

# ContextVision AB

## Third quarter result 2009



### Q3 HIGHLIGHTS:

- ▶ Quarterly sales of 10.6 MSEK
- ▶ Received customer acceptance for two key projects (CT and interventional radiology), cense revenues starts this quarter according to plans
- ▶ Decision to pursue a merger or other strategic opportunities.  
Nomura Code Securities, a leading European healthcare investment bank has been appointed as advisor.

### FINANCIAL DATA (MSEK)

Third quarter 2009

- ▶ Sales of 10.6 MSEK (16.6 MSEK)
- ▶ Operating profit of 0.1 MSEK (6.5 MSEK) and profit before tax of 0.1 MSEK (7.6 MSEK)
- ▶ Earnings per share of 0.01 (0.71) SEK

## Management Comment

Jan-Erik Hedborg, the company's CEO commented:

*In order to optimize the value of the Company's world leading technology and products, the Board of Directors has decided in August, as a consequence of the annual strategic process, to pursue a merger or other strategic opportunities. Key elements in this strategy are to maximize revenue and secure strong technology development.*

*The growth in revenues in the previous quarter was not maintained this quarter due predominantly to weaker market conditions. We see some early signs of market recovery in the present quarter but remain cautious as to whether this represents a trend shift.*

*We are pleased that progress in the introduction of our two key products, GOPiCE US (volumetric image enhancement for ultrasound) and GOPView iRV-plus (image enhancement and dose reduction for interventional radiology), is progressing to plan.*

*The technical and clinical evaluation of GOPiCE US by our two key customers is progressing well and we are targeting market introduction by our customers in the first half of 2010. The clinical value of GOPiCE US has already been confirmed by the Thomas Jefferson University study made previous quarter.*

*We received customer acceptance for two key projects (CT and interventional radiology) which means license deliveries will start this quarter according to plans.*

*In digital mammography, one of our customers recently received approval to sell their product on the Japanese market which is expected to generate additional license revenues next quarter.*

*Clinical validation of the next volumetric image enhancement product for MRI, GOPiCE MR, will start early next quarter at the Center for Medical Image Science and Visualization (CMIV) in Linköping led by a well recognized*

*guest Professor from Massachusetts General Hospital in the USA.*

*To pursue a potential merger or other strategic opportunities, Nomura Code Securities, a leading European healthcare investment bank, has been appointed as advisor. Nomura Code is part of the Nomura Group.*

*There can be no assurance that a transaction will be entered into or completed as a result of this process. The Company does not intend to disclose developments as a result of the ongoing process until the review of strategic alternatives is complete.*

*ContextVision has gained a leading position in medical image enhancement with OEMs, gradually extending its products to cover all major modalities over the last 10 years. The Company is well positioned to build on its strengths, which include a strong financial position, market-leadership in its field, long-standing customer relationships and a history of image enhancement technical and clinical expertise. In particular, ContextVision is well placed to capitalise on the expected growth and development in the medical imaging market, such as the emergence of 3D medical imaging applications and the introduction of portable medical imaging devices.*

*This quarterly report will be presented on October 16<sup>th</sup> at 9.00 through a live webcast in which I am looking forward to respond to shareholders, investors and other interested parties questions.*

## **Net sales and operating profit**

### **Third quarter**

#### **Net sales**

- ▶ Sales were 10.6 MSEK, compared to 16.6 MSEK prior year.
- ▶ Other income consists of quarterly minimum license fee of 0, 25 MSEK from SharpView AB.

#### **Operating profit and margin**

- ▶ The operating profit was 0.1 MSEK compared to 6.5 MSEK prior year.
- ▶ Personnel costs have increased compared to last year.

## **Cash-flow and financing**

- ▶ Liquid funds in ContextVision amounts to 13.8 MSEK (19.5)
- ▶ Equity at period end amounted to 41.4 (57.6) MSEK giving a solidity of 84% (72%).
- ▶ The valuation of the shares in the former subsidiary SharpView has in accordance with IFRS been adjusted to the current market value of 1.9 MSEK, accounted for in the equity

## **Employees**

- ▶ At period end the Company had 34 (36) employees whereof 15 are dedicated to research and development. Three are located in the United States of America and one in China.

