

CONTEXTVISION AB FIRST QUARTER 2013

Q1 HIGHLIGHTS

- Continued sales development
- New mammography contracts
- Strengthened algorithm team

Q1 FINANCIAL DATA

- Sales of 15.9 MSEK (15.2)
- Operating result of 1.2 MSEK (0.5) and operating margin of 7.1% (2.9%).
- Earnings per share of 0,12 (0,05) SEK



MANAGEMENT COMMENT

ANITA TOLLSTADIUS, THE COMPANY'S CEO COMMENTED:

Following a strong fourth quarter we have continued to grow sales on a year-over-year basis. Sales came to 15,9 MSEK, representing a 5% increase over first quarter last year, 13% on a constant currency basis. We continue to benefit from a strong product portfolio and a global market position.

As in previous quarters ultrasound continues to dominate our revenue composition. However, it is also very encouraging to notice that our investments in new product development in particular in the areas of interventional radiography and mammography are gaining traction in the market place. While absolute revenues are still low, growth rates are high, allowing us to be very confident for the future.

Specifically, mammography has started to develop in several ways during the first quarter. We signed another two new OEM contracts for delivery of mammography licenses and we have further opportunities in the pipeline. Digital mammography is growing quickly on a global basis. This is being driven also by mandatory screening programs being implemented in more and more countries. As a result, many traditional x-ray manufacturers scramble to position themselves with new products in this segment of the market, where the need for better images probably is the most pressing industry issue. The number of erroneous diagnoses, due to poor imaging quality, is still far too high (much lower diagnostic sensitivity and specificity rates than associated with other routinely diagnostic procedures). This creates a great opportunity for us as we believe we are uniquely qualified to lead this market and provide next-generation images. Already today, ContextVision's image enhancement software brings significant value to mammography imaging as it improves the current imaging standard and thus adds needed performance to better satisfy radiologists in their very demanding working situations. However, there continues to be huge challenges within this modality as breast-tissue is not uniform and the tissue composition to be analyzed can vary much from one woman to another. Our dedicated algorithm team continues to work on our next-generation software for mammography.

Being able to offer first class image enhancement for mammography makes us an even more attractive partner for manufacturers with both x-ray and mammography products. As we assist them with their mammography products, new opportunities frequently emerge also with regard to traditional x-ray systems. This proves, that our position in the market - by being able to supply image enhancement for all modalities - is very unique and it is our clear intention to take full advantage of this position.

In March we attended the European Congress of Radiology (ECR) and presented our latest upgrades in

ultrasound, MRI, XR and interventional radiography. This gave us the opportunity to display the news on our products not only to the European customers but also to several Asian companies visiting ECR. The congress is a very important occasion for generating initial lead-contacts as well as for more in-depth discussion with present and potential customers. We were very satisfied with the attention we reached at the conference.

Many changes are ongoing within healthcare globally. One distinct characteristic is that medical IT is in focus and gaining strategic importance as a tool to deliver world-class medical services at reasonable prices. As a consequence, there are new more demanding prerequisites and standards for medical imaging. This opens up for new opportunities within image analysis, and we see a potential for further growth. We have initiated a couple of pilot studies to test some of our new ideas. It is important for us to initiate more research activities in order to be able to develop new business areas. Our algorithm team is at the core of this research and we are very pleased that we have made an important recruitment to strengthen this team further during the first quarter.

With a steady sales development, a strong financial position and several new ideas, we have good reasons to start to explore new alleys. We can proudly say that we have a very committed and extremely talented group of algorithm specialists to address the new research tasks.

Despite investments in new ideas and a low level of capitalized costs we had a 7% profit this quarter. Improving profitability is central and we therefore continue to undertake measures to improve efficiency. It is our goal to grow the sales of our current product line, while allowing for more and more of the margin from our present business to flow to the bottom line.

FIRST QUARTER 2013

NET SALES AND OPERATING PROFIT

NET SALES

- Quarter one sales for ContextVision were 15.9 MSEK, compared to 15.2 MSEK last year.
- The reported sales increase is 5%. Sales increase cleared from currency effects is 13%.

OPERATING PROFIT AND MARGIN

- The operating result was 1.2 MSEK (0.5) with an operating margin of 7% (3%).
- Cost of goods ended 0.3 (0.6) due to the use of more cost efficient licensing methods.
- Other external cost includes cost for legal preparation at a lower level this year compared to last year.
- Personnel costs are affected by ordinary salary increase and a low level of capitalization 0.2 (0.4).
- Depreciations ended on 0.9 (0.6) due to previous investments which have now entered a commercial phase.

