

Group performance July-September 2021

Net sales

Net sales for the third quarter amounted to SEK 111.8 (98.8) million, an increase of 13.2 percent. After adjustment for USD and EUR currency effects, the increase was 14.6 percent. Instrument sales increased by 13 percent, sales of consumables increased with 12 percent and OEM and CDS brand sales increased by 29 percent compared with the same period the previous year.

Increased growth is a result of increased vaccination rates in many countries. Growth in Asia is driven by strong sales in India where we saw an increase in both instruments and consumables.

Accumulated net sales for the period January to September amounted to SEK 323.1 (307.8) million, representing an increase of 5.0 percent and 12.2 percent adjusted for currency effects.

Net sales by region, SEK million	Jul-Sep 2021	Jul-Sep 2020	change	Jan-Sep 2021	Jan-Sep 2020	change	Oct 20- Sep 21 (R12)	Oct 19- Sep 20 (R12)	change (R12)
USA	37.9	32.3	17%	108.9	99.4	10%	137.9	135.8	2%
Asia	30.2	25.9	16%	81.8	75.6	8%	110.2	118.8	-7%
Eastern Europe	14.4	12.6	14%	42.2	44.5	-5%	52.9	59.8	-12%
Latin America	8.4	7.8	7%	29.3	28.0	5%	34.3	39.2	-12%
Western Europe	6.5	9.7	-33%	21.3	25.5	-16%	31.9	36.0	-11%
Africa/Middle East	14.4	10.5	38%	39.5	34.8	14%	48.5	47.6	2%
Total	111.8	98.8	13%	323.1	307.8	5%	415.7	437.1	-5%

Net sales by product, SEK million

Instruments	33.6	29.7	13%	103.9	89.7	16%	134.9	134.3	0%
Consumables, own instruments	48.5	43.4	12%	133.8	139.2	-4%	174.3	196.2	-11%
Consumables, OEM and CDS brand	20.8	16.0	29%	58.5	49.6	18%	71.5	64.8	10%
Other	8.9	9.7	-8%	26.8	29.4	-9%	35.0	41.8	-16%
Total	111.8	98.8	13%	323.1	307.8	5%	415.7	437.1	-5%

Gross profit

Gross profit for the third quarter was SEK 49.9 (45.8) million, with a gross margin of 44.7 (46.4) percent. The gross margin was negatively affected by the regional and product mix with a high share of instrument sales to Asia and a high share of OEM-sales, both of which impact the gross margin percentage, as well as increased costs in the supply chain due to component shortages and logistics challenges.

Dynamisk graf:

Expenses

Operating expenses for the period amounted to SEK 37.1 (34.6) million. Administrative expenses include the cost

of establishing local manufacturing in Russia, additional costs to strengthen the organization and consultancy support for the development of certain markets.

Research and development expenses, including costs related to the quality assurance organization, amounted to SEK 9.3 (9.1) million, corresponding to 8.3 (9.2) percent of net sales. Development expenses of SEK 11.1 (7.1) million were capitalized. Total research and development expenses correspond to 18.3 (16.4) percent of net sales.

The net of other operating income and other operating expenses for the period amounted to SEK 0.2 (12.2) million and consists of positive and negative exchange differences. Last year other operating income includes conversion of governmental grant regarding payroll protection loan for the US subsidiary of USD 1.2 million corresponding to SEK 11.6 million.

Operating profit

Operating profit amounted to SEK 13.0 (23.5) million, corresponding to an operating margin of 11.7 (23.7) percent. Operating profit last year, excluding governmental grant corresponding to SEK 11.6 million, amounted to SEK 11.9 million and an operating margin of 12.0%. The operating margin excluding capitalized development expenses during the third quarter was 1.7 (16.5) percent.

Dynamisk graf:

¹ Estimated number of active instruments installed starting 2006 is based on an expected lifespan of eight years for the instruments.

² Accumulated number of instruments sold since 2006 was 43,311 at September 30, 2021.

³ Number of instruments sold in 2021 refers to sales on a rolling 12-month basis.

Net financial items

Net financial items amounted to SEK -1.7 (-0.9) million.

Earnings

Profit before tax was SEK 11.3 (22.6) million. Profit for the period was SEK 7.1 (20.2) million.

Financing and cash flow

Cash flow from operating activities for the third quarter was SEK 10.6 (17.8) million. Working capital during the period was negatively affected by reduction of holiday pay debt.

The Swedish Export Credit Agency (EKN) guarantees some of Boules trade receivables at up to 75-95 percent of the receivables' total amount. Receivables may be pledged, in which case the liabilities are reported as interest-bearing liabilities.

The change in trade receivables guaranteed by EKN is included in cash flow from operating activities, while the change in other interest-bearing liabilities is reported under cash flow from financing activities.

