

# Annual report 2015



Net sales  
SEK 239.4 m (216.9)

Operating profit  
SEK 65.5 m (42.8)

Operating margin  
27.3 % (19.7)

*Through innovative solutions, we optimize the process of blood analysis so that more patients can get better and faster care, implying cost-effectiveness in health care*

## World leader

CellaVision develops and sells digital solutions for medical microscopy in hematology and is now a world leader in this segment.

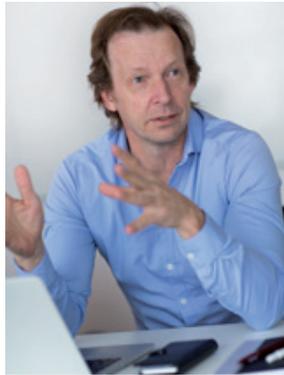
CellaVision replaces manual microscopes with analyzers based on digital image analysis, artificial intelligence and IT. The solutions contribute both to more effective workflows and higher quality in laboratory medicine, an important part of the health care sector.



*Read more on how we create value on page 5 and forward.*

## Sales since 2001

CellaVision was formed in 1994 in Lund by the entrepreneur Christer Fähræus to develop an analyzer for automatic blood analysis. In 2001 the first analyzer was sold in Europe. Christer Fähræus is one of the major shareholders and has also been a member of the Board since the company was founded.



*Read more about our Board of Directors and Management Team on pages 34–35.*

## Quality assurance and training partner

CellaVision offers a number of sophisticated tools for simple and instructive training in blood cell morphology, adapted for both laboratory staff and students. The CellaVision Proficiency Software and mobile app CellAtlas allow users interactively to continually test and improve their knowledge.

*Read more on how our tools form the basis for improved test result quality on page 14.*

## The veterinary market

In 2015 CellaVision received its second large order for the veterinary market in North America. CellaVision's products are highly suitable for veterinary medicine laboratories that handle large sample volumes. CellaVision's Remote Review Software Vet allows veterinary laboratories to effectively send blood images between their units, which gives considerable efficiency and quality gains.

*Read more about the veterinary market on pages 15 and 17.*



## Hematology

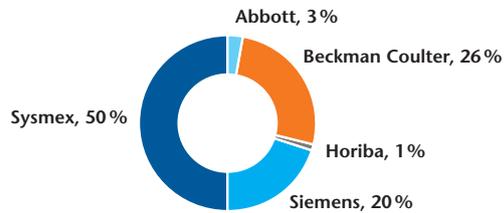
CellaVision's solutions are used in the field of hematology, which means the science of blood and its diseases.

In healthcare hematology is a specialist area that researches and treats diseases of the blood and blood-forming organs. CellaVision operates in a sub-segment of the hematology market with great potential for continued growth.

*Read more about the market on pages 14-17.*



## Global partners



CellaVision's products are sold globally via the four foremost hematology companies in the world. Through strong partners CellaVision increases its visibility and its opportunities in the market.

*Read more about our partners on page 15.*

## Innovation

CellaVision works continually to strengthen its offer to the market. During the year work continued to develop products for small and mid-size laboratories in addition to developing the product offer for large laboratories and the veterinary market.

*Read more about CellaVision's technology on pages 10 and onwards.*



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*While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.*

## 2015 in brief

Net sales increased by 10% to SEK 239.4 million (216.9).

Operating profit increased by 53% to SEK 65.5 million (42.8).

Operating margin increased to 27.3% (19.7).

Profit before tax increased by 51.2% to SEK 65.6 M (43.4).

Earnings per share increased by 68% to 2.22 SEK (1.32).

The Board of Directors proposes a dividend of SEK 1.50 per share for 2015 (1.00).

(MSEK)	2015	2014	2013	2012	2011
Net sales	239.4	216.9	179.9	169.5	155.4
Gross profit	174.2	145.1	112.6	110.1	101.4
Operating profit	65.5	42.8	25.9	20.7	17.8
Profit before tax	65.6	43.4	24.7	18.6	18.5
Cash flow	54.8	-6.0	11.6	-10.6	21.0
Number of employees	75	72	69	65	61

## 2015 by quarter

- Q1**
- Strong sales growth in APAC in the first quarter and continued growth in other regions.
  - Introduction of a global function-oriented organization was started with the aim of strengthening CellaVision's market support organization
- Q2**
- New product launched for the veterinary market - CellaVision® Remote Review Software Vet.
  - CellaVision granted three national patents in Europe.
  - Work continued on organization development and the APAC organization was augmented through recruitment of an Area Director, Yve van Thorenburg.
- Q3**
- Follow-up order for the veterinary market worth more than SEK 30 million and CellaVision reported an operating profit for the full year in excess of SEK 65 million.
  - Revised operating margin from 15 percent to 20 percent over an economic cycle.
  - Prototype for developing products for small and mid-size laboratories.
- Q4**
- Launch of the new CellaVision® CDMS 6.0 software and update of CellaVision® Remote Review.
  - Final delivery of the follow-up order for the veterinary market.

# Strong growth, high profitability and a series of forward-looking activities

*2015 was the strongest year in CellaVision's history, but even more important were our activities for expansion into new markets and the breakthrough in the veterinary market*

CellaVision's vision is clear; we want to drive global digitization and automation of blood analysis for both human and veterinary segments. The positive effects of this are considerable. Healthcare services can perform the often life-saving analyses faster, more securely and more cost-effectively. In that way CellaVision helps to create considerable clinical and financial value for our customers.

## A record year with a high activity level

2015 was a record year for CellaVision in terms of both sales and profitability. Sales were SEK 239.4 million (216.9), representing growth of 10 percent. The operating profit reached a new record of SEK 65.5 million (43.4) and the operating margin reached an all-time high of 27.3 percent (19.7). The main explanation for the strong performance is that with the large order to the veterinary laboratories in North America we have broken into the veterinary medicine market in earnest. During the year we also continued our long-term initiative in APAC, including the establishment of a regional office in Shanghai. Both APAC and EMEA developed well in 2015, while the Americas did not live up to our growth ambitions in the market for healthcare laboratories.

## Expansion to new segments raises potential

The strong economic development went hand in hand with a high level of activity in the Group. In 2015 we took important steps to expand our business to new and attractive markets. We will now broaden our product platform and move from being a company with a product adapted for one market – large healthcare laboratories – to an offer that also addresses veterinary laboratories and small and mid-size healthcare laboratories.

## Great potential in current segments

As important as expanding to new segments is strengthening our capacity to increase penetration in our current markets where there is great potential for further growth. We plan to do this by strengthening our local organizations for market support, not only in growth markets in APAC, but also in selected countries in Western Europe, particularly Germany and France, where we still see great opportunities.

## Our business model delivers

CellaVision's indirect business model, selling via well-established partners, is a central part of our strategy. The model continually delivers increased market penetration and higher growth than we could achieve on our own. By collaborating with all major actors, CellaVision gains a very strong and profitable niche in the global hematology market. Even in other areas of operation, including our production, we will continue our close collaboration with external partners and seek external expertise where relevant.

## Expansion to the veterinary market

With our successes in 2015 we have now taken the first steps into the veterinary market, which we currently assess to consist of about 500 large reference laboratories with an estimated annual sales potential of SEK 100 million. In all there are about 100,000 veterinary laboratories worldwide. However, the market is still very fragmented, but over time we believe that even the veterinary medicine market will offer considerable growth opportunities. It is of utmost importance that we adopt a long-term perspective and patience, for long-range success in the veterinary medicine segment.

## Continued focus on world class innovation

An absolutely central part of CellaVision's continued success is our innovation work and during the year we defined a long-term plan for future innovations. In the shorter term the main focus is on developing a platform for small and mid-size laboratories for both human and veterinary medicine. We estimate the global market for the new platform to be 100,000 healthcare laboratories and 5,000 veterinary medicine laboratories, which makes both segments very interesting to CellaVision. In 2015 we passed an important milestone when the pre-study was finished and the project transferred to a concrete development phase with a planned launch in 2018. As regards our software applications, the long-term goal is to develop new versions that entirely eliminate the need for all remaining manual analyses in blood laboratories

## Now we are looking to the future

2015 was CellaVision's best year yet. Our ambition is to build on what we achieved last year with continued focus on creating customer value by continuously improving patient diagnostics, but also by helping to reduce costs and eliminate sources of error in healthcare. If we succeed in this, we will also achieve our financial targets of organic growth of at least 15 percent and an operating margin exceeding 20 percent. 2015 was a strong year in CellaVision and we are now looking to the future to focus fully on implementing all our exciting plans and meet our long-term targets in 2016.

Finally, I would also like to thank Lars Gatenbeck, Chairman of the Board of CellaVision for the past 14 years, who declined re-election. Lars has been involved in almost all of CellaVision's journey from idea and early commercialization to a globally successful company in digital blood analysis. It has been an honor to work with Lars during my first year as CEO of CellaVision and I wish him all the best in the future.



Lund, April 2015

Zlatko Rihter, President and Chief Executive Officer



# STRATEGY



CellaVision's short and long term strategy is to grow through global expansion, intensified collaboration with partners and focused innovation. In 2015 the market support organization in APAC was augmented, the CellaVision Academy was founded to strengthen CellaVision's partners, and the important work of developing products for small and mid-size laboratories took several steps forward.

# Scalable business model and unique innovation create substantial value

CellaVision's core operations consist of digital image analysis. CellaVision's solutions allow healthcare and veterinary care laboratories to operate more effectively, with higher quality and shorter waiting times. To achieve scalability in manufacturing and sales CellaVision collaborates with strategic partners, giving an effective business model with small capacity limitations and great flexibility in both manufacturing and sales. The company's operations are based on innovation that develops products that create substantial value for both healthcare and veterinary care services.

## Vision

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

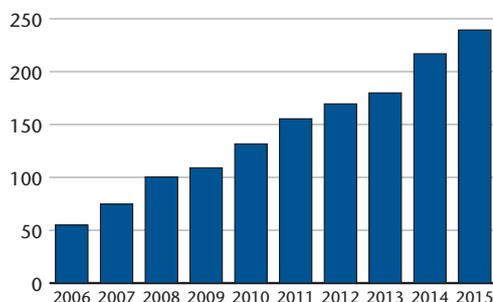
## Mission

CellaVision offers digital solutions for medical microscopy. We replace microscopes with analyzers based on digital image analysis, artificial intelligence and IT. The company's digital microscopy gives better diagnostics while improving workflows and reducing costs.

## Innovation and know-how create value in hematology

CellaVision operates in the medical field of hematology, with core activities in digital image analysis of blood and other body fluids. Innovation is a crucial

Sales 2006-2015, SEK million



part of the company's business and its employees have a high educational level and sound experience of the biomedical sector. This broad competence in product development, quality assurance, market entry and market support continues to be crucial to the company's development.

## Corporate culture focusing on the end customer

CellaVision's core values are Customer in Focus, Initiative and Responsibility and Simplicity and Quality. The corporate culture is characterized by understanding of the company's customers, quality awareness and ability to take action with responsibility. Along with objectives, vision and guidelines, the core values inform the daily work and form a profitable corporate culture.

*CellaVision's vision is to establish a global standard for medical microscopy*

- CellaVision's core business
- Partners
- End customers

## CellaVision's scalable business model

Innovation	Market support	Manufacturing	Sales & distribution	End customer
<p>CellaVision's innovative products have meant a revolution for digital microscopy. Innovation activities form the core of CellaVision's operations and value creation.</p> <p><b>In 2015 more than SEK 34 million, or 14 percent of sales, was invested in research and development.</b></p>	<p>CellaVision works continually to strengthen its position in the market by establishing regional organizations for market support. The support targets both the company's distribution partners and end customers.</p> <p><b>CellaVision has established organizations for market support in five countries worldwide.</b></p>	<p>CellaVision does not manufacture its products itself, but has decided to work together with subcontractors. In that way great scalability in manufacturing is created, while CellaVision avoids major investments in production equipment.</p> <p><b>CellaVision's analyzers are manufactured in Sweden on contract by Kitron in Jönköping.</b></p>	<p>CellaVision's products for digital microscopy are an integral final step in the blood analysis chain. Therefore the company cooperates on sales and distribution with the leading global manufacturers of cell counters.</p> <p><b>CellaVision cooperates with the foremost suppliers of blood analysis equipment in the world.</b></p>	<p>CellaVision's solutions for digital microscopy are used by large medical laboratories the world over and have meant that blood analysis can be performed more safely at lower cost.</p> <p><b>CellaVision dominates the market for digital microscopy in the sub-field of hematology.</b></p>

# CellaVision's strategy interacts with long-term market trends

*CellaVision is well positioned in order to drive the market's long-term incentives*

Analysis of complete blood count is now one of the world's most used tests at clinical laboratories and is carried out in both human and veterinary diagnostics. In all, 3,8 billion human blood image analyses are performed annually. The hematology market is characterized by increased efficiency requirements. The market is worth about SEK 19 billion <sup>1</sup> and average annual growth is about 2 percent in the important human market <sup>1</sup>.

The hematology market is relatively mature and characterized by large procurements and demand for increased efficiency and effectiveness. Price, product innovations and integrated offers from one or more companies in partnership are significant competitive factors. Customers' willingness to invest in laboratory equipment generally follows the macroeconomic trend.

### CellaVision's target market

The market is mainly distributed between large laboratories, mid-size laboratories and small laboratories. CellaVision's target market consists of large and mid-size technologically mature laboratories that handle large volumes of samples and have high capacity requirements. Regular large sample volumes are an important factor to make it cost effective for a laboratory to invest in a system from CellaVision<sup>6</sup>.

### Size of the market

CellaVision operates in a sub-segment of the hematology market, which in turn is part of the in vitro

diagnostics (IVD) market. Laboratories normally invest in CellaVision's products when they replace cell counters. The value of the global market for CellaVision's products is estimated to be at least seven billion SEK to the point of distribution <sup>2</sup>.

The laboratories carry out procurements of analyzers at intervals of about seven to ten years, which means that the average annual target market for CellaVision's products is about one billion SEK<sup>3</sup>. CellaVision's share of the target market has grown gradually and in 2015 was about 14 percent.

### Strong drivers

There are three long-term drivers that have a positive impact on demand for CellaVision's products. The demographic trend towards an aging population means that demand for healthcare is growing from a global perspective. The increasing demand in turn drives increasingly effective care, which is exactly what CellaVision offers. Demands for higher efficiency also mean consolidation of the healthcare market to establish economies of scale. The ongoing consolidation in the form of increased collaboration and mergers between hospitals and laboratories means economies of scale in operations, where CellaVision's analyzers fit in well.

### Good growth opportunities in current segment

CellaVision's current target market is made up of about 15,000 large hospital laboratories and an estimated 500 large laboratories for veterinary medicine. The annual sales potential is calculated in total for the

## Medical Laboratories – a market with a great potential

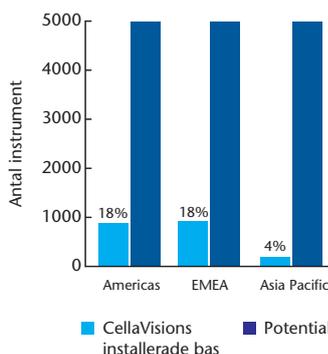
### Opportunities for continuous growth

CellaVision estimates the global market for large medical laboratory to about 15 000. Total CellaVision has penetrated about 14 percent of these laboratories. Opportunities for further penetration are in other words good.

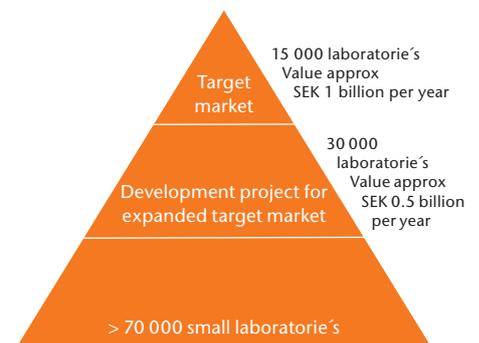
### Expansion to new segments

CellaVision is currently working to develop a product that is tailored for the 30.000 medium-sized laboratories that are not covered by today's product offering. The sales potential for this market is estimated to about SEK 0.5 billion yearly.

### Accumulated share of potential global market 15,000 systems



### Fragmented market



human market to be about one billion SEK annually. CellaVision holds a strong position among large hospital laboratories, which are the company's original market, and expects continued good growth for this segment.

Industry statistics show that the number of cell counters installed in mid-size and large healthcare laboratories globally is about 30,000. About 15 percent of the samples analyzed in cell counters require further analysis, either in CellaVision's analyzer or in a manual microscope. CellaVision's customers have on average two cell counters and one CellaVision analyzer to handle their sample volumes.

CellaVision's veterinary market has emerged in the past two years and represents an interesting growth opportunity. The short history means, however, that it is difficult to assess future developments more exactly.

#### New opportunities

##### Emerging replacement market

Laboratories conduct procurements of analyzers at approximately seven to ten year intervals. It is now more than ten years since the first installations of CellaVision's analyzers and the company is now seeing the beginning of an emerging replacement market. Considering that CellaVision's sales have grown steadily over the ten years, it is reasonable to assume that the value of the replacement market will gradually increase and have a positive impact on the company's sales.

#### Expansion of the product offer to smaller laboratories

The approximately 100,000 small healthcare laboratories and 5,000 mid-size veterinary laboratories constitute an interesting growth opportunity. CellaVision is currently developing new products that are directly adapted to these market segments, with planned launches in 2018.

#### Increased software sales

During the year CellaVision developed new software generations: CellaVision® CDMS 6.0 and CellaVision® Remote Review Software. CellaVision® Remote Review Software Vet. was a substantial contributory factor in the major veterinary order received in 2015 worth more than SEK 30 million.

#### Competition

CellaVision's assessment is that manual microscopy constitutes 85 percent of the potential market. Digital microscopy is becoming established and gradually taking market share from the manual method. Few alternative methods in digital microscopy have been commercialized and with a market share of 95 percent CellaVision is indisputably a world leader. Our lead over competitors is apparent both in terms of technical solutions and the strong market position CellaVision has established in more than ten years of sales.

An emerging replacement market and expansion into additional market segments creates new growth opportunities

## Long term market driving forces

#### Demography

The global population is getting older and prosperity increasing. Every tenth person in the world today is over 60 years of age, a share that is expected to double by 2050<sup>4</sup>. This will require increased capacity and efficiency in health care.



#### Reduced health care resources

The laboratory market is characterized by increased cost pressure and skills shortages, which means that users and suppliers will be required to be more effective and time-efficient<sup>5</sup>.



#### Consolidation

The market is continually driven towards consolidation in the form of increased cooperation and mergers between hospitals and laboratories<sup>6</sup>.



# CellaVision's continued growth

CellaVision has three focus areas that will drive future growth. The company will continue the global expansion and further penetrate the market. The ambition is also to continue to strengthen the relationship and collaboration with partners, and not least to continue its highly successful innovation.

*CellaVision's strategy generates opportunities for continued profitable growth*

## Global expansion

### Long-term ambition and plans

CellaVision's long-term ambition is to intensify penetration in the markets where the Group has a presence today, but also to expand its presence to new, interesting areas. By establishing local offices for market support the company increases market penetration and its commercial successes.

### In the short term

In the short term CellaVision's ambition is to increase its local market presence to drive sales through its indirect business model, for example by establishing local market support organizations in important regions such as China and the Middle East.

## Partnerships

### Long-term ambitions and plans

CellaVision has a long-term ambition to steadily develop and intensify collaboration with and support to current partner companies, but will also endeavor to identify new conceivable collaboration and increase direct contact with CellaVision's end customers to drive sales further.

### In the short term

CellaVision will develop collaboration with current partner companies by increasing focus on market support and training through the newly established CellaVision Academy.

## Focused innovation

### Long-term ambitions and plans

CellaVision will continue to further develop and strengthen the product portfolio for existing customers, but also investigate the possibilities of further expansion to new customer segments such as small and mid-size laboratories in both human and veterinary segments.

### In the short term

In the short term CellaVision will identify and evaluate business opportunities with the major chains of veterinary laboratories in North America and Europe and develop an attractive product offer for this market.

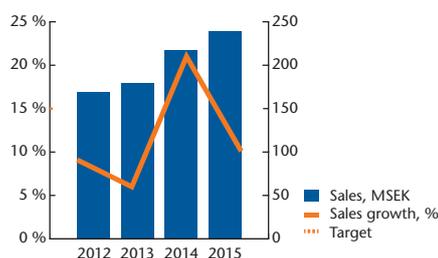
# Goals that drive operations forward

CellaVision's goal is to create a global standard for digital microscopy in hematology, to become a world leading supplier in several sub-fields of laboratory medicine. The goal is broken down into important financial and operational goals, which were all achieved in 2015.

## Sales growth $\geq 15\%$ over an economic cycle

### Outcome 2015

Sales growth was ten percent for 2015 and since the target was set in 2010 average sales growth has been 13 percent. The outcome is mainly explained by increased market penetration due to successful product development and close cooperation with partners at the sales stage and increasing sales to the veterinary market. Achieving the target in the future as well requires continued global expansion in accordance with the strategy.



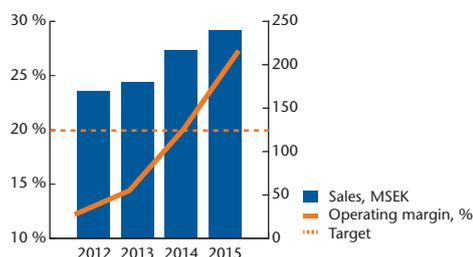
*The improved margins in 2015 is mainly explained by the growth in veterinary market and positive exchange effects*

## Operating margin $>20\%$ over an economic cycle

### Outcome 2015

The operating margin was 27.3 percent for 2015. The improved margin is mainly explained by the strong sales to the veterinary market and positive exchange effects.

To ensure in the long term that the objective is met, continued expansion is required while retaining margins by using scalability in the business model.



## Engaged Employee's

### Outcome 2015

During the year a health promotion campaign was implemented through the occupational health services to check both the physical and mental work environment at CellaVision. A total of 43 employees (72 percent) from head office in Lund participated in the campaign and the average score for the question of how they enjoyed their work was five on a scale of

six. Employees feel that they get on well with their workmates and have a high level of confidence in their colleagues and managers (5.5). Areas with the highest share of positive responses were "Relations and working life" and "Well-being and life satisfaction". CellaVision will continue to work to retain these strengths in future.