CASH-FLOW AND FINANCING

- Cash flow for the period represented a positive change of 2.5 MSEK (4.2).
- Cash amounted to 27.4 MSEK (23.9) at period end.
- The change in cash during the quarter is explained by collection of sales receivables from the strong Q4 2012 sales.
- Equity at period end amounted to 42.2 (40.8) MSEK giving an equity ratio of 75% (82%).
- Swedish corporate tax level has been reduced from Jan 1 to 22 % (earlier 26,3%). The new tax rate is applied as the group tax rate from Jan 1, 2013.

EMPLOYEES AND MANAGEMENT

- At period end the company had 36 (37) employees of which 15 are dedicated to research and development. One employee is located in the United States of America and one in China.

CONTEXTVISION GROUP

The group consists of ContextVision AB (publ), company registration number 556377-8900 as the parent company, and ContextVision Inc Corp registration number 36-4333625 State of Illinois, USA, as the wholly owned subsidiary.

SAPHENEIA LITIGATION

- In the ongoing litigation between ContextVision AB and Sapheneia Commercial Products AB et al. the Göta Court of Appeal decided in March 2013 to grant ContextVision leave to appeal. The Court of Appeal simultaneously overturned a previous decision by the District Court and ordered Sapheneia to submit substantial documentation and materials to the court in accordance with ContextVision's request.
- Regarding the case of ownership of a patent application submitted by Saphenia, the preparations for the main hearing, scheduled for May 2013, have started.

Background

- In 2006 five employees left ContextVision. Together with two Americans who had been engaged as consultants to ContextVision, they set up a new company, Sapheneia Commercial Products AB (SCP). Immediately after having left ContextVision, SCP started its business that directly competes with ContextVision.
- In 2007 SCP and its American parent company as well as the American consultants and one company belonging to one of the consultants initiated legal proceedings before Linköping District Court requesting a declaratory judgment to the effect that they have not infringed ContextVision's copyrights and that they are not liable in damages to ContextVision as a consequence of any use or disclosure of trade secrets. In return, ContextVision has requested a declaratory judgment to the effect that SCP is liable in damages due to its use and disclosure of trade secrets.
- The main hearing in these cases was held in April 2012 and the judgment was rendered by the District Court on June 12, 2012. The court decision was not in favor of ContextVision and the decision is under appeal.
- In 2008 ContextVision initiated legal proceedings against SCP at the Stockholm City Court requesting a declaratory judgment to the effect that ContextVision is the owner of a patent application submitted by SCP and which states two of ContextVision's former employees as inventors. The main hearing in this case is scheduled for May 2013.

RISKS & UNCERTAINTIES

- ContextVision's major risk factors include business risks connected to the general financial situation, to the level of healthcare investment on different markets, currency exchange risks, the company's ability to recruit and keep qualified employees and the effect of political decisions.
- The company's risk factors are described in the annual report 2012. No significant new risks have originated since then.
- This quarterly report provides a fair and true overview of the company's and the Group's activities, position and results, and describes the risks and uncertainties of significance faced by ContextVision and by the companies in the Group.

The Board of Directors of ContextVision AB
Stockholm 2013-04-24

This report has not been reviewed by the company's auditors.

PRESENTATION AND REPORTING DATES

This quarterly report will be published on the company's website on the 25:th of April, 2013.

There will be a video presentation released on the 26:th of February, at 09.00 CET.

Please follow the link:

www.abiliteam.se/contextvisionQ12013

Please visit www.contextvision.com for further information, or use shareholderinfo@contextvision.se to send a question directly to management.

REPORTING DATES

Q1 result 2013	April 25, 2013
Annual report available	April 26, 2013
Annual General Meeting	June 12, 2013
Q2 result 2013	August 22, 2013
Q3 result 2013	October 24, 2013
Q4 and annual result 2013	February 20, 2014

FOR MORE INFORMATION PLEASE CONTACT:

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COMING AGM AND ANNUAL REPORT

The AGM 2013 is scheduled for June 12, 5pm at the company's office in Stockholm.

The invitation for the Annual General Meeting will be mailed to shareholders in the beginning of May. Shareholders, who want to participate, should register according to the instructions given in the invitation.

