



**CellaVision AB (publ)  
Financial Report – Quarter 2 – 2006  
January 1—June 30, 2006**

- Net sales increased 66% to SEK 18.6 million (11.2) during the quarter and 36% to SEK 27.7 million (20.3) during the first half year.
- Operating loss was SEK -0.3 million (-3.3) for the quarter and SEK -5 million (-7.5) for the first half year.
- Approval to market the CellaVision™ DM products in Canada was received in June.
- Liquid assets amounted to SEK 17.2 million at the end of the quarter.

## **1. Operations**

### **GENERAL**

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

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

The company's products are sold to hospital-laboratories and independent commercial laboratories. Today CellaVision is represented in Europe, the U.S. and to some extent in Asia. CellaVision markets and sells its products through a number of exclusive distributors except for the Nordic market where CellaVision sells direct.

### **MARKET AND SALES**

During the quarter, sales were 100% higher than the quarter before and 66% higher than the second quarter of 2005. During the period, Europe accounted for 48% of the net sales, the USA for another 48%, and the rest of the world for 4%.

During the period, educational sessions have been carried out with the newly appointed distributor in China, Vastec Medical Ltd. At the ISLH Conference (International Society for Laboratory Hematology) in Amsterdam, the distributor Sysmex held two well-attended presentations focusing on CellaVision's products. CellaVision was also exhibiting at two conventions in the Nordic region and furthermore spoke at a seminar in the middle-east. Moreover, marketing communications was refined by the production of a film and US customer case studies.

### **PARTNERSHIPS AND AGREEMENTS**

The transfer of production of the CellaVision DM96 to Kitron Flen AB is in progress and is expected to be complete by the end of the summer. The increased expense level in the first quarter compared to 2005 is partly due to the costs of moving this production.

Some countries require medical device manufacturers to be certified according to the ISO 13485 standard. It was decided to ISO-certify the company according to this standard. The process was complete by the 18<sup>th</sup> of April, 2006. Furthermore, on the 23<sup>rd</sup> of June, 2006, CellaVision received approval by Health Canada to sell the CellaVision DM96 and DM8 products in Canada.



## **RESEARCH AND DEVELOPMENT**

During the quarter, further development of the company's software and hardware has continued, resulting in among other things improved support functions.

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

## **2. Sales, financial results, and capital expenditures**

Net sales for the second quarter amounted to SEK 18.6 million (11.2), and accumulated to 27.7 (20.3) during the first half year, 66 and 36 percent higher than the same period the previous year, respectively. Europe accounts for 48% (56) of the sales, the U.S. for 48% (41), and the rest of the world for 4% (3). The gross result of the quarter amounted to SEK 10.3 million (5.9), and accumulated to 15.4 (10.2). The gross profit of the quarter amounted to 55% (52) and accumulated to 55% (50). This improvement in gross profit is partly due to the somewhat decreased costs of production of CellaVision™ DM96 compared to the second quarter of 2005, but is mainly due to the negative effect of SEK 0.7 million on the gross profit during the first half year of 2005 as a result of the write-down of DiffMaster™ inventory.

The net loss for the quarter amounted to SEK -0.3 million (-3.4), and for the first half year to SEK -5.2 million (-7.7). Total expenses for the quarter amounted to SEK 10.6 million (9.3), and accumulated to SEK 20.3 million (17.7). At the end of the first quarter the number of employees was higher compared to the same period last year, 34 vs. 31, which is reflected in the somewhat higher expense level in the first half year of 2006 compared to the same period the previous year. Yet another reason for the higher expense level in the first half year compared to 2005 is the cost of moving the production of CellaVision DM96 from Lund to Kitron in Flen.

During the first half year the company has not undertaken any development projects in phases in which expenditures shall be capitalized. No depreciations on capitalized development expenditures from earlier periods have been booked as costs of goods sold in the quarter as these were completely depreciated by the 31<sup>st</sup> of March, 2006 (SEK 0.9 million). These depreciations accumulate to SEK 0.9 million (0.9). Capital expenditures amounted to SEK 0.1 million (0.1) during the period.

## **3. Financing**

Liquid assets amounted to SEK 17.2 million (13.7) at the end of the quarter. The cash flow before changes in working capital amounted to SEK 1 million (-3.1) for the quarter and -2.6 million (-5.9) for the first half year. The average monthly cash flow before changes in working capital amounted to SEK -0.4 million (-1) throughout the first half year.