2 out of 3 targets were achieved for 2015



# PRODUCTS AND SOLUTIONS



CellaVision mainly offers solutions for the healthcare market but also has products for the veterinary market. The offer consists of analyzers, software, consumables and service, which together constitute a solution that improves the effectiveness of the blood analysis process. The systems replace manual microscopes and create the conditions for an effective analysis process aimed at delivering high-quality patient care.

# Higher efficiency and improved analysis quality for diseases of the blood

Complete blood count is one of the most common diagnostic tests in healthcare and is used to obtain an overall status of different cells in the blood. Most of the blood samples can be analyzed using a cell counter, but in some cases the blood sample requires a specialized assessment. Experienced staff then examine the distribution and appearance of the blood cells, in other words the size, color, shape and content. This analysis can be carried out with a microscope, but is standardized and performed more effectively using CellaVision's digital analysis system. The need for specialized analysis arises for example when a patient has immature or malignant cells in their blood. This may be the case in hematological disorders, such as anemia, low platelet count (thrombocytopenia), cancer of the blood (leukemia) and various tumor diseases.

## World-leading product range

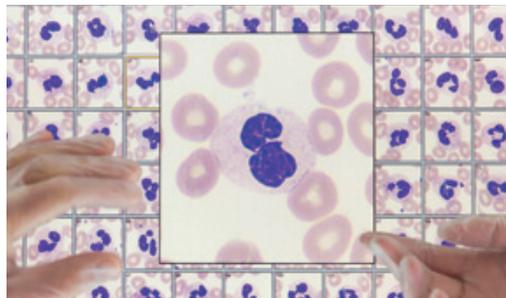
CellaVision offers solutions that streamline the process of analysis of blood and other body fluids. CellaVision's products replace manual microscopes and create the conditions for an effective analysis process. The range includes solutions for both healthcare laboratories and veterinary laboratories.



*CellaVision has created a new global standard for digital microscopy in hematology*

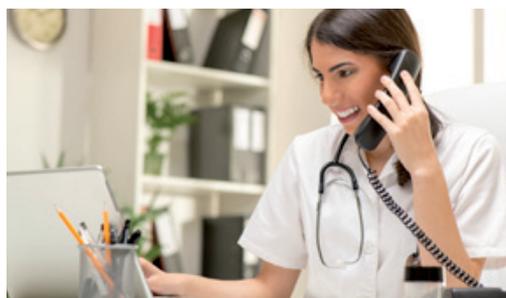
## Advanced technology, simple analysis

Inside CellaVision's analyzers an inbuilt microscope, a digital camera and advanced image analysis interact with a patented autofocus system. Using these functions, the analyzer identifies, photographs and pre-classifies cells in blood and other body fluids.



## Significant advantages

CellaVision's automated analysis method provides major advantages: more cost effective analyses, higher quality test results and shorter response times. A digital cell image from a laboratory can also be sent for assessment by experts at another laboratory.



# CellaVision's digital microscopy makes healthcare more cost effective

*Analysis time is cut by half*

*Higher quality of test results*

*Shorter response times*

CellaVision mainly offers analyzers to the healthcare market, but also has products for the considerably smaller veterinary market. CellaVision's unique digital microscopy system is part of an integrated final stage in the blood analysis chain (taking a sample – analysis in a cell counter – sli-demarker stainer – microscopy) and contributes to a great degree to improving the quality of analysis while enabling a considerable decrease in costs of analysis.

The offer consists of analyzers, software and consumables, which together form a system that improves the effectiveness of the analysis process for blood and other body fluids. The advanced software performs a digital image analysis that separates and classifies the different cells. Automation frees time for staff and makes the workflow effective. Studies show that analysis time can be cut by up to 50 percent. In addition, there are considerable ergonomic gains from studying images on a screen instead of sitting at a microscope.

**Simulates human senses**

To some degree CellaVision's analyzers imitate the human senses. The digital camera replaces the human eye's way of registering information and a neural network simulates a human brain's nervous system and its way of processing signals.

Inside CellaVision's analyzers an inbuilt microscope, a digital camera, high-precision mechanics and advanced image analysis interact with patented autofocus

systems and artificial neural networks. Using these functions, the analyzer identifies, photographs and pre-classifies cells in blood and other body fluids.

The software contains advanced algorithms for digital image processing and cell identification. Neural networks recognize, separate and classify cells in that the advanced algorithms discover white blood cells and separate them from the rest of the image.

More effective assessments of higher quality Since the system is independent of the training, experience and competence of the staff, the quality of analysis is higher and more standardized. The large cell images presented on the screen also mean that the final assessment is both simpler and more reliable.

**Enables collaboration between laboratories**

The digital cell images enable laboratories to easily collaborate with each other. A digital cell image from a laboratory can easily be sent for assessment at another laboratory. In that way the conditions are created for flexible staffing, while consultation with external experts is independent of geographical location. CellaVision also offers effective tools for training and competency development.

Digital microscopy by CellaVision - for the human market			
Replace manual microscopy with an automated digital imaging system that saves time and releases skilled staff	Simplify morphological assessment using innovative applications that deliver better and more standardized results	Embrace networking and connectivity to enable collaboration, facilitate consultation and support flexible staffing	Promote quality by implementing effective tools for proficiency assessment and competency promotion
 CellaVision® DM1200	 CellaVision® Peripheral Blood Application	 CellaVision® Remote Review Software	 CellaVision® Proficiency Software
 CellaVision® DM9600	 CellaVision® Advanced RBC Application	 CellaVision® Image Capture System	 CellaVision® CellAtlas
	 CellaVision® Body Fluid Application		

# Devoted innovation lays the foundation for continued success

CellaVision's successes rest on three pillars: Scientific knowledge, technological leading edge expertise and cooperation with customers. CellaVision has invested continuously in research and development since the company was founded and in 2015 the equivalent of 14 percent of sales was invested in various development activities.

## Unique innovation

Developing a reliable analyzer of the type offered by CellaVision is a major challenge. Success requires analyzers with high speed and image quality, technology for automatic classification of cells, precision mechanics and functions for integration of IT solutions. Successful innovation builds on science and technology, but also on development together with customers. CellaVision has developed technology that is unique within autofocus and image analysis. In addition, the company is the sole player to have commercialized its products globally and has thereby met the requirements imposed by the respective safety and quality authorities.

## Continued intensive development work

CellaVision continually conducts intensive development work to broaden its product offer to new, interesting markets and market segments. One example of this is the new software with substantially improved network performance for the veterinary market that was launched in 2015 and that enabled the successful sales to North American veterinary medicine laboratories that took place the same year.

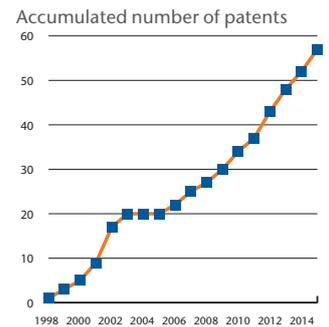
During the year the work continued aimed at developing a competitive solution for small and mid-size healthcare and veterinary laboratories. In the third quarter of 2015 the pre-study to evaluate the technical performance of the technology platform and market conditions was completed. The project then moved to a concrete development phase with the ambition of launching new products in 2018. The new technology platform will offer the same high analysis and image quality as the rest of CellaVision's range, but will be smaller and lighter, as well as having a lower capacity to suit the needs of smaller laboratories. The product will be available for both free-standing use and as part of large networks.

In late 2015 a new software generation was completed that strengthens CellaVision's offer to large laboratory chains. The software mainly offers better database management and faster communication in large centralized networks

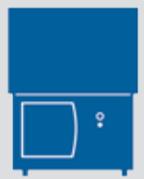
## Growing patent portfolio

Over the years, CellaVision has built up a technology platform that forms the basis of the company's product development. The technologies are patented and the patent portfolio now comprises 23 patent families and 57 registered patents, five of which were granted in 2015. Most of the patents are in the technology fields of image analysis and precision mechanics.

*In 2015 was approximately 14% of sales reinvested in different research and development activities.*



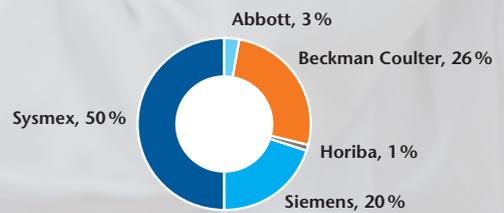
## Digital microscopy by CellaVision - for the veterinary market CellaVision

 <p>CellaVision® DM1200 Vet</p>	 <p>CellaVision® DM9600 Vet</p>	 <p>CellaVision® Peripheral Blood Application Vet</p>	 <p>CellaVision® Remote Review Software Vet</p>
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## OEM partnership with Sysmex, DI-60 enables a fully integrated and automated analysis line for hematology

<p>XN series from Sysmex is an integrated fully automated blood analysis line that processes blood from the test tube to ultimately generate a blood smear, stained and analyzed by CellaVision technology for digital microscopy</p>	 <p>Sysmex DI-60</p>
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# CELLAVISION'S MARKET



CellaVision is partner with all leading suppliers of cell counters. Figures in the diagram shows installed base for large laboratories<sup>9</sup>.

# Strong distribution partners and local support maximize opportunities

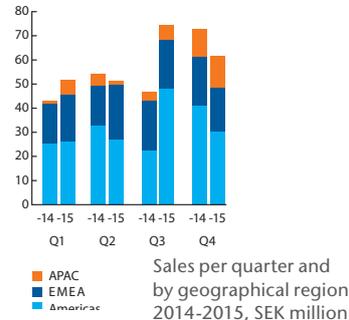
The hematology market for large and mid-size technologically mature laboratories is dominated by four large suppliers of hematology equipment with whom CellaVision collaborates. As a rule, sales consist of large systems in which CellaVision's solutions constitute the final stage of the blood analysis chain. By collaborating with market leaders CellaVision can maximize sales potential cost effectively. At the same time local market support is a decisive success factor and CellaVision is currently strengthening this function in selected markets.

## Integrated part of the blood analysis process

CellaVision's system for digital image analysis is an integrated final stage of the blood analysis process. The equipment reaches the end customers as part of an integrated offer from CellaVision's partners. Laboratories in Europe and North America usually invest in CellaVision's products when they are replacing other equipment for analysis. Purchases are often via procurement processes in which delivery must be made via one and the same supplier. Since CellaVision's partners are major actors with global sales organizations they can offer the breadth and service demanded by the market.

## Access to many more sales staff

To maximize opportunities in the global market CellaVision collaborates with four strong partners: Sysmex, Beckman Coulter, Siemens and Abbott. For CellaVision, partnership means access to far greater sales organizations than the company could establish by itself. Consequently, CellaVision achieves good exposure to a great number of laboratories very cost effectively. The sales process is personnel-intensive and time consuming. A normal sales cycle takes from six to 24 months.



CellaVision's partners cover all interesting markets and have established relations with laboratories and end users. Their broad product offers are supplemented by CellaVision's solutions for unique automation of the final stage of the analysis process.

## Own market support organization

In strategically important markets CellaVision gradually builds up its own organization for market support. Having a local presence that can train and support both partners' salespeople and end users has proved to be a decisive success factor. CellaVision used to make some sales directly to end customers, but the future strategy is to focus on the indirect sales method with strong collaboration partners. The only exception is sales to the veterinary market that now take place directly to end customers.

*CellaVision's strategic partners provides the company with access to more than 90% of the global target market*

## CellaVision's solutions are equally relevant in the veterinary medicine market

In the past decade CellaVision's solutions have been established as the highest standard in the market for human hematology. The explanation is obvious: CellaVision's solutions give higher quality and more effective workflows than the alternative using manual analyses at a microscope. In the market for veterinary medicine there are corresponding opportunities for improvement and CellaVision is now seeing growing interest from this market segment. The potential gains from CellaVision's solutions are considerable for the veterinary medicine laboratories. In North America there are veterinary medicine laboratories that analyses thousands of blood images daily. Ensuring quality and consistency in the large volume of analyses while giving fast and correct results is a very resource intensive activity.

By implementing CellaVision's solutions at all its laboratories, a North American veterinary medicine chain has significantly reduced the time for analyses and increased potential for expert opinions on more complicated blood image assessments. All in all, the implementation of CellaVision's solutions has meant that a smaller number of laboratory staff can perform the same number of analyses as before, while improving quality and consistency of test results. As important as making work processes more effective is enabling the laboratory to offer good service to its customers. Using CellaVision's solutions it is possible for the pathologists to examine particularly difficult cases in real time, leading to faster responses to the veterinary surgeon and thus faster decisions about correct treatment..



# Good performance in 2015 and clear plans for continued growth

CellaVision's sales developed well in 2015. In total, sales were SEK 239.4 million (216.9), representing growth of 10 percent. During the year a new organization was implemented with greater focus on local market support, which is a clear success factor for CellaVision.

## Americas

### North America

Sales in the Americas increased in 2015 and net sales for the full year were SEK 131 million (121), corresponding to growth of nine percent. The development is mainly explained by the order from veterinary medicine laboratories in the USA, which CellaVision received in the third quarter, with final delivery in the last quarter of the year. A major reason for the follow-up order was the development of the CellaVision® Remote Review Software Vet, which makes it possible for laboratory chains working in networks to share test results and digital cell images effectively.

On the human side sales growth was not as strong and the invoicing volume for the full year was in parity with 2014. Penetration of the USA market is at a good level, but there is still much left to do and CellaVision has close and trusting collaboration with its partners to drive sales and identify the white spots that still exist in a number of states.

In Canada CellaVision previously had its own organization for direct sales, but in 2016 will transfer to the indirect business model with partnerships that is

applied in other markets. The change will mean a far greater salesforce working with CellaVision's products.

### South America

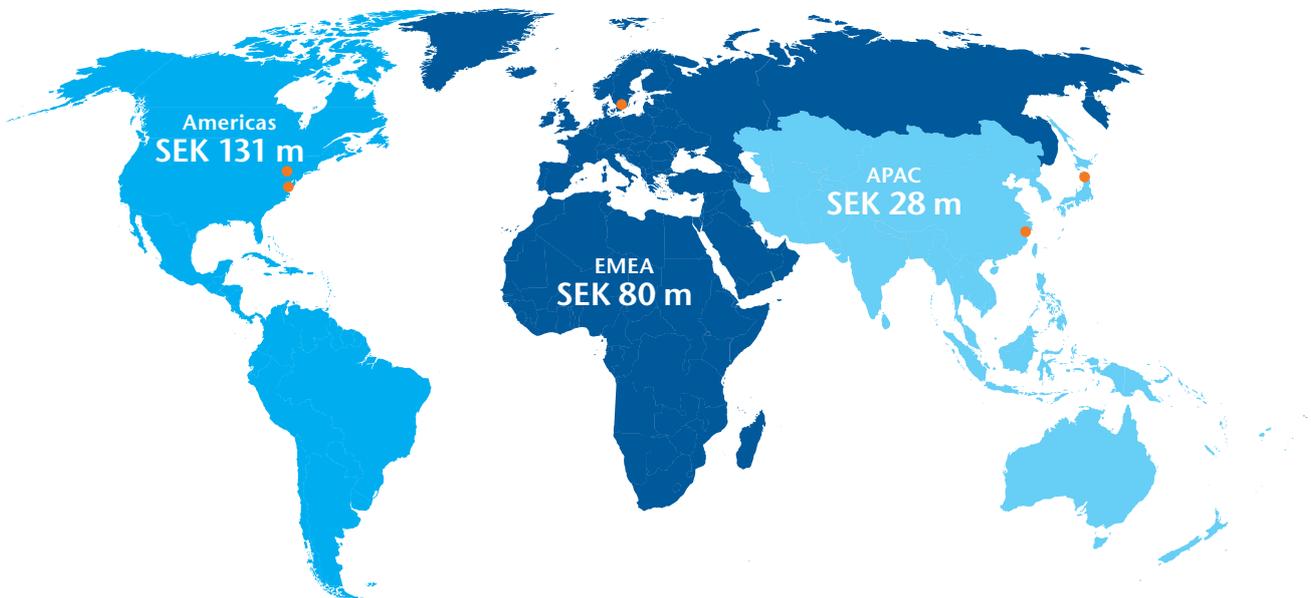
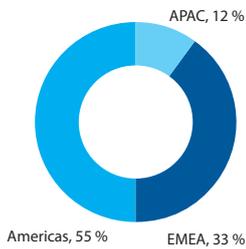
Currently CellaVision does not have its own presence in South America, but in 2016 will evaluate the options that exist in this large market area. Several markets are at present regarded as interesting; not least Brazil and Mexico, and a plan for how they and any other markets are to be addressed in the future will be formulated in the second half of 2016.

## EMEA

Sales in EMEA developed well in 2015 and for the full year were SEK 80 million (74), corresponding to growth of nine percent. In Western Europe there is continued great interest in automated solutions in hematology and sales are made to both new customers without previous digital morphology systems and to the emerging replacement market. Penetration in the Western European market is relatively high, but the majority of laboratories in CellaVision's target market still have no digital image analysis system.

To further strengthen its position CellaVision will implement more structured and proactive work, for example through careful analyses of individual markets. In 2016 the company will strengthen its presence in the German-speaking countries, which have great potential, but penetration will be considerably below the level established by CellaVision in the USA. Another major Western European market estimated to have considera-

Sales per region



ble growth potential is the French market.

In 2016 CellaVision will also establish an organization for market support for the expansive market in the Middle East, where interest in full automation in hematology is growing. In the long term the Middle East is assessed to be a region that can contribute considerably to the company's growth.

### APAC

Sales in APAC grew in 2015 by a good 28 percent to SEK 27.8 million (21.7). Growth is still from low levels and sales during the year were concentrated to CellaVision's priority markets, Japan and China, which both reported a positive trend. CellaVision regards the APAC region as a highly interesting growth opportunity and will gradually increase its presence in selected markets.

In 2015 a dedicated APAC organization was established. The focus of the new organization is continued penetration and growth in the established markets in Japan and China, but also a gradual expansion to more countries in the region. In 2016 CellaVision plans to strengthen the organization in China and establish a local presence in Korea, which is assessed to be a market with great potential. The APAC organization works with traditional market support to partners and customers, but also has the overall task of spreading information about the major potential of digital image analysis that is a relatively unknown technology in several of the countries in the region.

During the year a new regional office was established in Shanghai with responsibility for CellaVision's operations throughout the region.

### The veterinary market

Veterinary laboratories are a new market for CellaVision and the company is currently identifying the most important success factors to determine the most advantageous long-term business model.

The global target market for CellaVision's systems is estimated to be about 500 large reference laboratories in North America and Northern Europe. Veterinary laboratories are a growing market that is dominated by a few large actors. Total annual sales potential for full penetration is estimated to be about SEK 100 million.

Within the veterinary segment there is also a large number of smaller laboratories that are not addressed by CellaVision's current offer. Globally the number of veterinary laboratories is about 100,000.

At present it is difficult to assess how fast this market segment will develop and the company expects cautious establishment over time.

### Continued investments in APAC

2015 was yet another year of two-figure growth in the APAC region. Even more important was that, due to the organization's hard work, the concept of digital morphology is starting to be recognized as a necessary technology for high-quality laboratories. The most important markets continue to be China and Japan, but even countries such as Korea, Singapore, Australia and Thailand have interesting potential. In 2016 CellaVision in APAC plans to continue establishing a solid base and will increase the number of user meetings and conferences in the large markets in the region. In mid-2015 Yve van Thorenburg was appointed as director of the region. Yve has 20 years' experience of large international companies in the pharmaceutical industry and the medical devices industry in Asia.

We asked Yve to describe himself and his first impressions: "Throughout my career I have been known as a person who wants to "build" and in CellaVision I have found a company that suits my ambitions perfectly. CellaVision is characterized by innovation and an exciting product portfolio, and has markets that need to be trained and developed. New products always meet some resistance and my first task will be to teach our customers that our systems will not only help them to take faster and better decisions, but will also lead to better treatments for patients. The APAC region is still immature, but considering the enthusiasm in our team I am sure that in the long term we will be as successful as CellaVision is in its main markets in North America and Europe."



Yve van Thorenburg,  
Area Director for APAC

# SUSTAINABILITY



# Corporate social responsibility

Corporate social responsibility is natural for CellaVision. Based on clear guidelines, a code of ethics and objectives the company is working to reduce its environmental impact, to have high business ethics and to contribute to a sustainable society.

## Sustainability in the value chain

CellaVision's head office is in Sweden and its market offices in North America, Japan and China. Manufacture and sale of products is in collaboration with selected, globally established partners and CellaVision continually follows up their work and policies as regards central sustainability issues.

## Development in 2015

During the year CellaVision continued to develop the company towards more sustainable enterprise as regards environmental responsibility and social impact. CellaVision's ambition is to ensure that the business is run responsibly and that efforts are towards continual improvement.

## Environmental work

Since the end of 2013 CellaVision has worked on environmental issues in accordance with the international ISO 14001 standard. In brief, certification means that the company's environmental work must be well organized and lead to continual improvements, current legislation and regulations must be followed and regular internal environmental audits must be conducted. CellaVision does not conduct any activities notifiable under the Environmental Code. The company's environmental policy is presented at [www.cellavision.se/sustainability](http://www.cellavision.se/sustainability)

CellaVision conducts active and objectives-based environmental work in selecting suppliers and consumption of resources for product development.

## Important advances to reduce environmental impact

In 2015 two environmental objectives were set for CellaVision in Lund aimed at reducing the company's environmental impact. The two objectives referred to continuing work towards an integration of the environmental impact perspective in product development and existing systems and increasing environmental considerations in CellaVision's choice of suppliers. In total one of two objectives was achieved. Apart from CellaVision's environmental objectives set for 2015, significant environmental aspects, such as waste, production and transport, were followed up and evaluated. In autumn a follow-up audit was conducted to ensure that the environmental work complies with the requirements imposed by the environmental standard. This audit was completed without any non-conformance.

## Climate compensation for carbon emissions

Carbon emissions caused by CellaVision's operations are mainly due to business trips by air. To compensate for these emissions in 2015 CellaVision decided, just as in previous years, to support a Clean Development Mechanism (CDM) project, which is a central part of the implementation of the Kyoto Protocol. The CDM project scheme has well-developed control mechanisms with independent authorized auditors that report directly to the UN. The CDM project that CellaVision again decided to invest in is also eligible for the environmental movement's "Gold standard", which means that the project contributes to sustainable development in a wider perspective. CellaVision has decided to climate compensate for its carbon emissions in 2016 as well.