The annual report 2012 will be available on April 26 at the company's website. Shareholders who want a full printed copy, should contact the company by sending an e-mail to: shareholderinfo@contextvision.se

CONTEXTVISION FAST FACTS

- ContextVision is a spin-off from the Image Processing Laboratory at Linköping University, Sweden. The corporate identity was established in 1983 with the first OEM agreement in radiology in 1987. ContextVision is traded on the Oslo Stock Exchange since 1997.
- ContextVision enhances significant information in digital images using proprietary technology based on GOP.

THE COMPANY OFFERS:

- 30 years of successful experience in OEM business
- Unprecedented image enhancement for ultrasound, X-Ray, MRI, CT, mammography and iRV.
- Long standing corporate commitment to R&D that ensures timely and rewarding upgrade paths
- Strong customer relationships to ensure their success
- Expert training in image processing for our customers
- Compatibility across different image formats and major computer platforms
- ContextVision's technology enables the company's customers to provide superior digital imaging solutions for hospitals and clinicians. Such solutions promise more rapid and accurate diagnoses, reduced operator eye fatigue, and ultimately, a greater return-on-investment for medical imaging users.

CONSOLIDATED INCOME STATEMENT (SEK 1000)

^{1/}	Q1 2013	Q1 2012		FULL YEAR 2012
Net sales	15 943	15 215		67 115
Total revenues	15 943	15 215		67 115
Goods for resale	-295	-639		-2 148
Other external costs	-4 903	-5 108		-23 192
Personnel costs	-8 725	-8 419		-37 370
Depreciation assets	-891	-605		-3 040
Write-down of intangible assets	-	-		-745
Operating results	1 129	446		620
Interest income	34	64		257
Interest costs and similar profit/loss items	-	-		-16
Results after financial items	1 163	510		861
Tax	-224	-105		-241
Net results	939	405		620
Earnings per share after tax (SEK)	0,12	0,05		0,08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK 1000)

	Q1 2013	Q1 2012		FULL YEAR 2012
Effect of currency hedging	233	-		152
Translation difference	-4	-67		-153
Total other comprehensive income	229	-67		-1
Net result for the period	939	405		620
Total comprehensive income for the period	1 168	338		619

FINANCIAL HIGHLIGHTS

	Q1 2013	Q1 2012		FULL YEAR 2012
Earnings per share after tax (SEK) before/after dilution	0,12	0,05		0,08
Average number of shares	7 736 750	7 736 750		7 736 750
Operating margin (per cent)	7,1	2,9		0,9
Solidity (per cent)	75,0	82,0		75,0

SALES BY REGION (MSEK)

	Q1 2013	Q1 2012	FULL YEAR 2012
Asia	7,1	7,5	28,3
Europe	5,7	4,6	24,9
USA	3,2	3,1	13,9
Total	15,9	15,2	67,1

SALES BY PRODUCT (MSEK)

	Q1 2013	Q1 2012	FULL YEAR 2012
XR	2,2	1,9	8,8
US	10,5	10,6	46,4
MR	1,8	1,9	7,7
Others (iRV, CT, Mammo)	1,4	0,8	4,2
Total	15,9	15,2	67,1

CONSOLIDATED BALANCE SHEET (SEK 1000)

^{1/}	Q1 2013	Q1 2012	2012
Intangible fixed assets	11 741	13 276	12 361
Tangible assets	713	1 068	780
Other financial assets	1 095	213	1 095
Inventories	665	540	280
Current receivables	13 709	11 218	15 494
Cash and bank	27 213	23 931	24 719
Total assets	55 137	50 246	54 729
Equity	42 213	40 763	41 045
Provisions	210	41	113
Current liabilities	12 714	9 441	13 571
Total equity and liabilities	55 137	50 246	54 729

CHANGE IN EQUITY (SEK 1000)

	Q1 2013	Q1 2012	FULL YEAR 2012
Opening balance	41 045	40 425	40 425
Total comprehensive income for the period	1 168	338	619
Closing balance	42 213	40 763	41 045

CONSOLIDATED STATEMENT OF CASH FLOWS (SEK 1000)

