

# A word from the CEO

## Broadened product offering and increased gross margin

An important milestone during the quarter was the launch of our new veterinary product, H50V. The launch will allow us to increase sales to the veterinary segment. Sales of OEM consumables also continue to grow. We also won a strategically important order from a reputable hospital chain in the US that will upgrade its entire installed base. This is the best rating we can get in terms of both the quality of our solutions and a sign of the high level of trust we have with our customers.

### The quarter in brief

Order intake was strong towards the end of the quarter after a weak start. However, about SEK 10 million of planned deliveries were moved forward. The main reason is that a number of customers in the Middle East and Africa have not been able to pay due to restrictions imposed by their local central banks on the exchange of foreign currencies. The orders remain but advance payment is required for deliveries.

The gross margin amounted to 43 percent, which is 3.2 percentage points better than the corresponding period last year, despite a less favorable product mix. The improved gross margin is mainly a result of price increases, lower purchase prices and cheaper freight, but also a consequence of improved production efficiency.

We delivered almost a thousand instruments during the quarter. With an increased share of 5-part instruments to Asia, where prices are lower, the pressure on our gross margin has increased compared to the first quarter of the year.

### The market situation

The global macroeconomic situation continues to have a significant impact on the business, as the scope for investment is reduced for customers with weaker local currencies. The uncertainty has also led us to increase the demand for advance payments from our customers, which sometimes delays transactions.

The Indian government is making a multi-year effort to increase the availability of healthcare for all, with major investments in new laboratories. To participate in public tenders, Make in India has increased its requirements. We therefore signed an agreement last year with India's Q-Line Biotech to establish reagent production in India. Our partner has built a new factory, and validation of production equipment and processes is ongoing. The first customer deliveries are planned for September.

Going forward, some of the sales to India will generate increased royalty income, which will reduce sales but increase profitability.

### Renewal of the product portfolio

We started the launch in Europe of our new product H50V, a new 5-part veterinary instrument, during the quarter and will introduce it in other markets during the fall. With the launch of a new product and with FujiFilm Europe as a new sales partner, we see good opportunities to grow faster in veterinary medicine.

The veterinary market is growing at three times the rate of the human market.

During the quarter, we invested SEK 18 million in the development of our new technology platform. The increase from the previous quarter is a result of extended clinical tests and purchases of materials for prototypes and pre-series production.

We have carried out clinical verification and an external evaluation of the design. The results show that we will achieve higher performance with some improvements in electronics and algorithms. The improvement work postpone the start of the clinical validation, which means that our regulatory applications will be delayed until next summer. We are planning for launch activities in the second half of 2024 and for revenue from our new 5-part instrument to take off in 2025.

This fall, we will continue to make improvements to our existing 3-part instruments with cost-effective components from our new technology platform so we can start benefiting from new developments as early as 2024.

There is uncertainty in the world around us, which has affected our customers and ourselves during the quarter. We are focusing on what we can control. With a broadened and attractive product portfolio in the veterinary segment, underlying demand for OEM products, and an internal focus on innovation and efficiency, I am optimistic about our prospects for the second half of 2023.

Have a nice summer!

A handwritten signature in blue ink, reading 'Jesper Söderqvist'.

Jesper Söderqvist  
CEO and Group President

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