## Sustainable products

CellaVision's solutions make a positive contribution to society in that more patients can receive faster care at a lower cost to health care services. The products are safe, environmentally efficient and benefit the working environment in laboratories. To ensure sustainable design, in 2014 the company started work on integrating the environmental impact perspective into its procedures for product development. For 2015 one of the company's goals was to find alternatives for conducting a life-cycle analysis to obtain an overall picture of the total extent of environmental impact over the lifecycles of our products. Continued discussions have been held with external suppliers but at the time of writing no decision has been made to carry out this analysis.

## Quality

CellaVision develops medical equipment in a highly regulated environment. The company is certified under the quality standard ISO 13485 and complies with the requirements of international legislation and product safety standards, such as IEC standards, the European Directive on in vitro diagnostics (IVD), American FDA quality system requirements and a number of national directives and laws. CellaVision is responsible for the products being safe for patients, users and technical service staff.

## Environment

CellaVision's digital technologies create conditions for a reduced environmental burden. The company's software for cooperation and quality assurance is an environmentally efficient alternative to the hospitals' sample and patient transportation in cars. For example, at a hospital operating in scattered geographical sites, samples that are difficult to assess are traditionally sent to an expert by courier. Using CellaVision Remote Review Software for remote access, the samples can instead be examined electronically via



the hospital network, a method that is both effective and environmentally friendly. Using the web-based CellaVision Proficiency Software for quality assurance, laboratory staff are trained and their knowledge is tested over the internet. Unlike a traditional test method with blood smears on microscope slides as practice slides, the software is simple to distribute and requires no transportation.

**Business ethics and culture**

Using CellaVision’s technology, laboratories can create a more attractive working environment. Interest in the occupation is weak among young people but the new technology creates both interest and attraction. In addition, the hunched up posture at the microscope is replaced by a considerably more ergonomic working posture, which reduces the risk of repetitive strain injuries, mainly in the neck, back and eyes.

**Business ethics and culture**

Working together with CellaVision should imply a stamp of quality for customers, partner and employees. CellaVision’s Code of Conduct describes values and guidelines for how the company’s employees are to behave in various business situations. The Code is based on the UN Universal Declaration of Human Rights and together with CellaVision’s core values and policies constitutes the foundation of how the company works. The fundamental principles of the Code of Conduct are justice, honesty and legal compliance.

The Code covers all employees of the CellaVision Group and others who represent the company, for example members of the Board and consultants.

**Core values**

CellaVision’s strong corporate culture is an important factor behind the company’s successes. Core values guide employees’ conduct and decision-making in their day-to-day work. Together with objectives, vision and guidelines they constitute the company’s corporate culture and form the basis of how work is carried out, the quality offered and how customers, partner, investors and employees are treated.

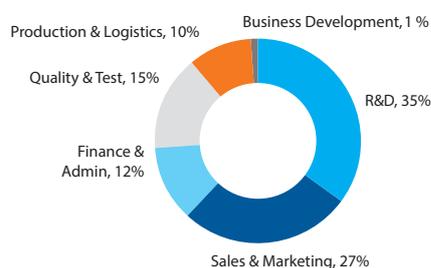
*Customer comes first*

Customers’ perceived relation to us as supplier impacts all parts of the company. Consequently, their needs drive all we do, from product development to delivery, service and relations. Our knowledge of our customers gives us the power of innovation to produce solutions that improve their operations.

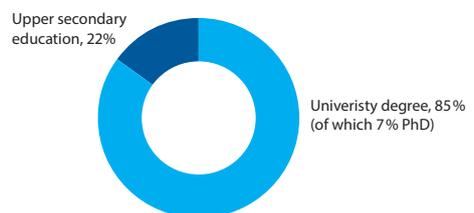
*Initiative and responsibility*

Good ideas, competence and independent work with responsibility are required to drive CellaVision’s business forward. All employees of CellaVision have the task of continually developing their areas of work to the extent necessary to achieve the company’s objectives.

*Employees per area of responsibility*



*Employees’ level of education*





**Social commitment**

CellaVision's social commitment focuses on the core areas of education and entrepreneurship. For the past seven years CellaVision has supported the charitable organization Hand in Hand instead of giving Christmas presents to partners, customers and employees. Hand in Hand creates jobs for the poorest by educating women, so that they can start companies and thereby work themselves out of poverty under their own power. The money provides the women with training in entrepreneurship and teaching in reading, writing and math. The organization is currently active in India, southern and eastern Africa and Afghanistan. You can read more about the activities of Hand in Hand at: [www.handinhand.nu](http://www.handinhand.nu).

CellaVision is proud that the company's contribution has helped about ninety women in India, Africa and Afghanistan to start their own companies, thus giving them the opportunity to work themselves out of prevailing poverty under their own power.

*Simplicity and quality*

CellaVision strävar efter att hålla en hög och långsiktig kvalitetsnivå i allt vi gör, en ambition som genom-syrar hela verksamheten. Det innebär samtidigt en strävan att förnyas och driva utvecklingen med smarta och enkla lösningar.

**Responsible employer**

CellaVision has a decentralized and flexible organizational structure, characterized by competence, entrepreneurship, management by objectives and short decision lines. As an employer CellaVision wants to offer a secure, stimulating and fulfilling workplace with opportunities for all employees to contribute to the company's continued development.

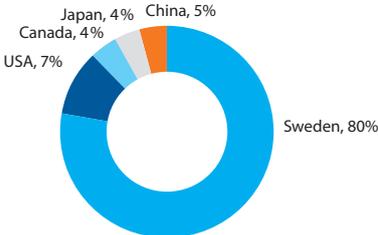
The company works continuously to establish an even gender distribution in the organization. CellaVision believes that even gender distribution enhances competence and creates a dynamic in working groups that in turn is positive for the work climate. When recruiting, one of the company's ambitions is to meet as many women as men. Of a total of seven new employees during the year, two were women and five men. At year-end the total number of women was 26 (28), equivalent to 35 (39) percent of the workforce. The total number of employees at year-end was 75 (72). Staff turnover during the year was just over 9 percent (5.5) and sickness absence of 1-13 days was 1.4 percent (1.5).

During the year CellaVision established a new global function-oriented organization including market support organizations with a local presence in the company's key regions. Apart from this, CellaVision augmented the product manager organization and developed the research and development organization towards an agile working method. During the year the research and development organization was split into new development teams responsible for well-defined parts of CellaVision's system. The company's ambition was to get a fleet-footed organization in place with clear roles to meet the continued requirements and needs of the market.

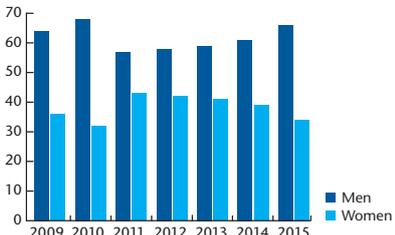
All employees have annual performance reviews and target discussions with their immediate manager. At these reviews individual targets are set, based on the overall objectives of the business and previous targets are followed up and evaluated. Individual development plans are linked to the targets to ensure continual competency development.

In 2015 the company conducted a health promotion campaign focusing on life balance. The results showed a very good work climate in which employees have great confidence in each other and their immediate manager. Apart from this the campaign showed that CellaVision's employees have a great sense of responsibility and commitment.

*Employees' per country*



*Distribution of men and women in percent*



# CellaVision share performance and ownership structure

*CellaVision's share price increased with 78 %, from 39.50 SEK at the beginning of the year to 69.75 SEK at year-end*

Stockholm, Small Cap list since May 2010. The company's market value as at December 31, 2015 was SEK 1,664 million and the number of shareholders was 6,674. The Board of Directors proposes an increased dividend to SEK 1.50 per share.

## Share capital

Share capital in CellaVision AB as at December 31, 2015 amounted to SEK 3,577,732, distributed among 23,851,547 shares. The quotient value per share is SEK 0.15. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented. All shares confer an equal right to share in the company's assets and profits.

## Price trend and share trading

The price of the CellaVision share increased during the year by 78 percent, from SEK 39.50 at the start of the year to SEK 69.75 at year-end. During the same period index (OMX Stockholm PI) increased by 10 percent. The highest price paid during the year was SEK 73.50 (2015-12-22), and the lowest was SEK 39.50 kronor (2015-01-02). The company's market value at year end was SEK 1,664 million (937).

In 2015 a total of 40.9 million shares (26.4) were traded to the value of SEK 2,059 million.

## Shareholders

The number of shareholders at year-end was 6,674 which is an increase of 87 percent during the year. One shareholder have direct and indirect holdings that represent more than ten percent of the votes: CellaVision's founder Christer Fåhraeus (10.1%). The

ten largest shareholders controlled 40.8 percent of the company's shares on the balance sheet date. Swedish ownership was 71.8 percent of the votes. The total institutional ownership in Sweden was 24.8 percent. The Board of Directors and the management together owned, privately and through companies, about 12 percent of the shares.

## Dividend

In 2015, CellaVision paid to its shareholders a dividend of SEK 1.00 per share.

The Board of Directors proposes that the Annual General Meeting 2016 approve a dividend of SEK 1.50 per share for 2015, an increase from 1.00 in 2014.

CellaVision has decided not to announce a dividend policy for the coming year since the company is undergoing strong growth and still requires operational investments. A decision on share dividend will be made from year to year, based on the company's financial situation and working capital requirements to finance the company's growth ambitions.

## Employee option programs

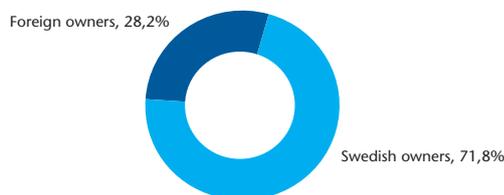
The company did not have any stock option programs during the year 2015-12-31.

## Analyses

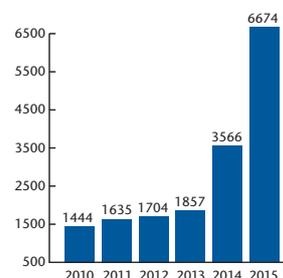
Analyses of CellaVision were made quarterly by Remium AB and Erik Penser Bankaktiebolag.

Christian Lee, Remium: [christian.lee@remium.com](mailto:christian.lee@remium.com)

## Shareholder categories



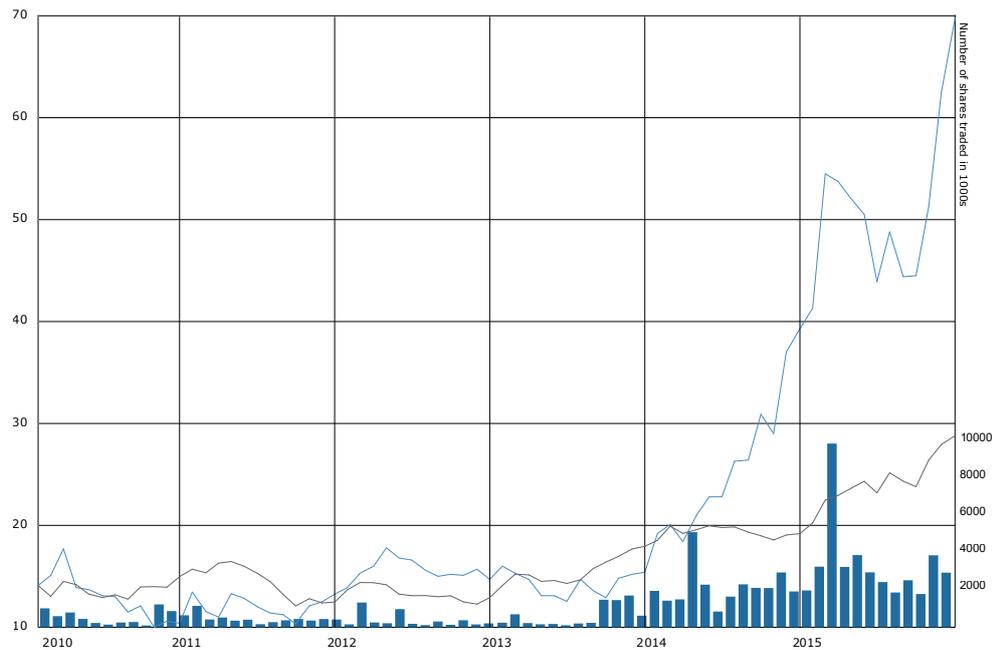
## Number of shareholders 2010-2015



## Share performance and turnover 2010-2015

## CellaVision 2010-2015

CEVI | OMX\_Stockholm\_Small\_Cap\_PI



## CEVI-aktien

Kortnamn: CEVI  
 Sektor: Health Care  
 Aktiens ISIN kod:  
 SE0000683484

## CellaVision's 10 largest owners per 30/12/2015

Shareholders	Number of shares	Ownership in %
Christer Fähræus m bolag	2 400 000	10,1
Swedbank Robur fonder	1 259 355	5,3
Försäkringsaktiebolaget Avanza Pension	1 068 646	4,5
Handelsbanken fonder	1 036 881	4,4
Livförsäkringsbolaget Skandia	967 776	4,1
Eklund & Peterson Aktiebolag	750 000	3,1
Grenspecialisten Förvaltning AB	748 225	3,1
State Street Bank & Trust Com., Boston	625 000	2,6
JPMC: Escrow Swiss Resident Account	440 810	1,8
Pfizer Health AB	429 611	1,8
Övriga	14 125 243	59,1
<b>Totalt</b>	<b>23 851 547</b>	<b>100</b>

## Owner structure 30/12/2015

Size	Number of shares	%
1-500	4 182	62,7
501-1 000	1 101	16,5
1 001-5 000	1 049	15,7
5 001-10 000	153	2,3
10 001-15 000	46	0,7
15 001- 20 000	26	0,4
20 001-	117	1,8
<b>Summa</b>	<b>6 674</b>	<b>100</b>

# Administration report

The Board of Directors and the President of CellaVision AB (publ), corporate identity number 556500-0998, hereby submit the annual accounts and consolidated accounts for the financial year January 1, 2015 to December 31, 2015. Figures in parentheses refer to the previous year. All amounts are in millions of Swedish kronor (SEKm) unless otherwise stated. The corporate governance report is part of the administration report.

## Business activities

CellaVision is a world-leading supplier of digital solutions for blood and body fluid analysis. The company replaces manual microscopes with analyzers based on digital image analysis technology, artificial intelligence and IT. The solutions contribute to more effective workflows and higher quality in laboratory medicine in both human and veterinary laboratories for hematology. Customers in human healthcare are mainly large hospital laboratories and commercial laboratories in North America, Europe, China and Japan. Growing interest can be seen in the Middle East, countries of South East Asia and South America. The market is driven by the health care sector's streamlining and quality assurance requirements.

### Healthcare market

CellaVision® DM9600  
CellaVision® DM1200  
DI-60\*

CellaVisiion® Advanced RBC Application  
CellaVision® Peripheral Blood Application  
CellaVision® Body Fluid Application  
CellaVision® Remote Review Software  
CellaVision® Remote Review Software Citrix Ready  
CellaVision® Proficiency Software  
CellaVision® Image Capture System  
CellAtlas® mobilapp

### Veterinary market

CellaVision® DM9600 Vet  
CellaVision® DM1200 Vet

CellaVision® Peripheral Blood Application Vet  
CellaVision® Remote Review Software Vet

\* Integrerad into Sysmex automated analysis line for blood, with sales via Sysmex.

In veterinary healthcare, which is considerably smaller than the human healthcare market, customers are mainly large commercial veterinary laboratories in North America. There is growing interest in CellaVision's products for the veterinary market in Europe, particularly in the Nordic countries and the United Kingdom. The veterinary market is driven by streamlining, centralization of expertise and the possibilities of consolidating smaller units into large laboratories that process large sample volumes.

The product offer consists of systems for digital microscopy in the sub-field of hematology, consisting of analyzers and supplementary software and peripheral equipment.

## Sales

CellaVision's products for the human market are sold globally via the four foremost suppliers of blood analysis equipment: Sysmex, Beckman Coulter, Siemens and Abbott. CellaVision's own market office supports the respective partners' marketing. In the commercial veterinary market in the USA the company received its second major order in 2015. CellaVision sells directly to end customers in the veterinary market, which is considerably smaller than the human healthcare market, and is undergoing commercial development. Revenues are mainly from sales of analyzers. Software, spare parts, consumables and service account for a minor but increasing part of the company's total sales.

## Product development

Product development and technical innovation are part of CellaVision's growth strategy. CellaVision conducts parallel development projects continuously to strengthen the offer to customers in the existing area of hematology. The company primarily uses internal resources for its development, but the strategy also includes development through cooperation with partners.

During the year a new product for the veterinary market was launched, CellaVision® Remote Review Software Vet., and in the last quarter a new software generation was completed; the CellaVision® CDMS 6.0 and there was an update of the CellaVision® Remote Review Software for the human market. The products strengthen CellaVision's offer to the major laboratory chains by providing better database management and faster communication when working in large centralized networks.

During the year there was development of a product for small and mid-size laboratories linked to the technology acquisition made in 2014. The long-term ambition is to be able to expand the company's product portfolio to include products for small and mid-size laboratories that are not included in the present target market. The company expects products to reach the market in 2018.

## Patent

CellaVision's innovations are protected by 23 (23) patented inventions, which at the close of the year had generated 57 (52) national patents. The earliest patent expires in 2016 and the latest in 2033. Most of the company's patents are in the technology fields of image analysis and precision mechanics.

## Product supply and manufacture

Manufacture of CellaVision's analyzers is carried out

by a contract manufacturer, Kitron, in Jönköping. All analyzers are transported to CellaVision in Lund for inspection and release before they are delivered to customers.

**Legal structure**

CellaVision is a Group consisting of the parent company CellaVision AB and the wholly-owned subsidiaries CellaVision Inc. (Durham, USA), CellaVision Canada Inc. (Toronto, Canada), CellaVision Japan K.K. (Yokohama, Japan) and CellaVision International AB. In China there is a market office established in cooperation with Business Sweden. The function of the subsidiaries is primarily market support to partners but some direct sales are made on selected markets, above all in the veterinary market.

**Employees**

The number of employees of the Group, restated as full-time positions, was 75 (72) at the year-end. Of these, 49 (44) were men and 26 (28) women. More information can be found in the “Corporate Social Responsibility” section on pages 19-21.

**Competition**

In the healthcare sector manual microscopy is the most common method for blood and body fluid analysis. The market for digital microscopy is still immature but is constantly growing, with CellaVision as the world-leading supplier. The commercial competition is limited to a few products and companies, all with restrictions in market approval and sales.

**Environment**

The company’s activities are not subject to licensing or reporting under Chapter 9, Section 6 of the Environmental Code (1998:808). CellaVision’s environmental work is described in the section on corporate social responsibility on pages 19-21.

**Significant events during the year**

*New CEO in January 2015*

Zlatko Rihter took over the role of CellaVision's President and CEO from January 1, 2015.

*CellaVision launched new software for the veterinary market CellaVision® Remote Review Software Vet.*

The new software, which is already on the human market, was launched on the veterinary market and enables remote examination independent of network performance.

*CellaVision AB received a follow-up order in the veterinary market worth more than SEK 30 million.*

CellaVision received a follow-up order for a veterinary medicine laboratory chain in the American market. The order was for equipment for the customer’s largest laboratories and was delivered before the end of the

year. The order value was more than SEK 30 million and was an addition to a business transaction started in the last quarter of 2014 to deliver equipment worth more than SEK 12 million. The market for CellaVision’s equipment in the veterinary medicine field is characterized by few but relatively sizable actors. In future CellaVision will continue to actively evaluate and address the veterinary medicine market segment.

*CellaVision revises its financial operating margin target from 15 percent to 20 percent over an economic cycle.*

CellaVision informed the market about a major follow-up order for an American veterinary laboratory chain worth more than SEK 30 million in 2015. At the same time it was reported that sales in the second quarter of 2015 would be somewhat lower than the very strong comparison quarter for 2014. In view of the above, the company decided to inform the market that CellaVision’s operating profit, EBIT, for the full year 2015, was expected to exceed SEK 65 million.

*CellaVision completed a new software generation, CellaVision® CDMS 6.0, and the update of the CellaVision® Remote Review Software.*

The software was launched and sales started in the first quarter of 2016 and strengthens CellaVision’s offer to the laboratory chains that are increasing in number and size both in the human healthcare market and the veterinary market (CellaVision® CDMS 6.0 Vet and CellaVision® Remote Review Software Vet.). Above all the software offers better database management and faster communication in large centralized networks, which is mainly demanded by large laboratory chains.

**The Group’s financial development**

*Seasonal variations*

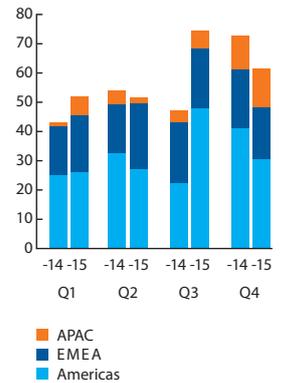
Like others in the medical devices industry selling capital equipment, CellaVision’s inflow of orders is unevenly distributed over the year, historically with a strong fourth quarter, depending on distributors’ sales, inventory levels and contracted volumes.

Consequently, the variation in order volume in individual quarters may be great in the different geographical regions. In 2015 variations between quarters were great, mainly in the Americas and APAC markets.

*Sales, performance and investments*

Sales in international markets are mainly in USD and EUR, which means that the company’s sales and earnings are impacted by changes in these currencies. The company hedges 50-90 percent of planned currency flows to compensate for any foreign exchange fluctuations. Net sales for the Group rose in 2015 to SEK 239.4 million (216.9), an increase of 10 percent compared with the previous year and a currency effect amounting to 12% of the net sales. The gross margin for the year was 73 percent (67). Positive currency effects of both the euro and the US dollar as well as

Sales per quarter and by geographical region 2014-2015, SEK million



a large veterinary orders had a major effect on sales. The Group's operating profit for the year rose to SEK 65.5 million (42.8). Total operating expenses for the year increased to SEK 108.8 million (102.3). In 2015 CellaVision conducted several development projects, aimed at strengthening the product portfolio in relation to customers in the field of hematology. The costs of research and development were SEK 27.1 million (22.8), excluding amortization of capitalized development costs, equivalent to 14 percent (11) of sales and 25 percent (22) of total operating expenses. Capitalized expenditure for development projects during the year amounted to SEK 8.6 million (12.3), which corresponds to 4 percent (6) of sales and 8 percent (12) of the total operating expenses. Net investments in property, plant and equipment amounted to SEK 0.6 million (1.4).

