

Group performance July-September 2023

Net sales

Net sales for the period amounted to SEK 139.6 million (125.6), which corresponds to an increase of 11.2 percent. Adjusted for currency effects, organic growth increased by 4.3 percent. Sales of the number of instruments increased by 42 percent, and net sales of OEM and CDS Brand increased by 21 percent.

The increased net sales, adjusted for currency effects, is primarily due to more sales of 5-part instruments in Asia and Latin America, as well as more sold instruments in the veterinary segment.

Net sales by region, SEK million	Jul-Sep 2023	Jul-Sep 2022	change	Jan-Sep 2023	Jan-Sep 2022	change	Oct 22 - Sep 23	Oct 21 - Sep 22	change
USA	46.2	39.3	18%	144.9	129.6	12%	205.3	173.3	18%
Asia	38.2	38.0	1%	123.6	113.0	9%	161.0	152.5	6%
Eastern Europe	9.9	16.2	-39%	28.2	46.6	-40%	44.0	65.5	-33%
Latin America	17.0	9.3	83%	43.6	37.3	17%	51.4	45.4	13%
Western Europe	12.8	9.9	29%	33.9	27.6	23%	46.0	38.5	20%
Africa / Middle East	15.5	12.9	21%	49.0	44.8	9%	64.8	63.9	1%
Total	139.6	125.6	11%	423.2	398.9	6%	572.4	539.2	6%

Net sales by product, SEK million

Instruments	49.7	34.9	42%	137.5	122.4	12%	173.6	167.2	4%
Consumables, own instruments	58.2	57.3	1%	173.5	167.5	4%	239.0	227.2	5%
Consumables, OEM and CDS Brand	22.7	18.8	21%	82.2	73.7	12%	121.0	99.8	21%
Other	9.1	14.6	-38%	30.0	35.2	-15%	38.8	45.0	-14%
Total	139.6	125.6	11%	423.2	398.9	6%	572.4	539.2	6%

Gross profit

Gross profit during the period amounted to SEK 57.8 million (51.1), an increase of SEK 6.7 million or 13.1 percent. The gross margin increased by 0.7 percentage points and amounted to 41.4 percent (40.7) during the period.

The supply delivery difficulties that caused significant problems last year have returned to normal levels. Lower margin strategic contracts in Latin America to secure installed base of 5-part instruments negatively impacted gross margin.

Dynamisk graf: Net sales and gross profit

Expenses

Operating expenses for the period, excluding other operating expenses and income, amounted to SEK 44.8 million (46.4), a decrease of SEK 1.6 million.

Selling expenses amounted to SEK 29.4 million (27.4). The increase is attributable to a stronger USD compared to the corresponding period previous year, increased provisions for doubtful receivables and higher costs in service.

Administration expenses amounted to SEK 6.5 million (7.6). The reduction is attributable to reduced use of consultants.

Research and development expenses, including costs related to the quality assurance organization, amounted to SEK 12.7 million (11.4), which corresponds to 9.1 percent (9.1) of net sales. Expenditures for product development have been capitalized with SEK 21.3 million (14.9). Total costs for research and development correspond to 21.6 percent (21.0) of net sales.

Total development expenses have increased by SEK 3.2 million, which is primarily due to increased material purchases for preproduction, investment in production tools and preparation of regulatory applications.

The net of other operating income and other operating expenses amounted to SEK -1.2 million (-1.2) and mainly consists of operational exchange rate effects.

Operating profit

Operating profit amounted to SEK 7.9 million (3.6), corresponding to an operating margin of 5.7 percent (2.9).

Net financial items

Net financial items amounted to SEK -2.6 million (-1.8), primarily consisting of interest expenses of SEK -3.6 million (-3.4).

Earnings

Profit before tax amounted to SEK 5.3 million (1.8). Profit for the period was SEK 4.6 million (2.4). Tax amounted to SEK -0.7 million (0.6).

Financing and cash flow

Cash flow from operating activities for the quarter amounted to SEK 27.8 million (-15.8). The change is mainly attributed to an improved operating profit and a positive development in working capital. Operating receivables, including EKN, decreased by SEK 11.8 million, and inventory decreased by SEK 7.5 million.