## **4. Personnel**

At the end of the quarter, the company had 34 (31) employees (FTE), of which 8 (8) were women.

## 5. Consolidated Accounts

Consolidated income statement All amounts in KSEK	Q2 2006	Q2 2005	6 MONTH 2006	6 MONTH 2005	2005
	APR – JUN	APR – JUN	JAN – JUN	JAN – JUN	JAN – DEC
Net sales	18 630	11 248	27 691	20 336	39 017
Cost of goods sold	-8 312	-5 364	-12 330	-10 143	-19 390
<b>Gross profit</b>	<b>10 318</b>	<b>5 884</b>	<b>15 361</b>	<b>10 193</b>	<b>19 627</b>
Selling expenses	-3 428	-2 954	-6 432	-6 079	-13 556
Administrative expenses	-3 367	-2 997	-6 668	-5 580	-10 795
R & D expenses	-3 738	-3 308	-7 210	-6 124	-11 470
Other operating income	0	0	24	47	0
Other operating expenses	-69	-10	-55	0	-295
<b>Operating result</b>	<b>-284</b>	<b>-3 385</b>	<b>-4 980</b>	<b>-7 543</b>	<b>-16 489</b>
Interest income	49	41	120	96	163
Interest expenses	-114	-96	-324	-273	-407
<b>Result after financial items</b>	<b>-349</b>	<b>-3 440</b>	<b>-5 184</b>	<b>-7 720</b>	<b>-16 733</b>
Tax	0	0	0	0	0
<b>Net result</b>	<b>-349</b>	<b>-3 440</b>	<b>-5 184</b>	<b>-7 720</b>	<b>-16 733</b>

Per share data <sup>1</sup>	Q2 2006	Q2 2005	6 MONTH 2006	6 MONTH 2005	2005
	APR – JUN	APR – JUN	JAN – JUN	JAN – JUN	JAN – DEC
Net result, undiluted, SEK	-0,01	-0,17	-0,22	-0,38	-0,81
Net result, diluted, SEK	-0,01	-0,17	-0,22	-0,38	-0,81
Weighted average number of shares, undiluted, SEK	23 852	20 151	23 852	20 151	20 578
Weighted average number of shares, diluted, SEK	23 852	20 751	23 852	20 751	20 578
Number of shares at end of period, undiluted, SEK	23 852	20 151	23 852	20 151	23 852
Number of shares at end of period, diluted, SEK	23 852	20 751	23 852	20 751	23 852

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



<b>Quarterly results</b>	<b>Q1 2004</b>	<b>Q2 2004</b>	<b>Q3 2004</b>	<b>Q4 2004</b>	<b>Q1 2005</b>	<b>Q2 2005</b>	<b>Q3 2005</b>	<b>Q4 2005</b>	<b>Q1 2006</b>	<b>Q2 2006</b>
<b>All amounts in KSEK</b>										
Net Sales	5 545	8 108	6 780	9 410	9 088	11 248	8 273	10 408	9 061	18 630
Gross profit	1 397	3 155	3 298	2 655	4 309	5 884	3 220	6 214	5 043	10 318
Gross profit in %	25	39	49	28	47	52	39	60	56	55
Expenses	-9 706	-10 260	-7 725	-9 411	-8 467	-9 269	-8 040	-10 340	-9 739	-10 602
Operating result	-8 309	-7 105	-4 427	-6 756	-4 158	-3 385	-4 820	-4 126	-4 696	-284
Net result	-8 389	-7 106	-4 512	-4 886	-4 280	-3 440	-4 919	-4 094	-4 835	-349
Operating cash flow	-5 688	-8 127	-7 272	-3 499	-491	-8 206	-6 571	-1 600	-118	-1 901

### **Consolidated Balance Sheet**

<b>Assets</b>	<b>JUNE 30</b>	<b>JUNE 30</b>	<b>DEC 31</b>
<b>All amounts in KSEK</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Subscribed, unpaid, new shares	0	0	1266
<i>Intangible assets</i>			
Capitalized development expenditures	0	2 764	881
Tangible assets	729	1 827	1 302
Current assets	40 301	35 929	42 791
<b>TOTAL ASSETS</b>	<b>41 030</b>	<b>40 520</b>	<b>46 240</b>
<b>Shareholders equity and liabilities</b>			
<b>All amounts in KSEK</b>	<b>JUNE 30</b>	<b>JUNE 30</b>	<b>DEC 31</b>
	<b>2006</b>	<b>2005</b>	<b>2005</b>
Shareholders equity	21 344	10 758	26 561
Provisions	1 600	1 120	1 240
Long term liabilities	0	0	0
Current liabilities	18 086	28 642	18 439
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>41 030</b>	<b>40 520</b>	<b>46 240</b>