#### *Sales development in geographical markets*

In the Americas sales were SEK 131.2 million (121.1), an increase of 9 percent in SEK and a decrease of 6 percent in local currencies. Sales in EMEA were SEK 80.3 million (74.1), an increase of 9 percent in SEK and 1 percent in local currencies. In Asia and the Pacific region sales increase to SEK 27.8 million (21.7), an increase of 28 percent and 23 percent in local currencies.

#### **Liquidity and cash flow**

The funds at the disposal of the Group at the end of the year were SEK 106.7 million (51.9). The year's cash flow from operating activities was SEK 88.0 million (39.8). The total cash flow for the year was SEK 54.8 million (-6.0). The improvement from 2014 is primarily due to high sales in December last year, which gave a major impact on the previous year's working capital.

#### **Parent company**

Parent company sales during the year were SEK 227.8 million (207.0). Profit before tax was SEK 63.8 million (42.2). The parent company's investments in property, plant and equipment and intangible assets during the year amounted to SEK 10.2 million (13.5) and the cash flow was SEK 58.8 million (-9.8). In other respects, please refer to the information for the Group.

#### **Risks and risk management**

Changes in exchange rates and reduced demand due to increased competition or deterioration in the investment climate constitute factors of uncertainty but not material risks to CellaVision's operations. CellaVision is exposed to exchange rate fluctuations through its international operations and structure. The exposure mainly arises through costs in Swedish kronor against income in US dollars and euros. In the short term the effect of currency movements is dampened by forward cover. For a more detailed description of the operational and financial risks and uncertainties facing CellaVision, please refer to the risk analysis in Note 2.

#### **Significant events after year-end**

CellaVision launched a new software generation, CellaVision® CDMS 6.0 and an update of CellaVision® Remote Review.

#### **Outlook for 2016**

CellaVision's growth is driven by the growing rationalization requirements of healthcare and the veterinary market. The underlying demand for CellaVision's products is continually increasing and the company has a strong position in the market through a unique product offer and broad sales channels. After a strong close to 2015 CellaVision has confidence in the opportunities and potential that exists for further market penetration in all geographical regions. Via profitable growth CellaVision endeavors to achieve the company's financial targets of average growth in excess of 15 percent over an economic cycle and an operating margin of more than 20 percent.

#### **Proposed appropriation of profits**

The Board of Directors proposes to the 2016 Annual General Meeting (AGM) of Shareholders that a dividend of SEK 1.50 per share be distributed for 2015, an increase of SEK 0.50 from 2014 (1.00). CellaVision has decided not to announce a dividend policy for coming years, since the company is growing and still requires operational investments. A decision on share dividend will be made from year to year, based on the company's development and capital requirements for financing the company's intended growth.

#### **Statement by the Board of Directors concerning the proposed dividend**

In assessing the size of the dividend the Board of Directors has taken into account the Group's investment needs, consolidation needs and financial position in other respects, as well as the ability to develop in the future while retaining financial strength and maintaining sound freedom of action. After the proposed dividend the Group's equity/assets ratio and liquidity are satisfactory and mean that all the Group's companies can meet their commitments in the short and long term. The proposed dividend can thus be justified under the prudence concept stipulated in the Swedish Companies Act (2005:551), Chapter 17, Section 3, paragraphs 2-3.

#### **Appropriation of profits (SEK)**

##### **The following profits are at disposal at the AGM**

Profit brought forward	100 606 249
Net profit/loss for the year	52 006 917
<b>Total</b>	<b>152 613 166</b>

##### **The Board of Directors proposes the AGM the following.**

Dividend to shareholders SEK 1.5 per share	35 777 321
To be carried forward	116 835 845
<b>Total</b>	<b>152 613 166</b>

# Corporate governance report 2015

CellaVision is a Swedish public limited liability company with its registered office in Lund. Apart from the parent company, the Group consists of four wholly-owned subsidiaries in Sweden, the USA, Canada and Japan. The company's share is listed on the Nasdaq Stockholm exchange. CellaVision applies the Swedish Code of Corporate Governance (the Code) since its shares were admitted to trading in 2010 and reports no deviations from the Code for 2015.

The term corporate governance normally refers to the rules and structure built up to govern and direct a limited liability company in an effective and controlled manner. Governance and control of CellaVision is divided between the shareholders at the Annual General Meeting, the Board of Directors and the President/CEO, and is regulated in legislation (including the Companies Act), the Articles of Association, the Nasdaq Stockholm rule book for issuers and the Swedish Code of Corporate Governance.

The code is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

In addition to legal control and governance principles CellaVision is also influenced by several internal

policy documents, including instructions and rules of procedure for the President/CEO and Board of Directors, as well as internal policies and guidelines.

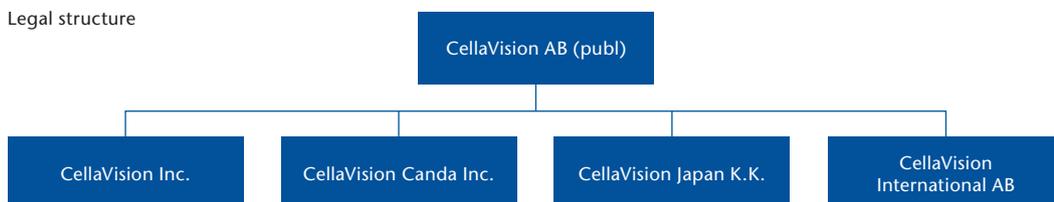
## Shareholding

The share capital on December 31, 2015 was SEK 3,577,732 distributed among 23,851,547 shares. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. CellaVision had 6,674 (3,566) shareholders on the closing date. Of these, one shareholder have direct and indirect holdings constituting more than ten percent of the votes and capital: Christer Fähræus directly and indirectly through family and company (10.1 %). No shares are held by the company itself. For further information about the CellaVision share and shareholders please refer to pages 22–23 and CellaVision's website.

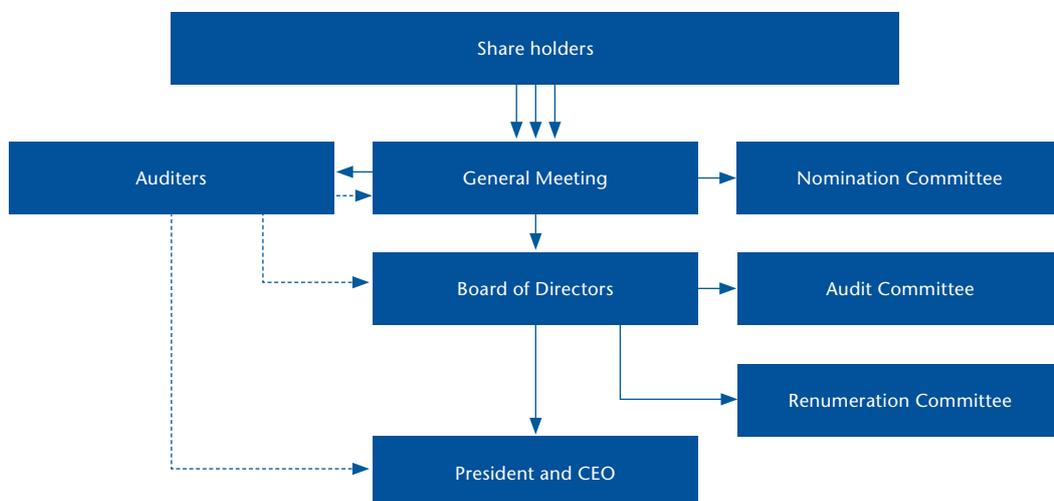
## Articles of Association

The Articles of Association of CellaVision stipulate that the company shall develop, market and sell pro-

## Legal structure



## Overall governance structure for CellaVision



CellaVision's operations are governed by a Board of Directors elected by the shareholders. This Board in turn exercises control over the company management. The administration of the Board of Directors and the President/CEO and financial reporting is examined by the external auditors elected by the Annual General Meeting.

ducts and systems for automated digital microscopy, specializing in software applications for the medical market. The registered office of the company is in Lund and the company's financial year is a calendar year. In other respects the Articles of Association contains provisions concerning the number of shares, number of board members and auditor and the Annual General Meeting. The Articles of Association contain no separate provisions concerning the appointment or removal of members of the Board or concerning amendments to the Articles of Association. The complete Articles of Association can be downloaded from [www.cellavision.se](http://www.cellavision.se).

### General Meeting of Shareholders

The highest decision-making body in CellaVision is the General Meeting, which is called at least once a year and among other things passes resolutions on the treatment of the company's balance sheet and income statement, discharge from liability of the Board of Directors and President/CEO, election of the Board of Directors and auditor, fees to the Board of Directors and auditor and appointment of the Nomination Committee. Amendments to the Articles of Association require a resolution by the General Meeting of Shareholders. In order to participate in resolutions a shareholder must attend the Meeting, in person or via a representative, and be entered under his or her own name in the register of shareholders and give notice of attendance to the company.

The Annual General Meeting of CellaVision is held in Lund during the first half of every year. In connection with the third quarterly report CellaVision's shareholders are informed of the time and place of the Annual General Meeting and of their right to bring a matter before the Meeting. A notice to attend the Annual General Meeting is published no earlier than six and no later than four weeks before the Meeting. An extraordinary general meeting may be held if the Board of Directors considers it necessary or if the company's auditors or shareholders holding at least 10 percent of the shares so request.

### Annual General Meeting 2015

CellaVision's Annual General Meeting (AGM) was held on May 6, 2015 at CellaVision's premises at Ideon in Lund. The Meeting was attended by 30 (21) shareholders, in person or through representatives. They represented about 18 (35) percent of the total votes. The Board of Directors, Nomination Committee and auditor of the company were present at the Meeting. Essentially, the following resolutions were passed:

- The parent company and consolidated income statements and balance sheets were adopted. It was further resolved that a dividend of SEK 1.00 per share will be distributed for the 2014 financial year.
- Discharge from liability of the members of the Board of Directors and the President.

- Re-election of Lars Gatenbeck, Christer Fähræus, Torbjörn Kronander, Anna Malm Bernsten, Roger Johanson Niklas Prager as members of the Board and new election of Åsa Hedin as member of the Board. Lars Gatenbeck was re-elected as Chairman of the Board of Directors. Re-election of Deloitte AB as auditor.

- Fee to the Board of Directors, presented in the table on page 29 and in Note 15 of the annual report.
- Guidelines for remuneration to senior management. A resolution was also passed concerning an incentive program for the company management.
- Principles for the Nomination Committee.

No authorizations for the Board of Directors to issue new shares or acquire own shares were resolved. The minutes of the AGM were presented on the website within a week of the Meeting. Material from the Meeting, such as the notice to attend, the minutes and information on the Nomination Committee is available to read on CellaVision's website. The full resolutions of the Meeting as above are available from the Company at the address Ideon Science Park in Lund and will be sent to any shareholder who so requests.

### The Nomination Committee

The main task of the Nomination Committee is to propose to the AGM the composition of the Board of Directors, which is then decided by the Annual General Meeting.

The work of the Nomination Committee starts by studying the evaluation of the work of the Board of Directors commissioned by the Board of Directors. The work of the Nomination Committee is characterized by transparency and discussion to achieve a well-balanced Board. The Nomination Committee then nominates members to the Board for the next term of office and submits proposals for remuneration to the Board of Directors and auditors.

#### *The Nomination Committee for the Annual General Meeting in 2016*

According to a resolution of the AGM in 2015, CellaVision's Nomination Committee for the 2016 AGM is to consist of the Chairman of the Board and one representative of each of the four largest shareholders in terms of voting rights at the end of September 2015. The composition of the Nomination Committee was announced on November 9 in connection with the interim report for January-September 2015. The members of the Nomination Committee and the shareholders who appointed them are presented in the table on the next page.

In 2015 the Nomination Committee held two meetings, as well as a number of email and telephone contacts. The Nomination Committee proposals are presented in the notice to attend the 2016 AGM and are also available on the company's website together

with an explanatory statement concerning the proposed Board.

The Nomination Committee for the AGM 2016

Name/Representative	Vote
Christer Fähræus with company's	10,1%
Bo Lundgren, Swedbank Robur funds	5.3%
Astrid Samulesson, Handelsbanken funds	4.4%
Joel Eklund, Eklund & Petersson AB	3.1%
<b>Total</b>	<b>29.9%</b>

### The Board of Directors

The Board of Directors and ultimately the President/CEO administers the affairs of the company on behalf of the shareholders. The Board of Directors appoints the President/CEO, who is responsible for the day-to-day management of the company. The division of duties and responsibilities between the Board of Directors and the President/CEO is clarified in the Board's Rules of Procedure and the Instructions to the President/CEO.

The Board of Directors is appointed by the shareholders at the Annual General Meeting with a term of office up to and including the next Annual General Meeting. The Board of Directors administers the company on behalf of the shareholders by establishing goals and strategy, evaluating the operative management and ensuring that there is an effective system for follow-up and control of the established goals. It is also the responsibility of the Board to ensure that the company's information provision is correct, relevant and reliable.

The Board of Directors forms a quorum when more than half of its members are present. Under CellaVision's Articles of Association the Board of Directors must consist of a minimum of three and a maximum

of nine members with a maximum of two alternates. The Board holds an inaugural meeting directly after the Annual General Meeting.

### Chairman of the Board

CellaVision's Board of Directors has been chaired since 2002 by Lars Gatenbeck. The Chairman of the Board is appointed by the AGM. The Chairman of the Board organizes and leads the work of the Board, ensures that the Board regularly develops its knowledge of the company, communicates shareholders' views to the Board and is a support to the President/CEO. The Chairman of the Board and the President/CEO prepare proposed agendas for the Board meetings. It is the responsibility of the Chairman of the Board to verify that the Board's decisions are effectively implemented and that the work of the Board is evaluated annually and that the Nomination Committee is informed of the results of this evaluation

### The Board's Rules of Procedure

The Board of Directors adopts rules of procedure for its work annually. The current rules of procedure were adopted on May 6, 2015. In addition to that, the Rules of Procedure are revised as necessary. The Rules of Procedure include a description of the responsibilities and duties of the Board, the duties of the Chairman of the Board, audit issues and specify the reports and financial information that the Board must receive before each ordinary Board meeting.

### CellaVision's Board of Directors 2015

As of the 2011 Annual General Meeting the Board of Directors consisted of seven members with no alternates. The 2015 AGM re-elected Christer Fähræus, Lars Gatenbeck, Torbjörn Kronander, Anna Malm Bernsten, Roger Johanson and Niklas Prager as members of the Board and elected Åsa Hedin as member of the Board. Lars Gatenbeck was re-elected as the Chairman of the Board. The members of the Board have great experience and competence in medicine

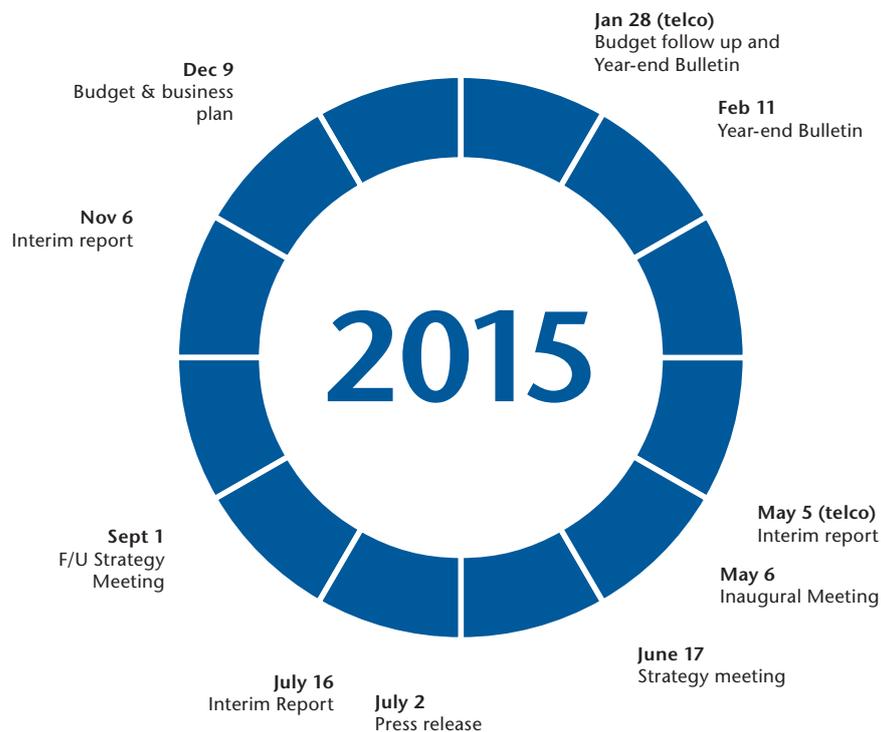
Attendance and remuneration to the Board in 2015

Name	Independence in relation to the company	Independence in relation to the company's major shareholder	Audit Committee	Remuneration Committee	Board fee SEK thousands	Attendance at Board meetings
Lars Gatenbeck	Yes	Yes	•	•	400	10/10
Christer Fähræus	Yes	No		•	200	10/10
Roger Johanson	Yes	Yes	•		200	8/10
Torbjörn Kronander	Yes	Yes			200	8/10
Anna Malm Bernsten	Yes	Yes		•	200	10/10
Niklas Prager	Yes	Yes	•		200	10/10
Åsa Hedin	Yes	Yes			200	4/7
<b>Total</b>					<b>1 600</b>	

- Committee member
- Committee chairman

A more detailed presentation of the members of the Board can be found on page 36 and on the company website, [www.cellavision.se](http://www.cellavision.se).

## Board meetings 2015



and technology as well as business and international operations. The composition of the Board complies with the requirements of the Code regarding independent members. The information that is to be provided under point 10.2 of the Code concerning members of the Board can be found on page 34.

#### Work of the Board in 2015

In 2015 CellaVision's Board of Directors held a total of eleven minuted meetings, five of which by telephone. Four of the meetings were held in connection with the approval of the year-end bulletin and the interim reports. On occasions when any member has been prevented from attending the Chairman of the Board has obtained views concerning the decision in advance. Important questions during the year included strategy, market assessments and material risks. The company's President/CEO and CFO participate regularly in the Board meetings. Other senior executives participate in the Board meetings as necessary. The company's auditor participated in the February Board meeting, when the year-end bulletin was approved. Eddie Juhlin and Ann Källsand, Members of the Swedish Bar Association, from Fredersen Advokatbyrå, acted as secretary at four Board meetings and one Board meeting respectively during the year.

#### Audit Committee

Risks concerning CellaVision's financial reporting are monitored and evaluated by the Board's Audit Committee, whose main task is to support the Board in quality assurance of the financial reporting. The Audit Committee has no decision-making authority,

it prepares and reports matters to the Board as a whole. The Audit Committee consists of three members who are all independent in relation to the company and its management as well as being independent in relation to the company's major shareholders: Lars Gatenbeck, Roger Johanson and Niklas Prager. Roger Johanson chairs the Committee. During the year the Committee met once. Questions dealt with are mainly internal control in the subsidiaries, risks, audit planning and governance and follow-up of operations. The company's auditor and CFO participate regularly at the Audit Committee meetings.

#### Remuneration Committee

The Board of Directors also has a Remuneration Committee, whose main task is to propose principles for remuneration and other conditions of employment for the President/CEO and other senior management in the Group. Ahead of each Annual General Meeting the Committee submits its proposals, in accordance with Chapter 8, Section 51 of the Swedish Companies Act.

In 2014 the Remuneration Committee consisted of members of the Board, Lars Gatenbeck, Christer Fåhraeus and Anna Malm Bernsten, who are all independent of the company and the company management. Lars Gatenbeck and Anna Malm Bernsten are also independent in relation to the company's major shareholders. Lars Gatenbeck chairs the Committee. During the year the Committee held three minuted meetings with full attendance, and had several telephone and email contacts. In addition to guidelines and principles of remuneration to the President/CEO and

other senior management during the year the Committee discussed the company's incentive program for the President/CEO, management and other staff.

### **President/CEO and Executive Group Management**

The President/CEO is appointed by and receives instructions from the Board of Directors. CellaVision's President/CEO in 2015, Zlatko Rihter, was responsible for the day-to-day management of the company in accordance with the Board's guidelines and directions. The current Instruction to the President/CEO was adopted by the Board on May 6, 2015. The President/CEO prepares information and decision-making data for the Board meetings and is presenter at the meetings. The Board of Directors continuously evaluates the work of the President/CEO through monitoring against goals set. Once a year a formal evaluation is made, which is discussed with the President/CEO.

#### *Composition of the management in 2015*

The President/CEO has appointed a management team to be responsible for various parts of CellaVision's business. In 2015 the Executive Group Management consisted of seven people besides the President/CEO:

- Chief Financial Officer (CFO)
- VP Operations & Quality
- VP Business Development
- VP Human Resources
- & Corporate Communications
- VP Global Sales (from September 14, 2015)
- VP Global Marketing (from September 1, 2015)
- VP Innovation & Engineering

All members of the Executive Group Management were at the company's head office in Lund, Sweden, apart from the VP Business Development who was at the subsidiary in the USA. The Executive Group Management holds minuted meetings at which operative issues are discussed. The Executive Group Management draws up a business plan annually, which is adopted by the Board. A more detailed presentation of the President/CEO and the management team can be found on page 35. The information on the President/CEO stipulated in item 10.2 of the Code can also be found there.

### **Auditor**

The administration of the Board of Directors and the President/CEO and financial reporting is examined by the external auditor elected by the Annual General Meeting. The auditor is proposed by the Nomination Committee and elected by the Meeting for one year. At the 2015 AGM Meeting Deloitte was re-elected as auditor up to and including the 2016 AGM.

The auditor in charge is authorized public accountant Maria Ekelund. The task of the auditor is to audit CellaVision's annual accounts, accounting records and the administration by the Board of Directors and President/CEO on behalf of the shareholders. Besides the annual audit, the auditor reviews at least one interim report per year. Remuneration to the auditor is payable in accordance with the approved invoice. For amounts please see Note 16.