## **Business operations**

- ▶ Sales by region for the quarter are as follows (MSEK): Asia 4.9, Europe 2.9 and USA 2.5. On top of this, in accordance with present agreement with the former subsidiary SharpView for the use of ContextVision technology, 0.25 MSEK has been booked as other revenues.
- ▶ Sales by product for the quarter are as follows (MSEK): Ultrasound 5,9, X-ray 1,9, Magnetic Resonance 2,2 and Others 0,6 (including SharpBiew sales).

## **Product development**

- ▶ No new products & releases have been made during the quarter.

## **Risks & uncertainties**

- ▶ Consolidation of the medical business occur on a regular basis with the general purpose of enhancing technical competence and gaining market share, as competition decreases. Apart from consolidation, new players enter the market and challenge the established players. The trends above represent both threats and opportunities for ContextVision.

The 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 2009-10-12

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

## Presentation and reporting dates

The Q3 report will be webcasted on October 16<sup>th</sup> at 09.00 by CEO Jan Erik Hedborg.

Click on following link: [http://www.cik.no/contextvision/091016/091016\\_contextvision.php](http://www.cik.no/contextvision/091016/091016_contextvision.php)

Questions will be answered during the webcast, please send questions to [jan-erik.hedborg@contextvision.se](mailto:jan-erik.hedborg@contextvision.se)

Please visit our website for further information, [www.contextvision.com](http://www.contextvision.com), or use [shareholderinfo@contextvision.se](mailto:shareholderinfo@contextvision.se) to send a direct question to management.

## Reporting dates

Q3 result 2009                      October 12, 2009

Q4 2009 and  
annual result 2009              February 18, 2010

For more information please contact:

Jan Erik Hedborg, CEO              Phone +46 (0)8 750 35 59

## ContextVision fast facts

- ▶ ContextVision is a spun-off from research done at 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 GOP technology. The company offers:
  - More than 25 years successful experience in OEM business
  - Unprecedented image enhancement for X-ray, MRI, CT, and ultrasound images
  - Long standing corporate commitment to R&D that ensures timely and rewarding up-grade paths
  - Strong customer relationships to ensure their success
  - Expert training in image processing for our customers
  - Compatibility across any image format and all major computer platform
- ▶ Context Vision'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.

**Income Statement (SEK 1000)**

	Q3 2009	Q3 2008	Nine months 2009	Nine months 2008	Rolling 12- months	2008
Net sales	10 388	16 039	37 902	51 877	57 116	71 091
Other revenues	250	517	750	551	2 306	2 107
<b>Total revenues</b>	<b>10 638</b>	<b>16 556</b>	<b>38 652</b>	<b>52 428</b>	<b>59 422</b>	<b>73 198</b>
Goods for resale	-334	-366	-781	-1 140	-1 143	-1 502
Other external costs	-3 146	-3 178	-12 198	-11 260	-18 661	-17 723
Personnel costs	-6 418	-5 812	-22 793	-19 122	-30 392	-26 721
Depreciation assets	-666	-678	-1 966	-1 907	-2 648	-2 589
<b>Operating results</b>	<b>74</b>	<b>6 522</b>	<b>914</b>	<b>18 999</b>	<b>6 578</b>	<b>24 663</b>
Interest income	0	1 038	343	2 383	797	2 837
Interest costs and similar profit / loss items	-16	0	-17	-48	-32	-63
<b>Results after financial items</b>	<b>58</b>	<b>7 560</b>	<b>1 240</b>	<b>21 334</b>	<b>7 343</b>	<b>27 437</b>
Tax	-4	-2 105	-381	-5 947	-1 674	-7 240
<b>Net results</b>	<b>54</b>	<b>5 455</b>	<b>859</b>	<b>15 387</b>	<b>5 669</b>	<b>20 197</b>
Earnings per share after tax, SEK	0,08	0,67	0,10	1,89	1,38	2,49

**Consolidated Statement of comprehensive income (SEK 1000)**

	Q3 2009	Q3 2008	Nine months 2009	Nine months 2008	2008
Effect of currency hedging	1 190	-	2 326	-	-1 517
Fair value of financial assets	-327	3 120	-3 982	-	-4 605
Translation difference	-105	80	-132	-45	189
<b>Total other comprehensive income</b>	<b>758</b>	<b>3 200</b>	<b>-1 788</b>	<b>-45</b>	<b>-5 933</b>
Net result for the period	54	5 455	859	15 387	20 197
<b>Total comprehensive income for the period</b>	<b>812</b>	<b>8 655</b>	<b>-929</b>	<b>15 342</b>	<b>14 264</b>