The Swedish Export Credit Agency (EKN) guarantees part of Boule's trade receivables to 75-95 percent of the total amount of the receivables. Receivables may be pledged, in which case the liabilities are reported as interest-bearing liabilities. Changes in trade receivables guaranteed by EKN are included in cash flow from operating activities, while changes in other interest-bearing liabilities are reported under cash flow from financing activities.

Cash flow from financing activities amounted to SEK 3.4 million (24.6). Amortization and interest payments for the quarter were paid in October, which had a positive impact on cash flow of SEK 3.7 million.

Cash flow for the period amounted to SEK 8.5 million (-7.8) and cash and cash equivalents as of September 30 amounted to SEK 52.9 million (39.4). The Group's available cash and cash equivalents, including unused bank overdrafts, amounted to SEK 112.1 million (68.0) as of September 30.

Investments

Total investments in the quarter amounted to SEK 22.7 million (16.6), of which capitalized development amounted to SEK 21.3 million (14.9). Capitalized development costs are higher for the quarter compared to last year, but

cumulatively for the year they are in line with previous year. The remaining investments are primarily related to investments in tangible fixed assets in the United States.

Equity and liabilities

As of September 30, the Group's equity amounted to SEK 484.7 million (336.4) and the equity/assets ratio was 61.8 percent (48.6).

The interest-bearing liabilities, excluding leasing, relate to the pledged trade receivable guaranteed by EKN and external bank loans, and as of September 30 totaled SEK 160.7 million (225.1). Of these, SEK 48.5 million (47.3) were non-current and SEK 112.2 million (177.8) current. As of September 30, the external bank loans amounted to a total of SEK 38.4 million (107.6). Of these, SEK 23.2 million (11.2) were non-current and SEK 15.2 million (96.4) current. On September 30, the bank overdraft facility was utilized with SEK 0 million (51.1) and other current non-interest-bearing liabilities and trade payables amounted to SEK 101.1 million (99.4).

Lease liabilities as of September 30 amounted to SEK 27.0 million (20.1), of which SEK 13.4 million (11.9) refer to non-current liabilities and SEK 13.6 million (8.2) to current liabilities.

Net cash as of September 30 amounted to SEK 12.7 million (-73.7).

Deferred tax liabilities amounted to SEK 8.1 million (7.3) as of September 30. Non-current provisions consist of direct pension provisions of SEK 3.1 million (3.9).

Inventory of installed base

During the quarter, 1,010 instruments were sold. The estimated life of instruments is 7.5 years for instruments produced starting in 2021. At the end of the quarter, the active installed base is estimated at 30,500 instruments.

Dynamisk graf: Estimated number of active instruments

¹ Estimated active installed base is based on an expected lifespan of 7.5 years.

² Accumulated number of instruments sold since 2006 amount to 51,657 as of September 30, 2023.

³ Number of instruments sold in 2023 refers to sales per rolling 12 month.

Significant risks and uncertainties

Boules operations are subject to risks and uncertainties that may, to a varying extent, affect the ability to achieve defined goals. Boule works continuously with managing the risks and uncertainty factors that exist, as well as with the risk inventory that is the basis for discovering new risks and uncertainty factors. The systematic work is aimed at identifying risks, limiting risk exposure and minimizing any impact should a risk materialize.

In certain markets the central banks have introduced temporary restrictions on payment in foreign currencies, resulting in reduced purchases, delayed payments and postponed deliveries.

The unrest in the Middle East entails increased political and economic risk in these countries, which can negatively impact sales. Furthermore, a changed perception of Sweden in the region could lead to boycotts of Swedish products and services, potentially resulting in adverse effects on Boule's sales, market share, and business opportunities.

Currently, the significant risks and uncertainties are assessed to be 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 IT systems, financing risks and future cash flows, health and safety in the workplace and dependence on key personnel. A more detailed description of risks and opportunities can be found on page 40 in the 2022 Annual report.

Uncertainties due to the war in Ukraine

Boule continues to operate in Russia. Immediately after Russia's attack on Ukraine in the spring of 2022, Boule put in place processes to ensure that all sales and transactions comply with all sanctions. Boule are regularly taking advantage of legal expertise to ensure knowledge of sanctions and their interpretation. Healthcare products are normally not subject to sanctions. Boule is making no new investments but maintaining current business.

However, purchases, transportation and financial transactions are limited by various practical problems, which is why Boule uses third country partners to carry out its activities. All such transactions are signed off in advance by our legal experts to ensure that Boule is in no way in breach of sanctions. Sanctions are constantly changing, so this is a work in progress.