Cash flow for the period was SEK 7.1 (4.7) million and cash and cash equivalents at September 30 amounted to SEK 35.7 (39.6) million.

During the quarter the company has taken a loan of SEK 20 million to ensure good liquidity. At the same time utilization of the credit facility decreased. The Group's available cash and cash equivalents, including unutilized credit facilities, was SEK 82.2 (86.9) million at September 30.

Investments

Total investments amounted to SEK 12.1 (7.9) million, with investments in future product platforms accounting for SEK 11.1 (7.1) million of the figure.

Equity and liabilities

The Group's equity at September 30, 2021 was SEK 273.9 (313.4) million and the equity/assets ratio was 51 (56) percent.

Interest-bearing liabilities excluding leases are primarily related to pledged trade receivables guaranteed by EKN and amounted to SEK 118.9 (102.2) million at September 30, 2021. SEK 35.3 (23.0) million of these liabilities were non-current and SEK 83.6 (79.2) million were current. At September 30, 2021, SEK 10.3 (10.2) million of the credit facility had been used and other current non-interest-bearing liabilities and trade payables amounted to SEK 96.5 (73.0) million.

Lease liabilities at September 30 amounted to SEK 30.6 (39.4) million. SEK 17.8 (26.7) million of these liabilities were non-current and SEK 12.7 (12.6) million were current.

Net debt at September 30, 2021 amounted to SEK 6.5 (-4.5) million.

Deferred tax assets amounted to SEK 0.0 (0.0) million and deferred liabilities were SEK 18.2 (25.3) million at June 30.

Non-current provisions consist of direct pension provisions of SEK 3.3 (3.8) million.

Significant risks and uncertainties

The Group's operations are subject to risks and uncertainties that may, to a varying extent, affect the Company's ability to achieve defined goals. Boule works continuously on management of existing risks and uncertainties and on the risk inventory that forms the basis for detecting new risks and uncertainties. The systematic and internally coordinated work is aimed at identifying risks, limiting risk exposure and minimizing any impact should a risk materialize. Currently, primary risks and uncertainties have been identified in the following areas: regulatory risks, product portfolio risks, distributor risks, production and quality risks, counterfeit reagents, price pressure, supplier risks, market risks and competition, bribery, and corruption, currency risks, IT security and systems, financing risks and future cash flows, health and safety in the workplace, dependence on key personnel and the effects of Covid-19.

Boule is currently exposed to exchange rate changes. A change of +/- 10 percent in the USD/SEK exchange rate affects net sales by +/- SEK 20 million and operating profit by +/- SEK 4 million. Boule works constantly to reduce the Group's currency exposure in its operations.

A more detailed description of risks, risk management and related opportunities can be found in the 2020 Annual Report. The risks are considered unchanged from those described in the Annual Report, other than the update on the effects of Covid-19 presented below.

Covid-19

Like other companies, Boule faces new challenges related to the spread of Covid-19. There has been a slowdown in sales as a result of the closure of many markets, with a significant decline in routine healthcare visits and therefore fewer blood samples taken. The length of time in which key markets are closed will determine the impact on sales of consumables in the period ahead. New sales of instruments have also stopped at times, with healthcare providers concentrating on managing Covid-19 patients.

Problems of components and raw material shortages, logistics and distribution to customers have arisen and continue to arise due to a lack of transport capacity and obstacles related to border closures. The disruptions have escalated during 2021, which may lead to a shorter or longer production stop. Boule is taking active measures to mitigate the impact by working closely with the Group's subcontractors, redesign of components and planning and booking deliveries well in advance.

Boule has focused on ensuring good liquidity. Some investments have been postponed but long-term strategic investments have continued according to plan.

Future effects on sales and delivery capacity are difficult to estimate as there is continuing uncertainty about how quickly the markets will recover and potentially new lockdowns. In the longer term, we see a continuation of stable growth for the decentralized near-patient market that Boule addresses.

Related-party transactions

No related-party transactions have taken place during the period.

Nomination Committee

At the Annual General meeting, it was resolved that the Nomination Committee shall consist of three members representing the three largest shareholders at the end of September. The largest shareholders at this time were Svolder AB, AB Grenspecialisten and Thomas Eklund, who in turn nominated Ulf Hedlundh (Svolder AB), Emil Hjalmarsson (AB Grenspecialisten) and Thomas Eklund. The Nomination Committee has elected Ulf Hedlundh as its chairman and co-opted the chairman of the board, Peter Ehrenheim. Information on how to contact the nomination committee can be found on Boule's [website](#).

Events after the end of the interim period

No events of significance to the Group occurred after the end of the interim period.