<b>Consolidated Cash Flow Statement</b>	<b>Q2 2006</b>	<b>Q2 2005</b>	<b>6 MONTH 2006</b>	<b>6 MONTH 2005</b>	<b>2005</b>
All amounts in KSEK	<b>APR - JUN</b>	<b>APR - JUN</b>	<b>JAN - JUN</b>	<b>JAN - JUN</b>	<b>JAN - DEC</b>
Operating result	-284	-3 385	-4 980	-7 543	-16 489
<b>Cash flow from operating activities before changes in working capital</b>	<b>1 034</b>	<b>-3 069</b>	<b>-2 622</b>	<b>-5 937</b>	<b>-8 444</b>
Changes in working capital	-2 935	-5 137	603	-2 760	-8 424
<b>Cash flow from operating activities</b>	<b>-1 901</b>	<b>-8 206</b>	<b>-2 019</b>	<b>-8 697</b>	<b>-16 868</b>
<b><u>Investing activities</u></b>					
Capitalized development expenditures	0	0	0	0	0
Acquisition of tangible assets	-58	-66	-126	-84	-133
Disposal of tangible assets	0	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-58</b>	<b>-66</b>	<b>-126</b>	<b>-84</b>	<b>-133</b>
<b>Cash flow from financing act.</b>	<b>3 842</b>	<b>6 910</b>	<b>1 790</b>	<b>3 340</b>	<b>15 364</b>
Changes in cash and cash equivalents	1 882	-1 362	-355	-5 441	-1 636
Translation difference	12	-3	7	14	67
Cash and cash equivalents, beginning of period	15 346	15 095	17 588	19 157	19 157
<b>Cash and cash equivalents, end of period</b>	<b>17 240</b>	<b>13 730</b>	<b>17 240</b>	<b>13 730</b>	<b>17 588</b>

<b>Financial ratios</b>	<b>JUNE 30 2006</b>	<b>JUNE 30 2005</b>	<b>DEC 31 2005</b>
Equity assets ratio, %	52%	27%	57%
Net debt/equity ratio	-0,37	0,60	-0,33
Return on shareholders equity, %	Neg.	Neg.	Neg.
Return on capital employed, %	Neg.	Neg.	Neg.
Interest-bearing liabilities	9 316	10 237	8 793
Number of employees at end of period (FTE)	34	31	32
Shareholders equity per share (Undiluted)	0,89	0,53	1,29

**Equity/assets ratio**

Shareholders equity in relation to total assets.

**Net debt/equity ratio**

Net borrowings divided by shareholders equity.

**Return on shareholders equity**

Net profit/loss in relation to average shareholders equity.

**Return on capital employed**

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

**Shareholders equity per share**

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

<b>Changes in shareholders equity</b> All amounts in KSEK	<b>JAN – JUNE 2006</b>	<b>JAN – JUNE 2005</b>	<b>JAN – DEC 2005</b>
<b>Opening balance</b>	<b>26 561</b>	<b>18 148</b>	<b>18 148</b>
New share issue	0	0	25 266
Fundraising cost	0	0	-632
Translation difference	-33	330	512
Net result	-5 184	-7 720	-16 733
<b>Closing balance</b>	<b>21 344</b>	<b>10 758</b>	<b>26 561</b>

## 7. Other Information

On June 30 2006, the Group consisted of the parent company and the subsidiaries; CellaVision Inc. and CellaVision International AB.

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

The accounting principles are unchanged since the annual report 2005.

For more information, please contact Yvonne Mårtensson, CEO, at +46 46-286 44 01 or +46 708-33 77 82

Lund, August 4, 2006

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

### CellaVision AB (publ)

**CellaVision AB** is an emerging high-tech company with a core competence in development of software for automatic image analysis of cells and cell changes and for applications in health and medical care. The company offers cutting-edge expertise within sophisticated digital image analysis, artificial intelligence and automated microscopy. It develops and markets systems for automatic differentials of white blood cells and red morphology, and software for education and quality assurance of differentials.

The company headquarters are in Lund, Sweden. The company also has a U.S. subsidiary in Jupiter, FL, USA. For more information, please visit [www.cellavision.com](http://www.cellavision.com).