**Consolidated Balance Sheet (SEK 1000)**

	Q3 2009	Q3 2008	2008
Intangible fixed assets	13 017	9 789	11 311
Tangible assets	1 592	1 368	1 574
Financial assets	1 862	10 449	5 844
Inventories	707	537	429
Current receivables	18 530	23 400	16 498
Current investments	-	14 958	15 202
Cash and bank	13 821	19 504	16 201
<b>Total assets</b>	<b>49 529</b>	<b>80 005</b>	<b>67 059</b>
Equity	41 367	57 588	49 535
Provisions	1 162	1 829	947
Current liabilities	7 000	20 588	16 577
<b>Total equity and liabilities</b>	<b>49 529</b>	<b>80 005</b>	<b>67 059</b>

**Change in equity (SEK 1000)**

	Q3 2009	Q3 2008	Nine months 2009	Nine months 2008	2008
Opening balance	40 555	48 933	49 535	54 358	54 358
Total comprehensive income for the period	812	8 655	-929	15 432	14 264
Cash dividend	-	-	-	-12 202	-12 205
Repurchase of own shares	-	-	-7 239	-	-6 882
Closing balance	<b>41 367</b>	<b>57 588</b>	<b>41 367</b>	<b>57 588</b>	<b>49 535</b>

	Q3 2009	Q3 2008	Nine months 2009	Nine months 2008	Rolling 12- months	2008
Earnings per share after tax, SEK	0,01	0,67	0,11	1,89	0,71	2,49
Operating margin (per cent)	0,7	39,4	2,4	36,2	11,1	33,7
Solidity (per cent)	84,0	72,0	84,0	72,0		73,9

### Consolidated Statement of Cash Flows (SEK 1000)

	Q3 2009	Q3 2008	Nine months 2009	Nine months 2008
<b>Operation activities</b>				
Result after financial items	58	7 560	1 240	21 334
Depreciation of assets	666	678	1 968	1 907
Urealised gain/loss on current investments	-1 139	179	-280	-635
Changes in provisions	425	-	875	-
Income tax paid	-616	-821	-8 001	-6 464
<b>Cash flow from operating activities before change in working capital</b>	<b>-606</b>	<b>7 596</b>	<b>-4 198</b>	<b>16 142</b>
<b>Change in working capital</b>				
Increase(-)/decrease(+) inventories	95	140	-278	171
Increase(-)/decrease(+) current receivables	1 376	934	1 066	5 211
Increase(+)/decrease(-) liabilities	-2 444	-441	-3 241	-5 549
<b>Cash flow from operating activities</b>	<b>-1 579</b>	<b>8 229</b>	<b>-6 651</b>	<b>15 975</b>
<b>Investing activities</b>				
Investments in intangible assets	-706	-1 029	-3 421	-4 049
Investments in tangible assets	1	-36	-272	-170
Investments in financial assets	-	-	-	-10 399
Short-term investments	-	-	15 202	13 817
<b>Cash flow from investing activities</b>	<b>-705</b>	<b>-1 065</b>	<b>11 509</b>	<b>-801</b>
<b>Financing activities</b>				
Cash dividend	-	-	-	-12 205
Repurchase of own stock	-	-	-7 239	-
Sale of repurchased own stock	-	-	-	-
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>-7 239</b>	<b>-12 205</b>
<b>Cash flow for the period</b>	<b>-2 284</b>	<b>7 164</b>	<b>-2 381</b>	<b>2 969</b>
<b>Change of liquid assets</b>				
Liquid assets at beginning of period	16 105	12 340	16 201	16 535
<b>Liquid assets at period end</b>	<b>13 821</b>	<b>19 504</b>	<b>13 821</b>	<b>19 504</b>

### Basis of preparation

The interim condensed consolidated financial statements for the 3 months ended September 30 2009 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 2008.

## GLOSSARY

### ▶ CT (COMPUTED TOMOGRAPHY)

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

### ▶ 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.

### ▶ GOPVIEW®

The family name for ContextVision's product lines of OEM-embedded 2D software.

### ▶ GOPICE®

The family name for ContextVision's product lines of OEM-embedded volumetric/3D 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.