### **Remuneration**

Salaries, remuneration and other benefits to the Board of Directors, President/CEO and other senior management are reported in Note 15 in the annual report. Remuneration to the Board of Directors can also be followed in the table on page 29.

#### *Guidelines for remuneration to senior management in 2015*

The 2015 AGM resolved to approve the Board's proposed guidelines for remuneration to senior management of CellaVision AB as follows: "The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, benefits in kind, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary. The fixed salary is to take account of the individual's areas of responsibility and experience and be reviewed annually. The distribution between the fixed salary and variable remuneration must be in proportion to the responsibility and authority of the person holding the position. The variable remuneration must always be subject to predetermined limits and be linked to predetermined and measurable performance criteria. The variable remuneration to the President/CEO must be based on individual targets established by the Board. These targets shall be linked to the company's overall targets including earnings, sales and/or cash flow. For other senior management variable remuneration is to be based on equivalent targets and targets within their own area of responsibility.

Pension conditions must be commercial in relation to market conditions applicable to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years. Severance pay for a member of the management can be payable in an amount equivalent to a maximum of 12 months' salary. The total of the fixed salary during the period of notice and severance pay may not exceed an amount equivalent to two years' fixed salary for the member of management. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors.

The Board of Directors may deviate from these guidelines if there are special grounds for this in an individual case.”

*Incentive program for senior management*

The AGM held on May 6, 2015 adopted the Board’s proposed incentive program for the company’s senior management in 2015/17, which is share-price based. Those eligible are the CEO and members of the management team. The financial targets set for 2015 were not achieved, therefore no outcome for the incentive program of 2015/2017 will be considered.

The resolution entails by and large a renewal of the incentive program previously applied in the company for 2011/2013, 2012/2014, 2013/2015 and 2014/2016. The resolution means that the company, provided profitability and sales targets set by the Board at the start of 2015 have been achieved, will set aside 3 monthly salaries for the CEO and 1.5 monthly salaries for other senior management participating in the incentive program in 2015.

The outcome depends on a comparison of the ratio between the company’s average share price and the Nasdaq Stockholm PI average for two different periods; Q4 2014 and Q4 2017. The ratio for Q4 2017 must exceed that for Q4 2014 by at least 30 percent to trigger any right to payment. Any payment will be made in 2018. An increase of a minimum of 30 percent but maximum of 50 percent, in the above ratio results in a bonus equivalent to 3 monthly salaries for the CEO and equivalent to 1.5 monthly salaries for other senior management. An increase of a minimum of 50 percent but maximum of 100 percent will result in a bonus of 4.5 monthly salaries for the CEO and 2.25 monthly salaries for other senior management. The outcome of the incentive program is maximized to an amount equivalent to 6 monthly salaries for the CEO and an amount equivalent to 3 monthly salaries for other senior management participating in the incentive program. The maximum amount will be payable if the increase in the ratio is at least 100 percent.

In order to participate in the incentive program for the period 2015/2017, the member of senior management must have been employed for six months on December 31, 2015 and his/her employment contract on the same date may not be under notice of termination. The Board of Directors determines the profitability and sales targets applicable to the program, the individual members of senior management in the group CEO and management team who are eligible to participate in the program, and decide whether the conditions that confer the right to payment of bonus under the incentive program for an individual member of senior management have been met.

For maximum outcome the company’s costs for the program are estimated to be SEK 2.8 million (excluding social security contributions), based on participa-

tion of eight members of senior management in the program.

*Incentive program for staff*

The share-price based program in 2013-2015 included, apart from senior management, other employees of the company.

Moreover, the Board approved an incentive program for staff in 2015 that runs for the current year, January 1, 2015 to December 31, 2015. Eligible staff are those who are not senior management and who consequently are not eligible for the incentive scheme for senior management resolved by the 2015 AGM.

The decision means that the employee will receive 0.5 of a monthly salary in the case of maximum outcome. The size of the share depends on the company’s performance and sales in 2015. To participate in the incentive program the employee must have been employed for at least six months in 2015 and be employed on December 31, 2015. The program for 2015 did not achieve the profitability and sales targets set up and therefore there was no cost to the company for the outcome of the bonus program to staff.

*Proposal for guidelines for remuneration to senior management 2015*

The Board of Directors proposes the following guidelines for remuneration to senior management in 2016, as in last year’s proposal:

“The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, benefits in kind, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual’s target salary.

The fixed salary is to take account of the individual’s areas of responsibility and experience and be reviewed annually. The distribution between the fixed salary and variable remuneration must be in proportion to the responsibility and authority of the person holding the position. The variable remuneration must always be subject to predetermined limits and be linked to predetermined and measurable performance criteria. The variable remuneration to the President/CEO must be based on individual targets established by the Board. These targets shall be linked to the company’s overall targets including earnings, sales and/or cash flow. For other senior management variable remuneration is to be based on equivalent targets and targets within their own area of responsibility.

Pension conditions must be commercial in relation to market conditions applicable to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years.

Severance pay for a member of the management can be payable in an amount equivalent to a maximum of

12 months' salary. The total of the fixed salary during the period of notice and severance pay may not exceed an amount equivalent to two years' fixed salary for the member of management. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors.

The Board of Directors may deviate from these guidelines if there are special grounds for this in an individual case."

The Board of Directors also proposes to the General Meeting that the incentive program for senior management that previously applied in CellaVision during the periods 2012-2014, 2013-2015 and 2014-2016, 2015-2017 be continued.

### **The Board's report on internal control and risk management referring to financial reporting**

This report on internal control referring to financial reporting is submitted by the Board of CellaVision and has been drawn up in accordance with the Swedish Code of Corporate Governance.

#### *Background*

Under the Companies Act and the Swedish Code of Corporate Governance the Board is responsible for internal control.

#### *Control environment*

The basis of internal control is the overall control environment. A good control environment builds on an organization with clear decision lines where responsibility and authority is clearly defined. In CellaVision there are policies, guidelines and process descriptions for the different parts of the business flow from transaction management to bookkeeping and preparing external reports. In the company's financial and accounting manual, Administrative Guidelines, which is updated annually, these process descriptions are presented in all essentials.

#### *Risk assessment*

The Board and Audit Committee are responsible for identifying and managing all material financial risks and risks of misstatements in the external reporting. The Audit Committee evaluates the risk management requirements annually and draws up written principles both for overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk and investment of surplus liquidity. These principles are then adopted by the Board.

#### *Control activities*

The main purpose of control activities is to prevent and discover errors as soon as possible in order to rectify any deficiencies. Procedures and activities have been designed to discover and deal with the most material risks related to financial reporting. Group

companies are followed up by the CEO and CFO through regular reports and personal meetings with the management of the respective subsidiary. The Board receives monthly reports in which the CEO and CFO give an account of the past period regarding the Group's and each respective business area's results and financial position. The work on monthly closings and annual accounts is well-defined and reporting is in accordance with standardized reporting templates including comments regarding all material income and balance sheet items. There are CFOs and controllers with functional responsibility for accounting, reporting and analysis at both parent company and subsidiaries. In this way the company's financial reports are checked several times, which reduces the risk of error.

At present neither the size of the company nor its risk exposure warrant a separate internal audit function. The Board assesses that with the procedures in place for follow-up and control there is currently no necessity for this.

#### *Information and communication*

CellaVision's procedures and systems for provision of information are aimed at supplying the market with relevant, reliable, correct and current information about the company's development and financial position. The Board has adopted an information policy that specifies what is to be communicated, by whom and in what way the information is to be published, to ensure that external information is correct and complete. Financial information is published regularly in the form of interim reports, annual report and press releases on price-sensitive news. The material is published in Swedish and English on the company's website.

#### *Follow up*

Compliance and effectiveness of internal controls are followed up regularly. The company's financial situation and strategy regarding its financial position is dealt with at each Board meeting, when the Board receives detailed monthly reports regarding the financial position and development of operations. Each interim report is analyzed by the Audit Committee, discussed with the CFO and then approved by the Board before publication.

#### *Activities 2015*

CellaVision works constantly to minimize risks by removing superfluous manual steps from the company's processes.

# Board of Directors and Auditors



## LARS GATENBECK

Elected 2000. Chairman since 2002.  
Year of birth: 1956.

### Other directorships

Chairman of Life Equity Group AB. Former positions include Director of Karolinska University Hospital and management positions within the pharmaceutical and biotechnology industry. Chairman of the Board of Life Equity Group Holding AB, Life Medical Sweden AB and Memira Holding AB. Member of the Board of Dataflow Group, Christian Berners Tech Trade AB, Cancerföreningen and Stiftelsen Silviahemmet.

Senior Advisor i Econ Healthcare PTE Ltd, Industrifonden, EQT and Principal in Gustav V:s Jubileumsfond.

### Education

M.D, Ph.D.

**CellaVision shares**  
7,438.



## CHRISTER FÅHRÆUS

Founder of CellaVision. Member of the board since 1994.  
Year of birth: 1965

### Other directorships

CellaVision's founder and CEO until June 1998. CEO of EQL Pharma AB. Former positions include CEO of Anoto Group AB and Agellis Group AB. Founder of Anoto Group AB, Precise Biometrics AB, Agellis Group AB and Flatfrog Laboratories AB among others.

Chairman of the Board of Longboat Laboratories of, Respiratorius AB and Flatfrog Laboratories AB. Member of the Board of EQL Pharma AB, Lunds universitets innovationssystem AB, Fårö Capital AB, Reccan AB.

### Education

M.Sc. Bioengineering, B.Sc. Mathematics, Ph.D. (hc).

**CellaVision shares**  
2,400,000 (incl. companies)..



## ROGER JOHANSON

Elected 2011.  
Year of birth: 1959.

### Other directorships

Head of Venture Capital & Direct Investments at Skandia Liv.

Former positions include CEO and President at Medicarb AB and management positions at DAKO A/S and Becton Dickinson AB.

Member of the Board of Diligentia AB and SVCA.

### Education

M.Sc. Chemical Engineering.

**CellaVision shares**  
3,000.



## TORBJÖRN KRONANDER

Elected 2007.  
Year of birth: 1957.

### Other directorships

President and CEO of Sectra AB. Founder of Sectras' medical division and cofounder of the research center, CMIV (Center for Medical Image science and Visualization) in Linköping.

Member of the Board of Sectra AB and Shannon AB.

### Education

Doctor of Technology, MBA.

**CellaVision shares**  
278,000.



## ANNA MALM BERNSTEN

Elected 2010.  
Year of birth: 1961.

### Other directorships

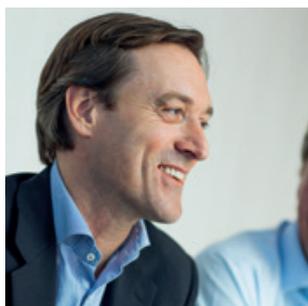
CEO of Bernsten Konsult AB. Former positions include President and CEO of Carmeda AB and management positions at Pharmacia & Upjohn and GE Healthcare Life Sciences.

Chairman of the Board of Oatly AB, Member of the Board of Medivir AB, NeuroVive Pharmaceutical AB, Acram AB, Pågen-gruppen and Björn Axén Institute AB.

### Education

M.Sc. Chemical Engineering.

**CellaVision shares**  
-



## NIKLAS PRAGER

Elected 2014.  
Year of birth 1970

### Other directorships

President and CEO of Medivir AB.

Former position as CEO of Envirotainer AB, Qbtech AB and Pfizer AB.

Member of the Board of Qbtech AB and eGain International AB

**Educations**  
MBA

**CellaVision shares**  
1,800



## ÅSA HEDIN

Elected 2015.  
Year of birth: 1962.

### Other directorships

Member of the Board of Nolato AB, Svenska Rymdarktiebolaget and Tobii AB.

Former leading positions at Elekta AB being responsible for strategy, marketing and training, moreover leading positions at Siemens Healthcare and Gambro

### Education

MBA.

**CellaVision shares**  
-

## AUDITOR

### MARIA EKELUND

Authorised Public Accountant, Deloitte AB.  
Auditor of CellaVision since 2013.

# Management



## ZLATKO RIHTER

President and CEO.  
Employed in 2015.  
Year of birth: 1970.

### Previous experience

Has more than 17 years of experience from the medtech industry, holding leading positions at Gambro and Arjo-Huntleigh. His most recent position was as Executive Vice President at Origio A/S.

Member of the Board of ETAC AB.

### Education

M.Sc. Mechanical Engineering,  
Economics.

### CellaVision shares

70 000.



## MAGNUS BLIXT

CFO.  
Employed in 2013.  
Year of birth: 1966.

### Previous experience

Has extensive experience of developing small and medium sized companies focusing on business performance and process improvements, within the SKF Group and Rotaform AB among others. He most recently held the position as Business Demand Manager at SKF AB.

### Education

MBA.

### CellaVision shares

4 000



## PETER WILSON

VP Global Marketing.  
Employed: 2000.  
Year of birth: 1967

### Previous experience

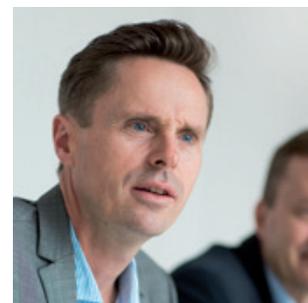
Many years experience of global launching of new technologies and new products. Former positions include Foss, among others. Peter Wilson was head of CellaVisions subsidiary in North America in the years 2012-2014.

### Education

M.Sc. Chemistry.

### CellaVision shares

6 000



## MATTIAS LUNDIN

VP Global Sales.  
Employed: 2015.  
Year of birth: 1968

### Previous experience

Many years experience from the medtech industry, holding leading positions in sales and marketing. His most recent position was as VP Commercial for international and mature markets at ArjoHuntleigh, a company within Getinge group.

### Education

Diploma in Business Administration & Marketing Management.

### CellaVision shares

900



## GÖRAN GRANQVIST

VP Operations & Quality.  
Employed in 2013.  
Year of birth: 1965.

### Previous experience

Has broad experience in quality work including positions at Gambro, the nuclear industry and the defense industry. His most recent position was Manager Quality Assurance & Validation at ÄF.

### Education

Technical college graduate.

### CellaVision shares

–



## ADAM MORELL

VP Innovation & Engineering.  
Employed in: 2001-2003, 2006.  
Year of birth: 1976.

### Previous experience

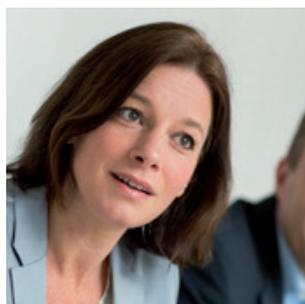
Many years experience as R&D Manager at CellaVision. Adam has extensive expertise in the field of digital imaging and has been a co-inventor on several patents.

### Education

M.Sc. Engineering Physics, Lic. of Engineering Mathematics,  
B.Sc. Medicine

### CellaVision shares

–



## MARIA MORIN

VP HR & Corporate Communications.  
Employed in 2009.  
Year of birth: 1974.

### Previous experience

Has extensive experience from various positions and companies within the field of human resources. Her most recent position was at Gambro AB.

### Education

B.Sc. Economics and Business Administration and  
B.Sc. Human Resources

### CellaVision shares

–

# Consolidated statement of comprehensive income, Group

SEK thousands	Note	2015	2014
Net sales	8	239,390	216,916
Cost of goods sold	18	-65,157	-71,814
<b>Gross profit</b>		<b>174,233</b>	<b>145,102</b>
Selling expenses		-47,851	-42,691
Administrative expenses		-33,788	-36,833
Research and development expenditure		-27,124	-22,765
<b>Operating profit/loss</b>	<b>10,13,14,15, 16,17,18,24,25</b>	<b>65,470</b>	<b>42,813</b>
<b>Profit/loss from financial items</b>			
Interest income and other financial gains	21	2,008	1,090
Interest expense and other financial losses	22	-1,925	-534
<b>Profit/loss before tax</b>		<b>65,553</b>	<b>43,369</b>
Income tax	23	-12,731	-11,904
<b>Net profit for the year</b>		<b>52,822</b>	<b>31,465</b>
<i>Other comprehensive income:</i>			
Components not to be reclassified to net profit:		-	-
Components to be reclassified to net profit:			
<i>a) Cash flow hedges</i>			
Reclassified to operating profit		3,753	207
Revaluation of financial assets		249	-3,726
Tax effect on cash flow hedges		-828	774
<i>b) Translation differences</i>			
Exchange rate differences on translation of subsidiaries		78	1,986
Total components to be reclassified to net profit:		3,252	-759
Total other comprehensive income for the year		3,252	-759
<b>Total comprehensive income for the year</b>		<b>56,074</b>	<b>30,706</b>
Earnings per share (SEK)		2.22	1.32
Earnings per share after dilution (SEK)		2.22	1.32
Number of shares in issue (thousands)		23,852	23,852
Average number of shares in issue (thousands)		23,852	23,852
Net profit for the year is in total attributable to the parent company's shareholders			
Total comprehensive income for the year is in total attributable to the parent company's shareholders			

# Consolidated statement of financial position, Group

SEK thousands	Note	2015	2014
<b>ASSETS</b>	<b>1</b>		
<i>Non-current assets</i>			
Capitalised expenditure for development	9, 24	29,400	27,224
Equipment	9, 25	2,652	3,203
Deferred tax assets	23	9,902	22,507
Deposits	27	1,195	526
<b>Total non-current assets</b>		<b>43,149</b>	<b>53,460</b>
<b>Current assets</b>			
Inventories	26	24,624	25,129
<i>Current receivables</i>			
Trade receivables	29	35,498	60,531
Current tax receivables		2,297	3,339
Other receivables		4,173	4,859
Prepayments and accrued income	30	3,992	3,026
<b>Total current receivables</b>		<b>45,960</b>	<b>71,755</b>
Cash and cash equivalents	1	106,695	51,905
<b>Total current assets</b>		<b>177,279</b>	<b>148,789</b>
<b>TOTAL ASSETS</b>		<b>220,428</b>	<b>202,249</b>
<b>EQUITY AND LIABILITIES</b>	<b>1</b>		
<i>Shareholders' equity</i>			
Share capital	31	3,578	3,578
Other contributed capital		10,800	10,800
Reserves		3,059	-193
Accumulated profit/loss including profit for the year		166,081	137,111
<b>Total equity attributable to the parent company's shareholders</b>		<b>183,518</b>	<b>151,296</b>
<i>Current liabilities</i>			
Trade payables		7,338	12,297
Warranty provisions	32	1,110	4,248
Other current liabilities		1,136	4,829
Accrued expenses and deferred income	33	27,326	29,579
<b>Total current liabilities</b>		<b>36,910</b>	<b>50,953</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>220,428</b>	<b>202,249</b>
Pledged assets	34	12,500	12,500
Contingent liabilities	34	None	None

# Consolidated statement of cash flows, Group

SEK thousands	Note	2015	2014
Operating activities	1		
Profit/loss before tax		65,553	43,369
Paid tax		-957	-559
Adjustments for non-cash items	35	4,080	18,942
<b>Cash flow from operating activities before changes in working capital</b>		<b>68,676</b>	<b>61,752</b>
Change in inventories		517	-8,121
Change in operating receivables		25,665	-18,049
Change in operating liabilities		-6,861	4,202
<b>Cash flow from changes in working capital</b>		<b>19,321</b>	<b>-21,968</b>
<b>Cash flow from operating activities</b>		<b>87,997</b>	<b>39,784</b>
<i>Investing activities</i>			
Capitalisation of development expenditure and technology acquisition		-8,593	-12,292
Purchases of property, plant and equipment		-605	-1,446
Acquisition of non-current financial assets		-157	-119
<b>Cash flow from investing activities</b>		<b>-9,355</b>	<b>-13,857</b>
<i>Financing activities</i>			
Loans repaid		-	-19,978
Dividend		-23,852	-11,926
<b>Cash flow from financing activities</b>		<b>-23,852</b>	<b>-31,904</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>54,790</b>	<b>-5,977</b>
Cash and cash equivalents (opening balance)		51,905	57,882
Cash and cash equivalents (closing balance)		106,695	51,905
Supplementary disclosures, cash flow statement			
Interest received during the year		4	328
Interest paid during the year		-10	-534
Exchange rate difference on cash and cash equivalents		89	1,003

# Consolidated statement of changes in equity, Group

SEK thousands, Note 1	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings	Total shareholders' equity
Opening balance at 1 January 2014	3,578	10,800	872	-306	117,572	132,516
<i>Comprehensive Income</i>						
Net profit for the year					31,465	31,465
<i>Other Comprehensive Income</i>						
Cash flow hedges, after tax				-2,745		-2,137
Exchange rate differences, after tax			1,986			1,986
<b>Total Other Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>1,986</b>	<b>-2,745</b>	<b>0</b>	<b>-759</b>
<b>Total Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>1,986</b>	<b>-2,745</b>	<b>31,465</b>	<b>30,706</b>
Dividend to Parent Company's shareholders					-11,926	-11,926
<b>Closing Balance at 31 December 2014</b>	<b>3,578</b>	<b>10,800</b>	<b>2,858</b>	<b>-3,051</b>	<b>137,111</b>	<b>151,296</b>
Opening balance at 1 January 2015	3,578	10,800	2,858	-3,051	137,111	151,296
<i>Comprehensive Income</i>						
Net profit for the year					52,822	52,822
<i>Other Comprehensive Income</i>						
Cash flow hedges, after tax				3,174		3,174
Exchange rate differences, after tax			78			78
<b>Total Other Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>78</b>	<b>3,174</b>	<b>0</b>	<b>3,252</b>
<b>Total Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>78</b>	<b>3,174</b>	<b>52,822</b>	<b>56,074</b>
Dividend to Parent Company's shareholders					-23,852	-23,852
<b>Closing Balance at 31 December 2015</b>	<b>3,578</b>	<b>10,800</b>	<b>2,936</b>	<b>123</b>	<b>166,081</b>	<b>183,518</b>