1/	Q1 2013	Q1 2012	FULL YEAR 2012
Result after financial items	1 163	510	861
Depreciation and write-down of assets	891	605	3 785
Unrealized gain/loss on current investments	-210	0	-169
Income tax paid	-449	-528	-1 361
Cash flow from operating activities before change in working capital	1 395	587	3 116
Change in working capital			
Increase (-)/decrease (+) inventories	-384	-348	-88
Increase (-)/decrease (+) current receivables	2 771	3 571	86
Increase (+)/decrease (-) liabilities	-1 084	1 036	5 340
Cash flow from operating activities	2 698	4 845	8 454
Investing activities			
Investments in intangible assets	-180	-406	-2 304
Investments in tangible assets	-24	-25	-66
Investments in financial assets	-	-163	-
Other financial assets			-1 045
Cash flow from investing activities	-204	-594	-3 415
Financing activities			
Cash flow from financing activities	0	0	0
Cash flow for the period	2 494	4 251	5 039
Change of liquid assets			
Liquid assets at beginning of period	24 719	19 680	19 680
Liquid assets at period end	27 213	23 931	24 719

1/ Other income – reclassification of comparative period Q1 2012

During Q1 2012, income from EU grants for development projects of KSEK 526 were reported as “other income”. The income was reclassified during Q2 2012 according to IAS 20, whereas the income was reported as a reduction of the corresponding development cost. The reclassification did not affect the result for the period.

The figures for the comparative period Q1 2012 have been changed in this report according to the reclassification.

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the 1:st quarter ended March 31, 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of 31 December 2012.

GLOSSARY

CAD (COMPUTER AIDED DETECTION)

Computer assisted support for Radiologists, that highlights abnormalities in medical images, after radiologist has review the images. Can basically be considered as a second reader.

CT (COMPUTED TOMOGRAPHY)

A diagnostic device through which a two-dimensional cross-sectional image of the studied tissue is obtained using X-rays.

DFE (DIRECTED FOCUSED ENHANCEMENT)

A specific tuning capability that enables the manufacturer to enhance specific structures in the medical images, without affecting the rest of the image.

DR (DIRECT RADIOGRAPHY)

A detector that converts X-ray photons into digital signals, replacing the need for X-ray films.

FLUOROSCOPY

An X-ray imaging technique that produces real-time images of a patient's internal structures on a TV monitor. Fluoroscopy allows the study of dynamic processes within the body and can be used for guidance in interventional procedures.

GOP® (GENERAL OPERATOR PROCESSOR)

A term for ContextVision's methodology in detecting structures in an image and relating them to their wider context in order to increase visualization accuracy.

GOPICE® (IMAGE CUBICLE ENHANCEMENT)

GOPICE® is the family name for ContextVisions real-time 3D volumetric image enhancement product, for OEM embedded software.

GOPVIEW®

The family name for ContextVision's product lines of OEM-embedded software.

HCU (HAND CARRIED ULTRASOUND)

A portable, battery-powered ultrasound machine no larger than a briefcase.

IMAGE ANALYSIS

Processing a digital image in order to describe/classify its contents or to extract quantitative measurements.

IMAGE PROCESSING

A generic term used to describe the computation of digital images, typically to enhance or analyze them.

IMAGE ENHANCEMENT

To improve the visual quality of a digital image by increasing the visibility of relevant structures, as in edge/contrast enhancement and the suppression of noise or artifacts.

MAMMOGRAPHY

An X-ray method used to examine the human breast.

MODALITY

A device that generates internal images of the body, such as X-ray, ultrasound, magnetic resonance imaging, and computed tomography.

MRI (MAGNETIC RESONANCE IMAGING)

A non-invasive procedure, generated by variations in strong magnetic fields, that produces a two-dimensional view of an internal organ or structure, especially the brain and spinal cord.

OEM

The acronym for Original Equipment Manufacturer.

US (ULTRASOUND)

A procedure in which high-energy sound waves are bounced off internal tissues or organs to create echoes. The echo patterns are displayed on the screen of an ultrasound machine, forming a picture of body tissues called a sonogram.

X-RAY

A diagnostic device in which radiation is used to create images for examination of soft and hard tissue, such as muscle and bone.

ContextVision is a leading provider of image enhancement software to the global medical imaging industry since 1983, with the versatile GOP® technology at its core. We play a key role in helping manufacturers by offering clinicians unparalleled diagnostic image quality, ultimately providing patients with better care. ContextVision continues to offer the latest software and expertise within ultrasound, x-ray, magnetic resonance imaging, mammography, fluoroscopy and computed tomography. Our groundbreaking technology and lengthy expertise have granted us a pioneer position within 2D/3D/4D image enhancement across multiple modalities.

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