For the full year 2022, Boule's sales in Eastern Europe amounted to 10 percent (13) of net sales, with the majority coming from Russia. In the third quarter of 2023, the corresponding share was 7 percent of net sales. The Group has employees in Russia and a production facility for consumables distributed to the Russian market.

The market in Eastern Europe is very uncertain, given the war in Ukraine and the current sanctions against Russia. A discontinuation or confiscation of the operations in Russia could have a significant negative impact on the Group's future earning capacity and profitability and entail a negative effect on earnings if the value of assets attributable to the Russian operations have to be written down in whole or in part. The consolidated net assets totaled approximately SEK 20 million, of which approximately SEK 6 million was cash and cash equivalents at September 30, 2023. It is estimated that any discontinuation would result in additional costs being incurred.

Tax audit

On October 6th 2022 the Swedish tax authorities have decided to impose increased social security contributions and tax penalties on Boule amounting to approximately SEK 1.6 million, in relation to what they see as incorrectly valued warrants issued to senior executives in the Group. Boule has appealed the decision to the Swedish administrative court ("Förvaltningsrätten").

Boule has received approval of delayed payment and no provision has been recorded.

For further information refer to the Annual report 2022 page 40.

Related-party transactions

Other than remuneration of the Board and senior executives, no related-party transactions have taken place during the period.

Events during the interim period

On September 14, it was announced that Boule is entering into an agreement for local production of instruments in India.

Events after the end of the interim period

There are no significant events to report after the end of the reporting 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.

Employees

The average number of employees in the group during the quarter has been 223 (242), of which 7 (5) were in the Parent Company. Distributed by country, the average number in Sweden was 120 (135), the USA 92 (93), Mexico 2 (2), and Russia 9 (12). The average number of women in the group was 101 (103), and the average number of men was 122 (139). Employees in countries where Boule does not have a legal entity are not included in the number of employees, as they are employed through external companies and are instead included as consultant expenses.

Number of shares

The total number of shares and votes in Boule Diagnostics AB is 38,833,104. After full dilution, the number of shares amounts to 39,013,104.

	Number of shares, Sep 30	Share of capital/votes
Shareholders, Sep 30, 2023 (accord. to Euroclear)		
AB Grenspecialisten	4,887,268	12.6%
Svolder AB	4,289,159	11.0%
Thomas Eklund incl. company	4,044,700	10.4%
Nordea Investment Funds	3,701,791	9.5%
Swedbank Robur Fonder AB	3,599,292	9.3%
Tredje AP-fonden	3,251,542	8.4%
Skandinaviska Enskilda Banken AB	1,443,527	3.7%
Andra AP-Fonden	1,369,948	3.5%
Sijotusrahasto Aktia Nordic	992,540	2.6%
Avanza Pension	730,243	1.9%
Société Générale	653,658	1.7%
JP Morgan Chase Bank NA	578,307	1.5%
Other shareholders (2,799)	9,291,129	23.9%
Total number of shares	38,833,104	100.0%

Warrant programs

The board considers that it is urgent and in the interest of all shareholders that the CEO and key employees, who are deemed to be important for the Company's further development, have a long-term interest in a good value development for the share. A personal long-term ownership commitment can be expected to contribute to an increased interest in the operations and profit development, as well as increase the CEO's and key employees's 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.

In the event that the warrant holder’s employment ends, 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 warrants			Corresponding shares	Proportion of total no. of shares	Exercise price	Exercise period
	CEO	Other	Total				
2020/2023	130,000	50,000	180,000	180,000	0.5%	86.70	1 June 2023-30 Dec 2023

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 9, 2023
Boule Diagnostics AB

Torben Jørgensen
Chairman of the Board

Thomas Eklund

Karin Dahllöf

Yvonne Mårtensson

Emil Hjalmarsson

Jesper Söderqvist
CEO

Auditor's report

Boule Diagnostics AB (publ), org nr 556535-0225

Introduction

We have reviewed the condensed interim financial information (interim report) of Boule Diagnostics AB (publ) as of 30 September 2023 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report 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 is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 9th of November 2023

Öhrlings PricewaterhouseCoopers AB

Lars Kylberg
Authorized Public Accountant

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