# Income statements, Parent company

SEK thousands	Note	2015	2014
Net sales	8, 11	227,839	207,041
Cost of goods sold	19	-81,303	-81,184
<b>Gross profit</b>		<b>146,536</b>	<b>125,857</b>
Selling expenses		-22,033	-24,745
Administrative expenses		-33,783	-35,133
Research and development expenditure		-27,124	-22,765
<b>Operating profit/loss</b>	<b>11,13,14,15, 16,17,19,24,25</b>	<b>63,596</b>	<b>43,214</b>
PROFIT/LOSS FROM FINANCIAL ITEMS			
Write down of intragroup loans	20	-	-1,700
Interest income and other financial gains	21	1,990	998
Interest expense and other financial losses	22	-1,804	-355
<b>Profit/loss before tax</b>		<b>63,782</b>	<b>42,157</b>
Income tax	23	-11,775	-11,308
<b>Net profit for the year</b>		<b>52,007</b>	<b>30,849</b>
<i>Statement of Comprehensive Income</i>			
<b>Net profit for the year</b>		<b>52,007</b>	<b>30,849</b>
Other comprehensive income		-	-
<b>Sum of other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>52,007</b>	<b>30,849</b>

# Balance sheets, Parent company

SEK thousands	Note	2015	2014
<b>ASSETS</b>	<b>1</b>		
<b>Non-current assets</b>			
Capitalised expenditure for development	24	29,400	27,224
Equipment	25	1,756	1,829
Shares in subsidiaries	28	106	106
Deferred tax assets	23	9,880	21,655
Deposits		1,083	318
<b>Total non-current assets</b>		<b>42,225</b>	<b>51,132</b>
<b>Current assets</b>			
Inventories		21,352	21,748
<i>Current receivables</i>			
Trade receivables	29	30,417	56,219
Receivables from group companies		2,478	9,241
Current tax receivables		2,297	2,199
Other receivables		3,924	4,766
Prepayments and accred income	30	2,551	2,439
<b>Total current receivables</b>		<b>41,667</b>	<b>74,864</b>
Cash and bank balances	1	99,782	41,028
<b>Total current assets</b>		<b>162,801</b>	<b>137,640</b>
<b>TOTAL ASSETS</b>		<b>205,026</b>	<b>188,772</b>
<b>EQUITY AND LIABILITIES</b>	<b>1</b>		
<b>Shareholders' equity</b>			
<i>Restricted equity</i>			
Share capital (23 851 547 shares, quota value 0,15 kr)	31	3,578	3,578
Statutory reserve		10,780	10,780
Non-restricted equity			
Profit brought forward		100,606	93,609
Net profit for the year		52,007	30,849
<b>Total shareholders' equity</b>		<b>166,971</b>	<b>138,816</b>
<i>Provisions</i>			
Warranty provisions		1,110	4,248
<b>Total provisions</b>		<b>1,110</b>	<b>4,248</b>
<i>Current liabilities</i>			
Trade payables		7,138	12,246
Liabilities to group companies		6,751	9,422
Other current liabilities		886	785
Accrued expenses and deferred income	33	22,170	23,255
<b>Total current liabilities</b>		<b>36,945</b>	<b>45,708</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>205,026</b>	<b>188,772</b>
Pledged assets	34	12,500	12,500
Contingent liabilities	34	None	None

# Cash flow statement, Parent company

SEK thousands	Note	2015	2014
<i>Operating activities</i>			
Profit/loss before tax	7	63,782	42,157
Paid tax			-
Adjustments for non-cash items	35	2,969	21,112
<b>Cash flow from operating activities before changes in working capital</b>		<b>66,751</b>	<b>63,269</b>
<i>Changes in working capital</i>			
Change in inventories		396	-7,378
Change in operating receivables		33,309	-23,839
Change in operating liabilities		-7,678	3,551
<b>Cash flow from changes in working capital</b>		<b>26,027</b>	<b>-27,666</b>
<b>Cash flow from operating activities</b>		<b>92,778</b>	<b>35,603</b>
<i>Investing activities</i>			
Capitalisation of development expenditure and technology acquisitions		-8,592	-12,292
Purchases of property, plant and equipment		-1,580	-1,164
<b>Cash flow from investing activities</b>		<b>-10,172</b>	<b>-13,456</b>
<i>Financing activities</i>			
Loans repaid			-19,978
Dividend		-23,852	-11,926
<b>Cash flow from financing activities</b>		<b>-23,852</b>	<b>-31,904</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>58,754</b>	<b>-9,757</b>
Cash and cash equivalents (opening balance)		41,028	50,785
Cash and cash equivalents (closing balance)		99,782	41,028
<i>Supplementary disclosures, cash flow statement</i>			
Interest received during the year		3	140
Interest paid during the year		-10	-355

# Statement of change in equity, Parent company

SEK thousands, Note 1	Share capital	Other contributed capital	Retained earnings	Totashareholders' equity
Opening balance at 1 January 2014	3 578	10 780	105 534	119 892
Net profit for the year			30 849	30 849
<i>Other Comprehensive Income</i>				
Other Comprehensive Income			-	-
<b>Total Other Comprehensive Income</b>			<b>0</b>	<b>0</b>
<b>Total Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>30 849</b>	<b>30 849</b>
Dividend to Parent Company's shareholders			-11 925	-11 925
<b>Closing Balance at 31 December 2014</b>	<b>3 578</b>	<b>10 780</b>	<b>124 458</b>	<b>138 816</b>
Opening balance at 1 January 2015	3 578	10 780	124 458	138 816
Net profit for the year			52 007	52 007
<i>Other Comprehensive Income</i>				
Other Comprehensive Income			-	-
<b>Total Other Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>52 007</b>	<b>52 007</b>
Dividend to Parent Company's shareholders			-23 852	-23 852
<b>Closing Balance at 31 December 2015</b>	<b>3 578</b>	<b>10 780</b>	<b>152 613</b>	<b>166 971</b>

# Notes

## Note 1. General information, accounting policies and valuation principles

### Accounting policies

CellaVision AB's consolidated accounts were prepared in accordance with the Annual Accounts Act (ÅRL), International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee approved for use within the EU. The Swedish Financial Reporting Board recommendation RFR 1 "Supplementary accounting rules for groups" has also been applied. The parent company annual accounts were prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 "Accounting for legal entities". The consolidated and annual accounts are stated in SEK thousands and refer to the period 1 January-31 December for income statement related items and December 31 for balance sheet-related items. Assets and liabilities are recorded in accordance with the historical cost method with the exception of certain financial assets recorded at fair value through profit or loss.

#### *New and amended standards and interpretations in 2015*

New and amended standards and improvements that came into force in 2015 have not had any impact on the Group's financial reporting for the financial year. A number of new interpretations and amendments were also issued by IFRIC. These amendments and interpretations have not had any impact on the Group's financial reporting in 2015.

#### *New and amended standards and interpretations not yet in force*

The International Accounting Standards Board (IASB) has issued a number of new and amended standards which have not yet come into force. None of these have been applied in advance. A description is given below of new and amended standards and interpretations that are considered to have an impact on the Group's financial reporting in the period they are applied for the first time. IFRS 15 Revenue from contracts with customers will come into force no earlier than financial years starting on January 1, 2018. Consequently no investigation has been made into its expected impact on the Group. IFRS 9 Financial instruments will come into force no earlier than financial years starting on January 1, 2018. Consequently no investigation has been made into its expected impact on the Group. The company management considers that other new and amended standards and interpretations, which have not yet come into force, will not have any material impact on the Group's financial reports in the period they are applied for the first time.

### Group accounting policies

#### *Consolidated accounts*

CellaVision AB is a Swedish public limited liability company with its registered office at Ideon Science Park in Lund. The consolidated accounts include the parent company CellaVision AB and the wholly owned subsidiaries CellaVision Inc., USA, CellaVision Canada Inc., CellaVision Japan K.K. and CellaVision International AB. The consolidated accounts were prepared in accordance with the acquisition accounting method. This means that consolidated subsidiaries' identifiable assets, liabilities and contingent liabilities are recognised at fair value at the time of acquisition. If the cost of acquisition exceeds net assets recorded as above, the difference constitutes goodwill. Internal invoicing and internal financial dealings within the Group are eliminated in the consolidated accounts.

#### *Translation of foreign operations*

The functional currency is determined for each foreign operation. The foreign subsidiaries which have a functional currency different from CellaVision's functional currency, which is Swedish kronor, are translated at the closing day rate for all balance sheet items and at the average rate for income statement items. The translation differences thereby arising are an effect partly of the net profit/loss being translated at different rates in the income statement and balance sheet respectively, and partly of the net assets being translated at a different rate at the end of the year than at the beginning of the year. Translation differences are reported in "Other comprehensive income". For other exchange rate differences please see under the heading "Exchange rate gains and losses".

#### *Revenue recognition*

For sales of instruments and/or software the revenue includes both the instrument and/or the software, and the possible right to future software updates. The entire revenue referring to the system, instrument plus updates, is recognised when the significant risks and rewards associated with the instrument are transferred to the customer, which normally coincides with delivery to the customer. For services to end consumers the revenue constitutes payment for servicing the instrument. This revenue is accrued over the period of the service agreement. This may refer to one occasion or run for a longer period of time. For software upgrades (new functions, technology or applications) to end consumers the revenue constitutes payment for software

upgrades and is recognized at the time of delivery or distribution of a license key. Interest income is recognized on a time-proportion basis using the effective interest method. Effective interest is the interest rate that makes the present value of the total future cash flows during the interest rate fixing period equal to the carrying amount of the receivable.

#### *Operating segments*

An operating segment is a part of an entity that conducts business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker, and for which discrete financial information is available. The entity's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function, who is assessing the performance of the operating segments and allocating resources. The entity's assessment is that the group executive board is the chief operating decision-maker. CellaVision's business operations comprise one operating segment; automated microscopy systems in the field of hematology, and refers to the income statement and balance sheet for reporting of operating segments.

#### *Expenditure on research and development*

Research expenditure is expensed as it is incurred. Expenditure for development of future products is expensed up to and including the prototype stage. Expenditure thereafter and until commercialisation is capitalised, to the extent it is probable that the product will be commercially viable. Expenditure for developing already existing applications and hardware platforms is expensed as it arises. In order to handle this effectively, the company applies a project accounting system in which all research and development expenditure is allocated to projects. Examples of such expenditure are:

- Goods and materials
- Consultant fees for conception and design
- Salaries and payroll overheads

Depreciation on equipment and computer equipment is not capitalised. Financial year borrowing costs for qualified assets for newly started projects are capitalised. Since the company did not incur any borrowing costs no such costs have been capitalized. The financial costs undertaken by the company do not refer to development activities and their costs.

#### *Exchange rate gains and losses*

Realised and unrealised exchange rate differences attributable to operating costs and transactions are reported among other operating income or expenses. Exchange rate differences referring to short-term and long-term financial transactions are recorded as financial items.

#### *Leases*

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset from the lessor to the lessee. Leases that are not finance leases are classified as operating leases. Assets held under a finance lease are recognized at the beginning of the lease term at their fair value or, if lower, at the present value of the minimum lease payments. The liability of the lessee in relation to the lessor is recognized in the balance sheet. Lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to periods over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Group does not hold any finance leases as at the balance sheet date. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The operating leases refer mainly to premises, vehicles, computers and some office equipment.

#### *Employee benefits*

Employee benefits in the form of salaries, bonus, paid holiday, paid sick leave etc., as well as pensions, are recognized as they are earned. In regards to pensions and other post-employment benefits, they are classified as defined contribution or defined benefit pension plans.

#### *Pensions*

All employees of the Parent Company are covered by the ITP plan administered by Alecta, apart from staff employed before 1 May 1999. These employees are covered by "alternative ITP", where the employees themselves may choose the insurer. These have the same amounts at their disposal as if they had been part of the ITP plan. Employees with an income in excess of 10 price base amounts are offered "tenfold earners" solutions. This means that they can choose the insurer for a part of the ITP contribution. Both these solutions are classified and reported as defined contribution plans. The ITP plan administered by Alecta is a defined benefit pension plan. However, in accordance with a statement by the Swedish Financial Reporting Board (UFR 10), this plan is reported as a defined contribution plan as Alecta cannot produce sufficient information for reporting it as a defined benefit plan. For further

information please refer to the note on employee benefits. The Group's American employees are covered by a 401K plan, which is a defined contribution plan. All pension commitments have been taken over by insurance companies and thus all pension plans are reported as defined contribution plans and pension premiums are recognized as expenses in the period in which the employees render the related services.

#### *Share-price related remuneration*

The Group has a share-price related incentive program in which settlement will be in cash. The outcome of the program is dependent on a comparison between the company's share price and the NASDAQ OMX general index over the duration of the program. Any remuneration will be paid in the year after the program expires. At the close of each reporting period the company will review the fair value of the liability including social security costs. A change in the liability equivalent to the earnings at the close of each reporting period will be reported in the income statement. The following programs have been approved and refer to:

#### *Duration Refers to*

2013–2015	Executive Group Mgmt and other personnel
2014–2016	Executive Group Mgmt and other personnel
2015–2017	Executive Group Mgmt and other personnel

Apart from the share-price related program, the Group has a bonus program covering all employees in which any payment is made the year after the vesting period. At the close of each reporting period the company evaluates the debt including provision for social security contributions. The debt corresponding to the incremental amount at the close of each reporting period is recognized in the income statement.

#### *Income taxes*

Income tax recognized in revenue includes tax to be paid or received for the current year, adjustments of previous years' current tax and changes in deferred tax. The valuation of all tax liabilities/assets is at nominal amounts and is done in accordance with the tax regulations and tax rates that have been adopted. Deferred tax is estimated in accordance with the balance sheet method on all temporary differences existing between the reported and tax base values for assets and liabilities. Deferred tax assets referring to loss carry forwards or other future tax-related deductions are only reported to the extent that it is probable that they can be applied in the future.

#### *Intangible assets*

Intangible assets consist of capitalized expenditure for development that is recorded at cost of acquisition less accumulated amortization. Development expenditure recognized as an asset is amortized over the estimated useful life of five years. CellaVision's products are replaced by new models at intervals of about five years. Amortization is started on market introduction of the respective product.

An intangible asset is removed from the statement of financial position on retirement or disposal or when no future economic benefit is expected from the use or retirement/disposal of the asset. The gain or loss arising when an intangible asset is removed from the statement of financial position, consisting of the difference between the net disposal proceeds and the asset's carrying amount, is recognized in the income statement when the asset is removed from the statement of financial position.

#### *Property, plant and equipment*

Property, plant and equipment, consisting of instruments, equipment and computer equipment, is reported at cost of acquisition less accumulated depreciation. The carrying amount of an item of property, plant and equipment is removed from the statement of financial position on retirement or disposal, or when no future economic benefit is expected from the use or retirement/sale of the asset. The gain or loss arising on retirement or disposal of the asset, consisting of the difference between any net disposal proceeds and its carrying amount, is recognized in the income statement in the period when the asset is removed from the statement of financial position.

#### *Depreciation*

Depreciation/amortization is based on the historical cost and estimated useful life of the assets:

- Development projects 5 years
- Instruments 5 years
- Equipment 5 years
- Computer equipment 3 years

The estimated useful life of analyzers and development work is consistent with the estimated product life cycle.

#### *Impairment of property, plant and equipment and intangible assets*

On each balance sheet date the Group analyzes the carrying amounts for property, plant and equipment and intangible assets to establish whether there is any indication of value impairment. If this is the case, the asset's recoverable amount is calculated in order to establish the value of any impairment loss. Where it is not possible to calculate the recoverable amount for an individual asset, the Group calculates the

recoverable amount for the cash generating unit to which the asset belongs.

Intangible assets with an indefinite useful life and intangible assets not yet ready for use must be tested for impairment annually, or when there is an indication of impairment.

The recoverable amount is the higher of fair value less selling costs and value in use. When calculating value in use estimated cash flows are discounted to present value using a discount rate before tax that reflects the current market assessment of the time value of money and the risks associated with the asset.

If the recoverable amount of an asset (or cash generating unit) is established as a lower value than the carrying amount, the carrying amount of the asset (or cash generating unit) is written down to the recoverable amount. An impairment loss must be recognized immediately in the income statement.

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revalued recoverable amount, but the increased carrying amount may not exceed the carrying amount that would have been determined if no impairment loss had been recorded for the asset (cash generating unit) in previous years. A reversal of an impairment loss is recognized immediately in the income statement.

The company management has set budgeted gross margins based on its expectations of market developments. The weighted average rate of growth used is in line with forecasts in industry reports. Taking the above into account, the company management considers that no impairment loss exists.

#### *Inventories*

Inventories are recorded at the lower of cost according to the first-in, first-out method (FIFO) and net realizable value (lower of cost or market). The inventories contain finished products and input components for additional instruments.

#### *Cash flow statement*

The cash flow statement is prepared in accordance with the indirect method. Cash and bank balances are counted as cash and cash equivalents.

#### *Classification of assets and liabilities*

Non-current assets and liabilities consist in all essentials only of amounts expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and liabilities consist in all essentials only of amounts expected to be recovered or paid within twelve months of the balance sheet date.

#### *Provisions*

A provision is reported when an obligation exists as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount. Warranty provisions are made for products sold. The warranty period is one year. Warranty costs are reported under "Cost of goods sold".

#### *Related party transactions*

For reporting any transactions with related parties please refer to note Employee benefits and other related party transactions.

#### *Financial instruments*

A financial asset or financial liability is recognized on the balance sheet when the company becomes a party to the contractual provisions of the instrument. A financial asset or part of a financial asset is to be removed from the balance sheet when the contractual rights are realised, expire or when the company loses control over it. A financial liability or part of a financial liability is to be removed from the balance sheet when the obligation in the contract is discharged or otherwise cancelled.

On every balance sheet date the company evaluates whether there are objective indications that a financial asset or group of assets is impaired due to past events. Examples of such events are significant deterioration in the financial position of the counterparty or non-payment of amounts due.

Financial assets and financial liabilities that are not measured at fair value through profit or loss on subsequent recognition, are recognized at fair value on initial recognition, adding or subtracting transaction costs. Financial assets and financial liabilities that are not measured at fair value through profit or loss on subsequent recognition, are recognized at fair value on initial recognition. In subsequent recognition financial instruments are measured at amortized cost or fair value depending on the initial classification under IAS 39.

On initial recognition a financial asset or financial liability is classified in one of the following categories:

#### *Financial assets*

- Fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available for sale financial assets

# Notes

## Financial liabilities

- Fair value through profit or loss
- Other financial liabilities measured at amortized cost

## Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of other financial assets and liabilities is determined in accordance with generally accepted valuation models based on data obtained from observable current market transactions (level 1).
- The fair value of other financial assets and liabilities is determined in accordance with generally accepted valuation models based on data obtained from observable current market transactions (level 2).
- The fair value is determined on the basis of valuation models in which material inputs are based on non-observable data (level 3). The Group has no financial instruments classified at level 3.

For all financial assets and liabilities the carrying amount is assessed to be a good approximation of its fair value, unless otherwise stated in subsequent notes.

## Amortized cost

Amortized cost refers to the amount at which the asset or liability was initially recognized less principal repayments, plus or minus cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the initial carrying amount of the financial asset or financial liability.

## Offset of financial assets and liabilities

Financial assets and liabilities are offset and recognized net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and an intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

The Group's financial instruments mainly comprise trade receivables, cash and cash equivalents, trade payables, other short term liabilities and financial derivatives in the form of currency forwards.

## Cash and cash equivalents

Cash and cash equivalents include cash funds and bank balances and other short-term investments that can easily be converted to cash and that are subject to an insignificant risk of changes in value. For classification as cash and cash equivalents the original maturity may not exceed three months. Cash funds and bank balances are categorized as "Loans and receivables" which means measurement at amortized cost. Since bank balances are payable on demand the amortized cost is equivalent to the nominal amount. Short-term investments are categorized as "Held for trade" and measured at fair value with value changes recognized in the income statement. At the close of 2014 and 2015 the Group had no short-term investments.

## Trade receivables

Trade receivables are categorized as "Loans and receivables" which means measurement at amortized cost. However, the expected maturity of trade receivables is short and therefore the value has been recognized at the nominal amount without discounting. Deduction is made for doubtful receivables. Impairment of trade receivables is recognized under operating expenses.

## Trade payables

Trade payables are categorized as "Other financial liabilities", which means measurement at amortized cost. However, the expected maturity of trade payables is short, and therefore the value has been recognized at the nominal amount without discounting.

## Liabilities to credit institutions

At the close of 2014 and 2015 the Group had no pledged trade receivables and no liabilities to credit institutions.

## Derivative financial instruments and hedge accounting

The currency forwards used for hedging future cash flows and forecast sales in foreign currency are recognized in the balance sheet at fair value, in accordance with level 2 above. The effective portion of the changes in value are reported in other comprehensive income until the hedged flow affects the income statement, when the hedging instrument's accumulated changes in value are recognized in the income statement, where they meet and match the effects on earnings of the hedged transaction. The ineffective portion of the value changes is recognized directly in the income statement.

## Parent company's accounting policies

The parent company applies the Annual Accounts Act and the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for legal entities. Application of RFR 2 means that the parent company as far as possible applies all the IFRS adopted by the EU within the framework of the Annual Accounts Act and the Act on Safeguarding Pension Obligations, taking into account the relationship between accounting and taxation. The differences between the accounting policies of the parent company and Group are described below:

## Classification and formats

The parent company's income statement and balance sheet follow the format of the Annual Accounts Act schedules. The difference in relation to IAS 1 Presentation of Financial Statements applied when preparing the Group's financial statements mainly concerns reporting of financial income and expense, non-current assets, equity and the existence of provisions under a separate heading.

## Financial instruments

The parent company does not apply IAS 39 Financial instruments: Recognition and measurement. The parent company applies a method based on cost of acquisition in accordance with the Annual Accounts Act.

## Participations in group companies

Participations in group companies are recorded at cost of acquisition in the parent company's financial statements. Acquisition related costs for group companies that are recognized in the consolidated accounts, are included as part of the cost of acquisition of participations in group companies.

## Amendments to RFR 2 and the Annual Accounts Act that have not yet come into force

Approved amendments to RFR 2 that have not yet come into force are not expected to have any material impact on the parent company's financial statements when they are first applied.

## Note 2. Financial risk management and financial instruments

In its operations the Group is exposed to various types of financial risk such as market risk, liquidity risk and credit risk. Market risks mainly consists of interest rate risk and currency risk. The Board of Directors of the company is ultimately responsible for exposure, management and follow-up of the Group's financial risks.