Parent Company

Boule Diagnostics AB (publ), corporate ID 556535-0252, is a Swedish limited liability company with its registered office in Stockholm. The address of the head office is Domnarvsgatan 4, SE-163 53 Spånga, Sweden.

The Parent Company's revenue is derived from Group-wide services.

Risks and uncertainties for the Parent Company indirectly correspond with those for the Group.

Personnel

The average number of employees in the Group during the period was 218 (213), including 7 (8) employees at the Parent Company. The average number of employees by country was as follows: Sweden 123 (116), United States 84 (89), Mexico 2 (2) and Russia 9 (6). The average number of women in the Group was 99 (93) and the average number of men was 119 (120). Personnel in countries where Boule does not have a legal entity are not included in the number of employees as they are employed via external companies and therefore included as consultancy costs.

Number of shares

The total number of shares and votes in Boule Diagnostics AB is 19,416,552 and has remained unchanged in 2021. After full dilution, the number of shares amounts to 19,959,349.

Shareholders, September 30, 2021 (according to Euroclear)	Number of shares, September 30	Share of capital/votes
Svolder AB	2,414,194	12.4%
AB Grenspecialisten	2,274,332	11.7%
Thomas Eklund inkl bolag	1,956,055	10.1%
Swedbank Robur Fonder AB	1,940,000	10.0%
Nordea Fonder	1,773,791	9.1%
Tredje AP-fonden	1,625,771	8.4%
Länsförsäkringar Fonder	775,777	4.0%
Andra AP-Fonden	684,974	3.5%
Skandinaviska Enskilda Banken UK	594,440	3.1%
Société Générale	548,139	2.8%
CBNY-Norges Bank	385,000	2.0%
Sijointusrahasto Aktia Nordic	371,270	1.9%
Fondita Nordic	354,000	1.8%
Other shareholders (2,540)	3,718,809	19.2%
Total number of shares	19,416,552	100.0%

Option programs

The Board of Directors believes that it is important and in the interest of all shareholders that the CEO and key employees, who are considered important to the Company's further development, have a long-term interest in good value growth for the Company's shares. A personal, long-term shareholder commitment would be expected to contribute to increased interest in the Company's operations and financial performance, and to increase the CEO's and key employees' motivation and affinity with the Company and its shareholders.

The warrants have been allotted and purchased by employees at market conditions. The market value has been determined using the Black & Scholes option valuation model.

If a warrant holder's employment ceases, Boule has the right of first refusal and may choose to exercise that right. The Board has decided to exercise the right of first refusal regarding former employees who purchased warrants in the 2019 program, and 110,638 warrants have accordingly been repurchased since allotment. There are no restrictions on transferring warrants in the programs.

Outstanding programs	Outstanding options			Corresponding shares	Proportion of total no. of shares	Exercise price	Exercise period
	CEO	Key employees	Total				
2019/2022	0	352,797	352,797	352,797	1.8%	67.50	1 Juni 2022-30 Dec 2022
2020/2023	130,000	50,000	180,000	180,000	0.9%	86.70	1 juni 2023-30 dec 2023
	130,000	402,797	532,797				

The Board of Directors and the CEO certify that this interim report provides a true and fair view of the operations, financial position and earnings of the Parent Company and the Group and describes the material risks and uncertainties faced by the Parent Company and the other Group companies.

Stockholm, November 10, 2021

Boule Diagnostics AB

Peter Ehrenheim
Chairman of the Board

Thomas Eklund
Board member

Karin Dahllöf
Board member

Jon Risfelt
Board member

Charlotta Falvin
Board member

Yvonne Mårtensson
Board Member

Torben Jörgensen
Board Member

Jesper Söderqvist
CEO

Auditor's Report

Boule Diagnostics AB (publ) Co nr 556535-0252

INTRODUCTION

We have conducted a general review of the financial interim report information in the summary for Boule Diagnostics AB (publ) as of 30 September 2021 and the nine-month period that ended on this date. It is the responsibility of the Board of Directors and the Chief Executive Officer to prepare and present these interim financial statements in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our general review.

THE SCOPE AND FOCUS OF THE REVIEW

We have conducted our general review in accordance with the International Standard on Review Engagements ISRE 2410 Review of interim financial report information performed by the independent auditor of the entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially limited in scope compared to the focus and scope of an audit conducted in accordance with ISA and generally accepted auditing practice. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant circumstances that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as an opinion expressed on the basis of an audit.

OPINION

On the basis of our review, nothing has come to our attention that causes us to believe that the interim report was not, in all material aspects, prepared for the Group's part in accordance with IAS 34 and the Annual Accounts Act and, in the case of the parent company, the Annual Accounts Act.

Stockholm November 10, 2021

Öhrlings PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant

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