity/assets ratio
Shareholders' equity in relation to total assets.

Capital employed
Total assets less deferred tax liabilities and non-interest-bearing liabilities.

Cash flow for the year
Profit after financial items plus depreciation, with deductions for tax paid, adjusted for a decrease/increase in working capital excluding liquid assets, with deductions for net investments in fixed assets.

Board of directors

Christer Pettersson
Kista, born 1950.
Negotiator. Other Board positions: Time Care AB, STT Emtec AB, Munken of Sweden AB, Prolight Diagnostics AB och Elektron ESI AB.

Peter Benson
Båstad, born 1955.
Senior advisor. Other Board positions: Optovent AB, Antula AB, Biogaia AB, Ortivus AB och Virogates Aps.
Number of shares: *35 200 (through company)*
Number or warrants: *15 000, with right to acquire 30 000 shares.*

Lars Gatenbeck
Djursholm, born 1956.
President of H&B Capital Advisors AB. Other Board positions: Aerocrine AB, Cancerföreningen, Hormos Medical Ltd, Investment AB Öresund, Neoventa Medical AB, Perbio Science AB, Profdoc ASA, Pyrosequencing AB.

Christer Fåhraeus
Lund, born 1965.
President of Anoto AB. Founder of CellaVision AB and CEO until July 1998. Other Board positions: C-Technologies AB, Precise Biometrics AB, NetMage AB, Centrecourt AB.
Number of shares: *2 055 444*

Leif Smeby
Lund, born 1944.
CSO of Gambro. Other Board positions: SSF programs at Chalmers University of Technology.
Number of shares: *1 000*

Christer Nilsson
Täby, born 1952.
Director of 3i Nordic plc. Other Board positions: Accra Teknik AB, NeoPharma AB och Syncron Supply International AB.

Hans Harvig
Värmdö, born 1944.
Chairman. Other Board positions: Seco Tools AB, Försäkringsgirot Information Services AB och Centrecourt AB
Number of shares: *50 000*
Number or warrants: *15 000, with right to acquire 30 000 shares.*

Peter Åkerlund, born 1961. Chief financial officer. Employee since 1998. Has several years' experience from accounting and controlling, most recently in a position of the Gambro group.

Number of shares: *1 090*
Number or warrants: *15 000, with right to acquire 30 000 shares.*

Ulf G Andersson, born 1960. Vice President of Sales and Marketing. Has more than 15 years' experience from international marketing and sales in medical technology, in management and board positions. He joined CellaVision from DAKO A/S head office in Copenhagen where he worked as the international marketing director for four years.

Number or warrants: *15 000, with right to acquire 30 000 shares.*

Yvonne Mårtensson, born 1953. CEO since 1998. Has 20 years' experience in international marketing and sales. Joined CellaVision from HemoCue AB where she served her last two years as U.S head of marketing and sales. Board member of ProLight Diagnostics AB.

Number or warrants: *60 000, with right to acquire 120 000 shares.*

Hans-Inge Bengtsson, born 1958. QA-manager. Employee since 2001. Has 15 years experience of blood analyses and clinical laboratories. The most recent employer was PolyPeptide Laboratory AB where he worked as Manager of Quality Control.

Number of shares: *200*
Number or warrants: *700 with right to acquire 1 400 shares.*

Johan Ericsson, born 1958. Vice President of Engineering. Employee since 2000. Has more than ten years' eperience from software and hardware development, the past six years in management positions. He joined CellaVision from Axis Communications AB, where he was General Manager of Engineering.

Number or warrants: *20 000, with right to acquire 40 000 shares.*

Annual general meeting 2002

The board of directors of CellaVision AB intends to call shareholders in CellaVision AB (publ), company registration number 556500-0998, to its annual meeting, starting at 5:00 pm on April 29, 2002, at CellaVision, Ideon Research Park, Delta 5, Scheelevägen 19, Lund, Sweden.

Shareholders who wish to attend the meeting: 1) must be entered in the share register maintained by VPC AB (the securities register centre) Friday, April 19, 2002 and 2) notify the Company by mail at Ideon Research Park, Scheelevägen 19A, SE-223 70 Lund, Sweden, Attention: Peter Åkerlund, or by fax at +46 (0)46 286-4420, or by e-mail at peter.akerlund@cellavision.com, no later than noon on Monday, April 22. Those who wish to attend should similarly notify the Company of the number of assistants accompanying them (no more than two). Please include name, address, telephone number (daytime), personal identification number or company registration number, and the number of shares in the notification.

Any shareholder with shares registered in the name of a trustee must have the trustee temporarily register the share with VPC in the shareholder's own name to be entitled to participate in the annual meeting. Consequently, shareholders must notify their trustees well in advance of Friday, April 19, 2002.

Algorithm A systematic procedure in mathematics and data processing consisting of a finite number of steps that specify how a calculation is performed or a given problem is solved.

Anemia A blood deficiency in which there is an abnormally low content of hemoglobin, the oxygen-transporting substance in blood that is found in red blood cells.

BMA Biomedical analyst, laboratory assistant.

Bone marrow All different types of blood cells are developed in the bone marrow. Bone marrow samples are today analysed by manual microscopy.

CBC Complete Blood Count. Blood count determination of the three constituent cell types in blood: white and red blood cells and thrombocytes (platelets).

Cerebrospinal fluid A transparent fluid that surrounds the brain and the spinal cord.

Clinical chemistry The medical discipline responsible for developing, refining and providing medical services with chemical analyses, blood analyses, immunological analyses and other methods.

Cytology The study and investigation of cells.

Differential count of WBC A morphological investigation method for the classification and distribution of white blood cells.

FDA Food and Drug Administration. The US regulatory authority.

Hematocrit Determination of the volume of red blood cells in a patient's blood as a percentage of the total blood volume.

Hematology The study of blood and its composition, function and diseases.

Hemoglobin The protein in red blood cells used for transport of oxygen and waste products.

HFCA Health Care Financing Administration.

IVDD In-Vitro Diagnostic Device Directive. The EU's regulatory requirements for in-vitro diagnosis.

Immunology The study of the immune defence system.

LIS Laboratory Information System.

Microscopy A method by which a microscope is used to magnify the image of an object that is too small to study with the naked eye.

Morphology The study of the structural characteristics of the body and its organs, tissues and cells.

Neural networks A mathematical theory that simulates the brain's method of learning.

Neurophysiology A scientific research discipline that studies the function of the central and peripheral nervous systems in animals and man.

PAD Pathological Anatomic Diagnosis. Diagnosis of changes and diseases by studying cells and tissue under a microscope.

Pathology The study of the causes and development of diseases, particularly with respect to changes in the morphology of cells, tissues and organs.

Peripheral blood The blood circulating in the circulatory system.

Smear Thin layer of a test specimen/test medium (blood, bone marrow, urine sediment, etc.) that has been smeared and dyed on a glass slide for microscopic examination.

Telemedicine Assessment of medical data from a remote location.

Urine sediment A laboratory microscopy specimen consisting of urine that has been centrifuged to obtain a sediment with a higher concentration of cells and other particles.

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