CellaVision works continually to balance its capital and financing risk by means of timely establishment of sufficient credit facilities for the needs that can be foreseen, monitoring cash flows, and working to optimize working capital. The overall goal is to ensure a capital structure that supports long-term profitable growth. Given that the company's operations have good profitability, the company's financial position is satisfactory. In the view of the Board, the company's financing and capital structure does not prevent the company from meeting its commitments in the short and long term, nor from implementing necessary investments.

## Market risks

### Currency risk

Currency risk refers to the risk that fair value or future cash flows will fluctuate as a result of changed exchange rates. Exposure to currency risk mainly derives from payment flows in foreign currency, called transaction exposure, and from translation of balance sheet items in foreign currency as well as translation of foreign subsidiaries' income statements and balance sheets to the Group's presentation currency, which is Swedish kronor, called balance sheet exposure.

The Group operates internationally and is exposed to currency risk from various currency exposures, mainly in USD and EUR. The company's purchases are in SEK. Sales are predominantly in USD and EUR. The currency risk arises through future business transactions, reported assets and liabilities and net investments in foreign operations. At present the net exposure in each respective currency is limited, as the Group uses currency forwards to hedge contracted inflows of foreign currency. Derivatives held for foreign currency hedging are valued at level 2, financial instruments where fair value is determined on the basis of valuation models based on other observable data for the asset or liability than listed prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Currency forwards are valued on the basis of observable information referring to exchange rates on the balance sheet date and market rates for remaining maturities. The amount referring to ineffectiveness of cash flow hedges recognized in the income statement is SEK 0 (0). CellaVision continuously hedges 50–90 per cent of currency exposure in net flows 12 months forward and a further 0–50% for months 13–24. Balance sheet exposure is not hedged.

**Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will vary due to changes in market interest and that the Group's interest expense will increase as a consequence of increased market rates. The Group's financial assets consist of deposits. The assets' value is so insignificant that a very low risk is considered to exist. The Group has no interest-bearing liabilities.

**Liquidity and financing risk**

Prudence in management of liquidity risk entails holding sufficient liquid assets and realisable securities or agreed lines of credit to be able to fulfil obligations. CellaVision minimizes this risk by holding sufficient cash. At present the liquidity risk is deemed to be reasonably low, mainly due to the Group's liquidity.

**Credit and counterparty risk**

Credit risk refers to the risk that the counterparty in a transaction will cause loss to the Group by not fulfilling its contractual obligations. The Group's exposure to credit risk mainly refers to trade receivables. CellaVision collaborates with triple A distributors and established hematology companies. In the Nordic countries the customers are publicly funded hospitals. There is some concentration of credit risk relating to trade receivables but historically these customers have not had any payment difficulties.

The credit risk in liquid funds is limited because the Group's counterparties are banks with high credit rating

The Group's and the parent company's maximum exposure to credit risk is assessed to correspond to book values of all financial assets.

**Classification of financial instruments**

Classification of financial assets and liabilities and their fair value is presented below.

2015	Assets and liabilities recognized at fair value through income statement	Interest bearing debts and trade receivables	Financial liabilities at accrued acquisition value	Total carrying value	Fair value
Trade receivables	0	35,498	0	35,498	35,498
Other receivables	249	5,007	0	5,256	5,256
Cash and cash equivalents	0	106,695	0	106,695	106,695
<b>Total financial assets</b>	<b>249</b>	<b>147,200</b>	<b>0</b>	<b>147,449</b>	<b>147,449</b>
Liabilities to credit institutions	0	0	0	0	0
Trade payables	0	0	7,338	7,338	7,338
Other liabilities	0	0	1,136	1,136	1,136
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>8,474</b>	<b>8,474</b>	<b>8,474</b>

2014	Assets and liabilities recognized at fair value through income statement	Interest bearing debts and trade receivables	Financial liabilities at accrued acquisition value	Total carrying value	Fair value
Trade receivables	0	60,531	0	60,531	60,531
Other receivables	0	5,177	0	5,177	5,177
Cash and cash equivalents	0	51,905	0	51,905	51,905
<b>Total financial assets</b>	<b>0</b>	<b>117,613</b>	<b>0</b>	<b>117,613</b>	<b>117,613</b>
Liabilities to credit institutions	0	0	0	0	0
Trade payables	0	0	12,297	12,297	12,297
Other liabilities	3,753	0	1,076	4,829	4,829
<b>Total financial liabilities</b>	<b>3,753</b>	<b>0</b>	<b>13,373</b>	<b>17,126</b>	<b>17,126</b>

There have been no reclassifications between the valuation categories above during periods.

**Fair value measurement of financial instruments**

Financial liabilities measured at fair value in the balance sheet consist only of currency forwards. The currency forwards mature within 12 months and are recorded as other current liabilities in the balance sheet. For other financial assets and financial liabilities the carrying amounts are assessed to be a good approximation of the fair values because the maturity and/or interest rate fixing is less than three months, which means that a discount based on current market conditions is not expected to have any material effect.

Financial assets and financial liabilities measured at fair value in the balance sheet are classified into one of three levels based on the information used to establish the fair value. The Group's hedging instruments are measured at fair value in accordance with Level 2 below. During the periods there have been no material transfers between levels.

**Level 1** – Quoted prices in an active market. The Group has no financial instruments measured at fair value at Level 1.

**Level 2** – Financial instruments, where fair value is determined on the basis of valuation models based on other observable data for the asset or liability than quoted prices included in Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Group's currency forwards are classified at Level 2 via the Group's statement of comprehensive income and recorded as other current liabilities in the Group's statement of financial position.

**Level 3** – Financial instruments where fair value is determined on the basis of valuation models in which material inputs are based on non-observable data. The Group has no financial instruments measured at fair value at Level 3.

**Not 3. Important estimates and assumptions for accounting purposes**

Establishment of reports and application of different accounting policies are often based on management's estimates or assumptions considered to be reasonable under the current circumstances. These assumptions and estimates are often based on experience but also on other factors, including expectations of future events. For CellaVision, the following two areas are worth noting:

**Capitalized development expenditure**

The recoverable amount of capitalized development costs is determined based on the estimated economic life and volume. This calculation is based on estimated future cash flow based on financial forecasts approved by management and reflects product lifecycles.

**Tax loss carryforwards**

The deferred tax assets related to tax loss carryforwards that have been recorded as a financial asset during the year, corresponds to what the management estimates can be utilized considering future financial performance.

**Note 4. Capital structure**

CellaVision defines managed assets as the sum of the Group's net debt and equity. At the end of 2015 managed assets were 76,823 thousand (99,931).

The Group's objectives regarding capital structure are to secure the Group's ability to continue operations to generate returns for shareholders and benefits to other stakeholders and to ensure that the capital structure is optimal considering the cost of capital.

When managing the capital, the Group follows up on metrics such as sales growth and operating margin. The objective is to increase sales by an average of 15% per year with an operating margin exceeding 20% over a business cycle. In 2015 the company achieved sales growth of 10 per cent (21) and the operating margin was 27.3 per cent (19.7).

CellaVision has a strong financial position that allows investment in product development as well as geographic market expansion. Since CellaVision is under development the company has no fixed dividend policy and decisions on dividends are based on prevailing capital requirements.

**Not 5. Operational risk factors****Distributors**

CellaVision's strategy is to establish strategic alliances with global players in medical technology. CellaVision operates through distributors in all markets except Canada. This means that CellaVision's future expansion depends on successful distributors. Since the beginning of 2013 the company mainly distributes its products through the four largest hematology companies in the world; Sysmex, Beckman Coulter, Siemens Healthcare Diagnostics and Abbott. CellaVision is dependent on their successes in the field of hematology, where CellaVision's products are marketed. Despite the fact that CellaVision has well-functioning and extensive contractual relationships with its distributors, these partnerships can be terminated. There is no guarantee that the distributor will sign a new agreement with CellaVision. Discontinued cooperation with a major distributor could have a negative impact on CellaVision's sales and earnings. All contracts are non-exclusive and run for 2–3 years.

**Suppliers**

The company's strategy is to enter into strategic partnerships, in which the partners handle the manufacturing of the products. This means that CellaVision will be dependent on a number of suppliers of key components such as cameras, microscopes and control equipment as well as companies that manage the assembly and final inspection of the systems. The company has collaborated with contract manufacturer Kitron since 2006 and has long-term cooperation and contracts with its most important subcontractors. Despite this, contracts can be terminated. There is no guarantee that the suppliers will subsequently decide to sign a new agreement with the company. Suspension of deliveries due to terminated contracts or discontinued cooperation with a subcontractor may have a negative impact on CellaVision's sales and earnings.

**Dependence on key personnel**

CellaVision has a distinct high-tech specialisation and is therefore dependent on being able to recruit and retain highly-qualified employees.

**Cost savings in health care**

For economic and political reasons, measures are being taken to reduce costs in the health care sector in Western Europe and the US, for example. Ongoing changes and rationalisation, despite CellaVision's efforts at developing cost-effective solutions, may have a negative impact on the company's future sales and earnings.

**Product development**

Continued development of existing and new products and solutions is of great importance to CellaVision. If the company's ability to develop products ceases, or if products cannot be introduced in accordance with established schedules, or if the market reception is worse than expected, this may result in a negative impact on CellaVision's sales and earnings.

# Notes

## Competition

There is a risk that new competitors with a greater resource base in terms of skills and capital may establish themselves in CellaVision's market and offer better methods and more effective products than CellaVision. Increased competition could result in price pressure on CellaVision products. In order to counteract this, the company constantly monitors competition.

## Product liability

Testing, marketing and selling medical devices and solutions entails a risk of claims for damages and there is no guarantee that claims for compensation linked to product liability will not be made against CellaVision. The company has extensive insurance coverage for such claims.

## Patents and rights

CellaVision conducts an active patent strategy to protect investments in core technology by applying for patents for new inventions. However, it cannot be guaranteed that current or future patent applications will lead to patents or that approved patents will offer sufficient protection against competitors. In addition, there is always a risk that disputes referring to patent infringement and other intellectual property rights may be started against or by CellaVision. The company has extensive insurance coverage for such claims.

## Legislation and regulatory framework

Manufacture, marketing and distribution of medical devices and equipment takes place on a regulated market where such bodies as the FDA (US Food and Drug Administration) and the EU have rules for clinical evaluation, approval and quality testing. CellaVision meets the current requirements in Europe and USA for CellaVision DM. If CellaVision's operations were to be subject to restrictions by government agencies or if the company did not receive necessary future official approval, it could have a negative impact on CellaVision commercially and financially.

## Not 6. Information on operating segments and major customers and data presented by geographical area

CellaVision's operations comprise only one segment; analyzers for microscopy systems in the field of hematology, and therefore reference is made to the consolidated statement of comprehensive income and financial statement regarding segment reporting. CellaVision sells an analyzer in which software is included. The software and the tool CellaVision Image Capture System do not function as stand-alone products. Other sales such as spare parts, service etc. total less than 10% of total sales.

## Not 7. Information on major customers

The products are sold globally via partners and in selected markets also via CellaVision's own sales companies. CellaVision has three customers that each account for more than ten per cent of the company's total sales. The largest customer with sales of SEK 55 million and the other two with sales of SEK 51 million and SEK 33 million.

## Not 8. Income by geographical area

	2015		2014	
	Group	Parent company	Group	Parent company
EMEA	81,879	81,399	73,818	73,136
North America	129,948	122,986	121,362	112,503
APAC	27,563	23,454	21,736	21,402
<b>Total</b>	<b>239,390</b>	<b>227,839</b>	<b>216,916</b>	<b>207,041</b>

Income from external customers is reported by geographic area based on the delivery address.

Group sales of 239,390 SEK thousands of which SEK 232,575 thousand refers to system sales (hardware and software) and SEK 6,815 thousand refers to sales of services.

Parent company sales of SEK 227,839 thousands of which SEK 227,339 thousand refers to system sales (hardware and software) and SEK 500 thousand refers to sales of services.

## Not 9. Non-current assets by geographical area

Group	2015	2014
EMEA	31,156	29,053
North America	896	1,218
APAC	-	156
<b>Total</b>	<b>32,052</b>	<b>30,427</b>

## Not 10. Expenses classified by nature of expense

	2015	2014
Depreciation, amortisation and impairment (Note 18, 20)	7,572	12,783
Costs for remuneration to employees (Note 13, 14, 15)	67,007	64,761
Changes in inventories of finished goods and work in progress	3,055	438
Raw materials	55,686	59,842
Transport costs	729	483
Capitalized expenses	-8,593	-12,292
Premises costs	5,556	5,257
Travel expenses	6,251	4,772
Other expenses	36,657	38,059
<b>Total cost of goods sold, selling, administrative and R&amp;D expenses</b>	<b>173,920</b>	<b>174,103</b>

## Not 11. Intra-Group transactions

SEK 10,851 thousand (7,226) of the parent company's invoicing refers to subsidiaries. Invoicing from subsidiaries to the parent company amounted to SEK 21,019 thousand (11,184).

## Not 12. Employees

	2015		2014	
	Number employees	Of whom men	Number employees	Of whom men
<b>Average number of employees</b>				
Parent company, Sweden	61	41	55	34
Subsidiaries, USA	7	4	7	4
Subsidiaries, Canada	2	1	3	2
Subsidiaries, Japan	3	2	3	2
<b>Total</b>	<b>73</b>	<b>48</b>	<b>68</b>	<b>42</b>

	2015		2014	
	Board of Directors	Other positions	Board of Directors	Other positions
<b>Number of women in senior management:</b>				
Parent company	2	1	1	3
Subsidiaries	-	-	-	-
<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>3</b>

## Not 13. Salaries and other remuneration, distributed

	2015		2014	
	Board, CEO	Others	Board, CEO	Others
<b>Salaries and other remuneration:</b>				
Parent company	3,043	32,382	5,353	29,765
Subsidiaries	-	12,144	-	12,128
<b>Total</b>	<b>3,043</b>	<b>44,526</b>	<b>5,353</b>	<b>41,893</b>

## Not 14. Social security and pension costs

	2015		2014	
	Social security costs	Of which pension costs	Social security costs	Of which pension costs
<b>Social security and pension costs:</b>				
Parent company	16,955	5,910	16,159	6,105
Subsidiaries	2,483	412	1,356	406
<b>Total</b>	<b>19,438</b>	<b>6,322</b>	<b>17,515</b>	<b>6,511</b>

For employees in Sweden the pension obligations of the defined benefit ITP 2 Plan for old-age and family pension (or family pension) are vested through insurance with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 10 Classification of ITP Plans financed through insurance in Alecta, this is a defined benefit plan covering several employers. For the 2015 financial year the company has not had access to information that makes it possible to report its proportionate share of the plan obligations, plan assets and costs, which means that it is not possible to report the plan as a defined benefit plan. The ITP 2 pension plan, which is vested through insurance with Alecta, is therefore reported as a defined contribution

plan. The premium for the defined benefit old-age and family pension is calculated individually and depends among other things on salary, accrued pension and expected remaining working life. Expected contributions in the next reporting period for ITP 2 insurance with Alecta amount to SEK 1.8 million (2015: 2.1 million).

The collective solvency level comprises the market value of Alecta's assets as a percentage of its insurance commitments calculated in accordance with Alecta's actuarial methods and assumptions, which do not comply with IAS 19. Normally the collective solvency level should be allowed to vary between 125 and 155 per cent. If Alecta's collective solvency level falls short of 125 per cent or exceeds 155 per cent measures must be taken to allow the solvency level to return to its normal interval. If the solvency level is low, one measure could be to increase the agreed price for writing of new business and increasing existing benefits. If the solvency level is high one measure could be to introduce premium reductions. At the end of 2015 Alecta's surplus in the form of the collective solvency level was 153 per cent (2014: 143 per cent).

### Not 15. Remuneration to senior management

Salaries, remuneration and other benefits:	2015		2014	
	Salary	Pension	Salary	Pension
Board of Directors:				
Lars Gatenbeck	267	-	300	-
Christer Fähræus	133	-	170	-
	133	-	-	-
Lars Henriksson	-	-	50	-
Sven-Åke Henningsson	-	-	50	-
Roger Johanson	133	-	170	-
Torbjörn Kronander	133	-	150	-
Anna Malm Bernsten	133	-	170	-
Niklas Prager	133	-	113	-
CEO	1,976	640	4,180	1,912
Other senior management	8,466	2,269	7,294	1,709
<b>Total</b>	<b>11,509</b>	<b>2,909</b>	<b>12,647</b>	<b>3,621</b>

Remuneration to Board members is reported from May to May, eight months, for 2015. For 2014, the reported compensation is for 12 months.

In accordance with a resolution of the Annual General Meeting, remuneration is payable to the Board of Directors of SEK 1,600 thousand (1,073), of which SEK 400 thousand (300) to the Chairman of the Board and SEK 200 thousand (150) to each of the other board members. No other fees have been paid. There are no agreements on pensions, severance pay or other benefits. During the year the Board of Directors comprised of 7 members (6).

The President/Chief Executive Officer's period of notice is twelve months for termination by the company and six months for termination by the President/Chief Executive Officer. For termination by the company, or by the President/Chief Executive Officer for material breach of contract by the company, the President/Chief Executive Officer is entitled to severance pay equivalent to twelve months' salary. No further severance pay is payable.

There is an incentive program for senior management consisting of a long-term share-price related program and an annual individual program. The outcome is capped to 6 months' salary for the CEO. Half goes into the annual individual program and the other half goes to the share related program where it can be doubled if CellaVision's share price development exceeds the index by 100%. For other members of senior management the outcome is capped at 3 months' salary. Half goes into the annual individual program and the other half goes to the share related program where it can be doubled if CellaVision's share price development exceeds the index by 100%. During the year reservations related to incentive programs were made to the amount of SEK 1,169 thousand (919). See also the description in the corporate governance report.

In 2015 the CEO was paid a fixed salary including remuneration for paid leave of SEK 1,976 thousand (3,756), plus benefits mainly comprising car benefit valued at SEK 0 thousand (45). In addition to a fixed salary, variable remuneration of SEK 0 thousand (379) was paid. Other senior executives in the management group were paid total fixed salaries of SEK 7,997 thousand (6,173) plus benefits mainly comprising car benefit valued at SEK 185 thousand (202). In addition to a fixed salary, variable remuneration of SEK 284 thousand (919) was paid.

There were 7 other members of senior management for part of the year.

In 2015 CellaVision had no related party transactions.

The Remuneration Committee prepares questions of remuneration and other conditions of employment for the company management. Decisions are made by the Board.

### Not 16. Audit fees

Fees to the company's auditors, Deloitte AB	2015		2014	
	Group	Parent company	Group	Parent company
Audit	185	185	185	185
Addition to the audit engagement	60	60	35	35
Tax advisory	25	25	25	25
Other engagements	-	-	-	-
<b>Total</b>	<b>270</b>	<b>270</b>	<b>245</b>	<b>245</b>

### Not 17. Operational leases and rental contracts

Contracted future rental and lease charges	2015		2014	
	Group	Parent company	Group	Parent company
- Within one year	4,035	3,784	4,109	3,672
- Later than one but within five years	811	811	4,029	3,852
- Later than within five years	-	-	-	-
<b>Total</b>	<b>4,846</b>	<b>4,595</b>	<b>8,138</b>	<b>7,524</b>

Rental and lease payments for all operational leases and rental contracts during the year amounted to SEK 6,025 thousand (5,281).

The parent company's rental and lease payments for the year were SEK 5,097 thousand (4,435).

The total amount at balance sheet date of future minimum lease payments under non-cancellable contracts concerning objects that are sub leased are equal to 0 (0) thousand for the group.

### Not 18. Depreciation distribution Group

	2015		2014	
	Intangible asset	Tangible asset	Intangible asset	Tangible asset
Cost of goods sold	6,416	-	11,534	-
Selling expenses	-	490	-	312
Administrative expenses	-	222	-	312
Research and development expenses	-	444	-	625
<b>Total</b>	<b>6,416</b>	<b>1,156</b>	<b>11,534</b>	<b>1,249</b>

### Not 19. Depreciation distribution Parent company

	2015		2014	
	Intangible asset	Tangible asset	Intangible asset	Tangible asset
Cost of goods sold	6,416	-	11,534	-
Selling expenses	-	222	-	255
Administrative expenses	-	222	-	102
Research and development expenses	-	444	-	663
<b>Total</b>	<b>6,416</b>	<b>888</b>	<b>11,534</b>	<b>1,020</b>

### Not 20. Impairment loss on intra-group receivables and shares in subsidiaries

Impairment loss on intra-group receivables	2015		2014	
	Group	Parent company	Group	Parent company
	-	-	-	1,700
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,700</b>

In the previous year the parent company recognized an impairment loss on intra-group receivables in the Japanese subsidiary of SEK 1.7 million. The impairment loss was due to adapting the business model in Japan to the company's sales taking place to a greater extent via partners instead of directly through the subsidiary. This means that invoicing and business flows go via the parent company.

# Notes

## Not 21. Interest income and other similar profit/loss items

	2015		2014	
	Group	Parent company	Group	Parent company
Interest income	4	3	328	140
Exchange differences, Group loan	2,004	1,987	762	858
<b>Total</b>	<b>2,008</b>	<b>1,990</b>	<b>1,090</b>	<b>998</b>

No part of the parent company's interest income/expenses is intra-group.

## Not 22. Interest expenses and other similar profit/loss items

	2015		2014	
	Group	Parent company	Group	Parent company
Interest expenses	10	10	534	355
Exchange differences, Group loan	1,915	1,794	-	-
<b>Total</b>	<b>1,925</b>	<b>1,804</b>	<b>534</b>	<b>355</b>

No part of the interest costs are directly attributable to development activities and their costs.

## Not 23. Taxes

	2015		2014	
	Group	Parent company	Group	Parent company
<i>Tax on result for the year</i>				
Current tax	-955	-	-559	-
Deferred tax expenses	-11,776	-11,775	-11,345	-11,308
<b>Total tax on result for the year</b>	<b>-12,731</b>	<b>-11,775</b>	<b>-11,904</b>	<b>-11,308</b>
<i>Deferred tax</i>				
Utilization of tax losses	-13,957	-13,957	-11,308	-11,308
Revaluation of tax losses	-	-	-	-
Temporary differences	2,181	2,182	-37	-
<b>Total deferred tax</b>	<b>-11,776</b>	<b>-11,775</b>	<b>-11,345</b>	<b>-11,308</b>
<i>Deferred tax asset</i>				
Deferred tax asset, loss carry-forwards	7,698	7,698	21,655	21,655
Temporary differences	2,204	2,182	852	-
<b>Total carrying amount for deferred tax asset</b>	<b>9,902</b>	<b>9,880</b>	<b>22,507</b>	<b>21,655</b>
Unrecognised deferred tax assets	1,310	-	1,462	-
Loss carry-forwards	42,652	34,991	104,283	98,433

There are accumulated loss carry forwards in Sweden and Japan. In Sweden these are not subject to any time limit and can therefore reduce taxes on future profits. In Japan it is 7 years.

At year-end the parent company recognized deferred tax assets for all of the loss carry-forwards in Sweden. No part of loss carry forwards in Japan has been recognized.

In Japan the tax loss is JPY 75 million that can be utilized at the latest in 2015 - 2023.

Deferred tax assets referring to loss carry forwards are only reported to the extent that it is probable that the tax deduction can be applied against a taxable surplus in the foreseeable future.

	2015		2014	
	Group	Parent company	Group	Parent company
<b>Reconciliation, taxation</b>				
Accounting profit/loss before tax	65,554	63,782	43,369	42,157
Tax at current tax rate	-14,422	-14,032	-9,541	-9,275
<b>Tax effect of:</b>				
-Effect of different tax rates in foreign subsidiaries	-165	-	-120	-
-Non-taxable income	2,298	2,298	-	-
-Non-deductible expenses	-621	-41	-1,659	-2,033
-Utilization of tax loss deficits where deferred tax assets is not recognized	179	-	-	-
-Tax losses where deferred tax asset is not reported	-	-	-584	-
<b>Tax on result for the year</b>	<b>-12,731</b>	<b>-11,775</b>	<b>-11,904</b>	<b>-11,308</b>

Income tax amounts in other comprehensive income refers entirely to cash flow hedges.

## Not 24. Intangible assets

	2015		2014	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	86,204	86,204	73,912	73,912
Year's acquisitions	8,593	8,593	12,292	12,292
Disposals/ retirements	-53,253	-53,253	-	-
<b>Closing accumulated cost of acquisition</b>	<b>41,544</b>	<b>41,544</b>	<b>86,204</b>	<b>86,204</b>
<b>Opening depreciation</b>	<b>-58,980</b>	<b>-58,980</b>	<b>-47,446</b>	<b>-47,446</b>
Depreciation for the year	-6,416	-6,416	-11,534	-11,534
Reversal of acc. depreciation on disposals/retirements	53,253	53,253	-	-
<b>Closing accumulated depreciation</b>	<b>-12,143</b>	<b>-12,143</b>	<b>-58,980</b>	<b>-58,980</b>
<b>Closing carrying amount</b>	<b>29,401</b>	<b>29,401</b>	<b>27,224</b>	<b>27,224</b>

Expenditure on research and development was SEK 27,124 thousand (35,057), which is 11 percent (16) of net sales. Of this expenditure SEK 8,593 thousand (12,292) has been capitalised and the remaining SEK 18,531 thousand (22,765) has been charged to the result for the year.

The year's development work refers to development aimed at strengthening the product portfolio in relation to customers in the sub-field of hematology.

## Not 25. Equipment

	2015		2014	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	17,964	15,874	16,785	14,710
Year's acquisitions	836	815	1,179	1,164
Disposals/ retirements	-13,483	-12,514	-	-
<b>Closing accumulated cost of acquisition</b>	<b>5,317</b>	<b>4,175</b>	<b>17,964</b>	<b>15,874</b>
Opening depreciation	-14,861	-14,045	-13,612	-13,025
Depreciation for the year	-1,214	-888	-1,249	-1,020
Reversal of acc. depreciation on disposals/retirements	13,224	12,514	-	-
<b>Closing accumulated depreciation</b>	<b>-2,851</b>	<b>-2,419</b>	<b>-14,861</b>	<b>-14,045</b>
<b>Translation difference</b>	<b>186</b>	<b>0</b>	<b>100</b>	<b>0</b>
<b>Closing carrying amount</b>	<b>2,652</b>	<b>1,756</b>	<b>3,203</b>	<b>1,829</b>

## Not 26. Inventories

	2015		2014	
	Group	Parent company	Group	Parent company
<b>Inventories</b>				
Raw materials and consumables	2,324	2,324	1,628	1,628
Finished goods	22,300	19,028	23,501	20,120
<b>Total</b>	<b>24,624</b>	<b>21,352</b>	<b>25,129</b>	<b>21,748</b>

Inventories recognized as an expense during the year amount to SEK 55,686 (59,842) thousand in the Group and SEK 71,832 (69,212) thousand in the parent company.

Impairment loss on inventories during the year amounted to SEK -61 (+200) thousand in the Group and SEK -61 (200) thousand in the parent company. None of the inventories has been recognized at net sales value.

## Not 27. Non-current financial assets

	2015		2014	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	526	318	401	318
Recovered deposit	-109	-	-	-
Additional deposits	765	765	119	-
Translation differences for the year	13	-	6	-
<b>Closing carrying amount</b>	<b>1,195</b>	<b>1,083</b>	<b>526</b>	<b>318</b>

## Not 28. Shares and participations in subsidiaries

Company	Corporate identity number	Registered office	Number of participations	Share of equity (%)	Book value
CellaVision International AB	556573-4299	Lund, Sweden	1,000	100	100 kSEK
CellaVision Inc., Canada	1724445	Toronto, Canada	1,000	100	6 kSEK
CellaVision Inc., USA	06-1624895	Delaware, USA	10	100	1 SEK
CellaVision Japan K.K.	0104-01-074862	Yokohama, Japan	200	100	1 SEK

Shares owned by the parent company, 2015

## Not 29. Trade receivables

As at 31 December 2015 trade receivables of SEK 10,405 thousand (7,826) were due for payment in the Group, but no impairment loss was identified. These trade receivables are from customers who have not previously had any payment difficulties. The age analysis for the Group relating to these trade receivables is shown below. The main part of these receivables were settled at the end of February 2016.

As at 31 December 2015 the Group reports a loss referring to provision for anticipated bad debt losses of SEK 50 thousand (0). The provision for doubtful trade receivables was SEK 50 thousand (0) as at 31 December 2015.

There are no pledges as collateral for receivables.

### Trade receivables overdue but not written down:

	2015	2014
1–30 days overdue	7,407	3,236
31–60 days overdue	1,290	2,444
61–90 days overdue	482	1,467
91–120 days overdue	509	399
More than 121 days overdue	717	280
<b>Total</b>	<b>10,405</b>	<b>7,826</b>

## Not 30. Prepaid expenses and accrued income

	2015		2014	
	Group	Parent company	Group	Parent company
Office rent	1,035	1,035	1,056	1,056
Pension premiums	217	217	185	185
Insurance premiums	614	614	533	533
Market activity costs	342	-	212	-
License fees	313	313	306	306
Other	1,471	372	733	359
<b>Total</b>	<b>3,992</b>	<b>2,551</b>	<b>3,026</b>	<b>2,439</b>

## Not 31. Share capital

The registered share capital in the parent company was distributed, as at 31 December 2015, among 23,851,547 shares with a quotient value of SEK 0.15 (0.15) each. The number of shares in issue is unchanged compared with the same period in the previous year. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. No shares are held by the company itself.

## Not 32. Provisions for warranty

	2015		2014	
	Group	Parent company	Group	Parent company
Opening amount	4,248	4,248	2,448	2,448
Allocated during year	1,110	1,110	4,248	4,248
Reversed provisions	-4,048	-4,048	-2,298	-2,298
Utilised	-200	-200	-150	-150
<b>Total</b>	<b>1,110</b>	<b>1,110</b>	<b>4,248</b>	<b>4,248</b>
Provisions fall due for payment				
- Within one year	1,110	1,110	4,248	4,248
- Later than one but within five years	-	-	-	-
<b>Total</b>	<b>1,110</b>	<b>1,110</b>	<b>4,248</b>	<b>4,248</b>

## Not 33. Accrued expenses and deferred income

	2015		2014	
	Group	Parent company	Group	Parent company
Holiday liability	4,972	4,370	4,892	4,303
Board fee	1,070	1,070	1,280	1,280
Social security contributions	5,461	5,461	4,989	4,989
Staff costs	1,066	1,066	4,560	4,560
Incentive program	8,760	8,760	7,184	6,200
Prepaid income	3,298	-	3,257	-
Other	2,699	1,443	3,416	1,923
<b>Total</b>	<b>27,326</b>	<b>22,170</b>	<b>29,579</b>	<b>23,255</b>

## Not 34. Pledged assets and contingent liabilities

	2015		2014	
	Group	Parent company	Group	Parent company
<b>Pledged assets</b>				
Pledged trade receivables	-	-	-	-
Floating charge	12,500	12,500	12,500	12,500
<b>Total</b>	<b>12,500</b>	<b>12,500</b>	<b>12,500</b>	<b>12,500</b>
<b>Contingent liabilities</b>				
	None	None	None	None

The floating charge refers to the company's previous invoice factoring agreement with Nordea.

## Not 35. Non-cash items

	2015		2014	
	Group	Parent company	Group	Parent company
Depreciation			7,572	12,972
Unrealised currency gains/losses, Intercompany loan			-	-638
Change in accruals and provisions			-3,492	6,608
<b>Total</b>			<b>4,080</b>	<b>18,942</b>
<b>Parent company</b>				
Depreciation/amortisation			7,304	12,554
Write down of intragroup loans			-	1,700
Unrealised currency gains/losses, Intercompany loan			-	-638
Change in accruals and provisions			-4,335	7,496
<b>Total</b>			<b>2,969</b>	<b>21,112</b>

## Not 36. Disputes in the Group

There are no disputes within the Group with third parties.

## Not 37 Events after the balance sheet date

There are no significant events after the close of the year to report.

The Annual Report was adopted by the board and approved for publication on April 8th, 2016.

### Annual General Meeting

The Annual General meeting will be held on May 4, 2016 at 15:00 at CellaVision's premises at Ideon in Lund, Sweden. Delta 5, Scheelevägen 19.

### Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 1:50 per share for 2015.

### Signing of the annual accounts

The annual accounts and consolidated accounts were approved by the Board of Directors on April 8, 2016. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be submitted for adoption by the Annual General Meeting on May 4, 2016.

The Board of Directors and CEO hereby certify that the annual accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation, RFR 2 and give a true and fair view of the company's financial position and performance and that the administration report gives a fair review of the development of the company's business, financial position and performance and describes material risks and uncertainties to which the company is exposed.

The Board of Directors and CEO hereby certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, Annual Accounts Act and RFR 1, and give a true and fair view of the Group's financial position and performance and that the administration report for the Group gives a fair review of the development of the Group's business, financial position and performance and describes material risks and uncertainties to which the companies in the Group are exposed.

Lund, April 8, 2016

Lars Gatenbeck,  
Chairman of the Board

Christer Fähræus,  
Member of the Board

Åsa Hedin,  
Member of the Board

Roger Johanson,  
Member of the Board

Torbjörn Kronander,  
Member of the Board

Anna Malm Bernsten,  
Member of the Board

Niklas Prager,  
Member of the Board

Zlatko Rihter,  
President and CEO

Our audit report was submitted on April 8, 2016  
Deloitte AB

Maria Ekelund,  
Authorised Public Accountant

# Auditor's Report

To the annual meeting of the shareholders  
of CellaVision AB (publ)  
Corporate identity number 556500-0998

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of CellaVision AB (publ) for the financial year 2015-01-01–2015-12-31 except for the corporate governance report on the pages 27-33. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 24–52.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the corporate governance report on the pages 27-33. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and the statement of financial position for the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of CellaVision AB (publ) for the financial year 2015-01-01 – 2015-12-31. We have also made a statutory examination of the corporate governance report.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance report on pages 27-33 is prepared in accordance with the Annual Accounts Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

In addition we have read the corporate governance report and based on that reading and our knowledge of the company and the group we believe we have sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year. A corporate governance has been prepared, and its statutory content is consistent with other parts of the annual accounts and the consolidated accounts.

Malmö, 8 April 2016  
Deloitte AB

Maria Ekelund  
Authorized Public Accountant

# Five year summary

<b>Income statement</b>					
<b>Amounts in SEK thousands</b>					
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Revenues	239,390	216,916	179,851	169,512	155,402
Cost of goods sold	-65,157	-71,814	-67,225	-59,456	-53,991
<b>Gross profit</b>	<b>174,233</b>	<b>145,102</b>	<b>112,626</b>	<b>110,056</b>	<b>101,411</b>
Selling expenses	-47,851	-42,691	-39,344	-38,859	-35,281
Administrative expenses	-33,788	-36,833	-26,653	-29,060	-27,013
Research and development costs	-27,124	-22,765	-20,683	-21,435	-21,407
Other operating income	-	-	-	-	90
Other operating expenses	-	-	-	-	-
<b>Operating profit/loss</b>	<b>65,470</b>	<b>42,813</b>	<b>25,946</b>	<b>20,702</b>	<b>17,800</b>
Profit/loss from financial items	83	556	-1,256	-2151	714
Tax	-12,731	-11,904	-5,758	-12,100	-3,881
<b>Net profit/loss for the year</b>	<b>52,822</b>	<b>31,465</b>	<b>18,932</b>	<b>6,451</b>	<b>14,633</b>
<b>Balance sheet</b>					
<b>Amounts in SEK thousands</b>					
<b>Assets</b>					
Intangible assets	29,400	27,224	26,466	24,152	21,329
Property, plant and equipment	2,652	3,203	3,195	2,693	2,015
Non-current financial assets	1,195	208	83	91	114
Deferred tax assets	9,902	22,507	33,078	37,994	49,304
Current assets	177,279	149,107	125,751	113,626	105,966
<b>Total assets</b>	<b>220,428</b>	<b>202,249</b>	<b>188,573</b>	<b>178,556</b>	<b>178,728</b>
<b>Equity and liabilities</b>					
Shareholders' equity	183,518	151,296	132,516	124,912	126,067
Current liabilities and current provisions	36,910	50,953	56,057	53,644	52,661
<b>Total equity and liabilities</b>	<b>220,428</b>	<b>202,249</b>	<b>188,573</b>	<b>178,556</b>	<b>178,728</b>
<b>Key ratios</b>					
Equity, SEK '000	183,518	151,296	132,516	124,912	126,067
Operating Capital, SEK '000	65,727	76,676	61,451	54,863	35,550
Liabilities to credit institutions, SEK '000	-	-	19,978	14,272	15,719
Net investments, SEK '000	9,411	13,471	11,793	11,103	5,891
Cash flow for the year, SEK '000	54,790	-5,977	11,646	-10,582	21,007
Net debt/equity ratio	-0.58	-0.34	-0.29	-0.26	-0.33
Equity-assets ratio, %	83	75	70	70	71
Return on equity, %	32	22	15	5	12
Return on operating capital, %	92	62	45	46	44
Average number of employees	73	68	67	64	59
Number of employees at close of period	73	72	69	65	61
<b>Data per share</b>					
<b>Net result before and after dilution, SEK</b>	<b>2.22</b>	<b>1.32</b>	<b>0.79</b>	<b>0.27</b>	<b>0.61</b>
Equity before dilution, SEK	7.69	6.34	5.56	5.24	5.29
Equity after dilution, SEK	7.69	6.34	5.56	5.24	5.29
Average weighted number of shares before dilution, thousands	23,852	23,852	23,852	23,852	23,852
Average weighted number of shares after dilution, thousands	23,852	23,852	23,852	23,852	23,852
Number of shares at end of period before dilution	23,852	23,852	23,852	23,852	23,852
Number of shares at end of period after dilution	23,852	23,852	23,852	23,852	23,852

# Glossary

**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.

**Artificial intelligence/Artificial neural network** A mathematical theory that simulates the brain's method of learning.

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

**Cell counter** When a hematological disease is suspected a complete blood count is the first test ordered by healthcare services. A complete blood count is routinely used to obtain an overall status of different cells in the blood. The main part of the samples can be analyzed using cell counters. Samples showing any type of abnormality are sent on for further examination in CellaVision's analyzer, where the blood is smeared and stained on a microscope slide. Without access to CellaVision's systems, the sample is examined manually in a microscope.

**Cytologi** The study and investigation of cells. Examination mainly of liquid-based samples, such as from spinal fluid, lung fluid and synovial fluid, for the purpose of finding bacteria, cancer cells and blood cells. Perhaps the most frequent cytology test is a Pap smear test from the cervix,

which is used to detect malignant or pre-malignant cell changes.

**Food and Drug Administration (FDA)** The US regulatory authority.

**Hematology** Means "the science of blood and its diseases" and is a medical specialty that researches and treats diseases of the blood and blood-forming organs.

**In vitro** diagnostics refers to a wide range of medical laboratory tests analyzed outside the body.

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

**Leukemia** is a type of cancer of the blood or bone marrow characterized by an abnormal increase of immature white blood cells called "blasts". Leukemia is a broad term covering a spectrum of diseases.

**Lymphoma** is a cancer of the lymphocytes, a type of cell that forms part of the immune system.

**Medical Technologist** is an allied health professional who exercises technical and scientific functions in medical laboratories. Perform tests on clinical specimens such as blood or tissues in order to get information about the health of a patient as pertaining to the diagnosis, treatment, and prevention of disease.

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

**Pathology** The study of the causes and development of diseases, particularly with respect to changes in the morphology of cells, tissues and organs. Microscopic studies of tissue sections and biopsies, which can be paraffin-embedded or frozen. Examples of pathology analyses are biopsies of suspected breast cancer tissue.

**Platelet** Also called thrombocyte. Platelets are small blood components that help the clotting process by sticking to the lining of blood vessels. Important in the formation of blood clots (coagulation).

**Red blood cells** (erythrocytes) carry oxygen to the cells, and carbon dioxide from them into the lungs. Normally constitutes the largest number of cells in the blood.

**Thrombotic thrombocytopenic purpura (TTP or Moschowitz syndrome)** is a rare disorder of the blood-coagulation system, causing extensive microscopic clots to form in the small blood vessels throughout the body. These small blood clots, called thrombi, can damage many organs including the kidneys, heart and brain.

**White blood cells** (leukocytes) are cells of the immune system involved in defending the body against infectious disease. In a healthy person, there are normally five types of white blood cells: neutrophils, eosinophils, basophils, monocytes and lymphocytes.

## Financial definitions

**Average number of employees.** The number of employees at the end of each month, divided by twelve.

**Net earnings per share.** Net earnings in relation to average weighted number of shares.

**Net earnings per share after full dilution.** Net earnings divided by the average weighted number of shares plus the additional number for full dilution.

**Net investments.** Tangible and intangible investments adjusted for disposals.

**Equity per share.** Equity in relation to average weighted number of shares.

**Equity per share after full dilution.** Equity in relation to average weighted number of shares increased by the number that resides at full dilution.

**Equity-assets ratio.** Equity as a percentage of the balance sheet total.

**Net debt/equity ratio.** Net loan liability in relation to equity. (Net loan liability is calculated as loan liability minus cash at the end of the period.)

**Return on equity.** Net earnings in relation to average equity.

**Return on operating capital.** Result after financial items as a percentage of average operating capital.

**Interest coverage ratio.** Operating result plus financial income divided by financial expenses.

**Operating Capital.** Balance sheet total less financial liabilities, deferred tax liabilities and non-interest bearing liabilities.

**Cash flow for the year.** Result after financial items plus amortisation/depreciation, less tax paid, adjusted for decrease/increase in working capital excluding cash and cash equivalents and less net investment in non-current assets, change in loans raised/repaid and dividend paid.



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# Annual General Meeting & calendar

## Annual General Meeting

CellaVision's Annual General Meeting will be held on May 4, 2016 at 15.00 at Ideon Science Park in Lund.

The Notice to the Annual General Meeting is available at:

<http://www.cellavision.com/en/agm>.

## Participation

Shareholders who wish to attend the AGM must be listed in the share register held by Euroclear Sweden on April 28, 2015, and must have given notice of their intention to attend by mail to:

*CellaVision AB, c/o Fredersen Advokatbyrå AB,  
Turning Torso, 211 15 Malmö  
or by email: [cellavision@fredersen.se](mailto:cellavision@fredersen.se)  
or by fax: 040-23 20 03*

Please specify name, personal or corporate identity number and daytime telephone number. Where applicable, the number of advisors (a maximum of two) is to be stated. If a shareholder intends to be represented by a proxy, a power of attorney and other legitimacy papers should be attached to the notice of attendance.

## Nominee registered holdings

For entitlement to participate in the AGM shareholders with nominee-registered holdings must apply for temporary re-registration of the shares in their own name with Euroclear Sweden. Registration must have been effected at the latest by April 28, 2016 and should be requested in good time before that date.

## Dividend

The Board of Directors proposes that the AGM approve a dividend of SEK 1;50 per share for 2015.

## Financial calendar

Interim Report Q1, May 3  
Interim Report Q2, July 15  
Interim Report Q3, Oct 27  
Year-end Bulletin 2016, Feb 7, 2017

## Subscribe

Financial information and other relevant company information is published on CellaVision's website. To subscribe and have access to the information automatically, register at [www.cellavision.se/subscribe](http://www.cellavision.se/subscribe).

## Production facts

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*"With CellaVision, our ability to detect malignant cells has greatly improved and as a result, our labs now deliver more reliable result reporting that better guide patient care."*

*Mr. David Langstaff*  
Assistant Vice-President, Hamilton Hospital, Kanada

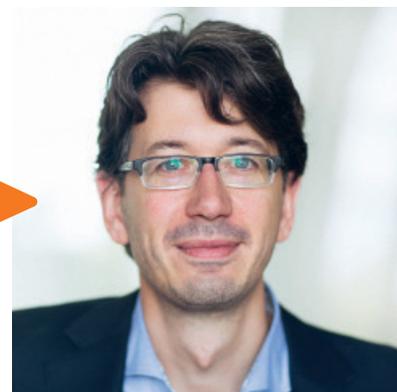


*"The implementation of digital cell morphology has enabled us to improve the quality of morphological results while speeding up testing and enhancing service levels."*

*Dr. Edwin van Mirre*  
Clinical Chemist, Hospital Amstelland, Nederlanderna

*"By implementing CellaVision's technology, we have equipped our lab with an efficient pathology filter that transforms and modernizes the process of performing cell differentials."*

*Dr. Jurgen Riedl*  
Haematology Manager, Albert Schweitzer Hospital, Nederlanderna



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