

Interim report January–June 2015

- Consumables continues to increase its proportion of sales

Quarter, April-June 2015

- Net sales amounted to SEK 78.9 million (69.7), up 13.1 percent. Adjusted for changes in the USD and EUR exchange rates, this represents a decrease of 0.6 percent.
- Cash flow from operating activities amounted to SEK 0.2 million (13.7).
- Operating profit was SEK 3.2 million (3.2).
- Net profit amounted to SEK 2.4 million (1.7).
- Earnings per share before dilution amounted to SEK 0.51 (0.37) and after dilution to SEK 0.51 (0.36).

Interim period January-June 2015

- Net sales amounted to SEK 154.2 million (143.0), up 7.8 percent. Adjusted for changes in the USD and EUR exchange rates, this represents a decrease of 6.1 percent.
- Cash flow from operating activities amounted to SEK -0.6 million (22.7).
- Operating profit was SEK 12.1 million (9.6).
- Net profit amounted to SEK 9.0 million (6.0).
- Earnings per share before dilution amounted to SEK 1.91 (1.27) and after dilution to SEK 1.90 (1.27).

Significant events during the quarter

NEW PRODUCT AREA

At the beginning of the second quarter Boule started to develop a new product area called clinical chemistry that will employ Boule's global distribution network. Sales of these products are expected to start later this year.

Significant events after the period

HIGHER INVESTMENT IN PRODUCING CONSUMABLES IN THE USA

Boule has identified major opportunities to streamline the production of blood tests and reagents at its American facility. A planned investment has therefore been initiated. A new American Production Manager has been appointed, who will be in charge of this efficiency drive.

Comments from the CEO

SALES AND MARKET DEVELOPMENT

Net sales increased by 7.8 percent to MSEK 154.2 in the first six months of 2015. Adjusted for changes in exchange rates, particularly the strengthening of the USD, Boule's sales fell by 6.1 percent compared with the first half of 2014.

This fall is mainly due to lower instrument sales, caused by the general weakening of the economies in Brazil, Russia and Turkey. These countries are among our ten most important markets. This drop in instrument sales can also be explained by strong sales of veterinary instruments to the UK and USA in 2014.

Another reason is that some customers have been waiting for the launch of our new instrument. We are not going to see the full impact of our new systems in our major markets, for example, the USA, China, Latin America and some parts of Eastern Europe, until 2016 and 2017. This is when we expect to receive the necessary registration approvals.

We are confident about the new platform of Swelab- and Medonic-instruments. They have many advantages over the previous generation and now account for approximately 30 percent of our total instrument sales.

CONTINUED INCREASE IN CONSUMABLES

The first six months saw the increase in the proportion of sales for consumables, reagents and blood tests continue. They accounted for 57 percent of our net sales, compared with 50 percent in the same period in 2014. This trend is contributing towards more stable sales and higher margins. Consumables for the company's instruments increased by 25 percent in the period. The fall in instrument sales that has been seen in some markets has not affected the sales of consumables. Once companies have bought instruments, they continue to buy consumables. This trend is proof of just how strong our business model is.

START OF A NEW PRODUCTION AREA

As already communicated, we started the development and marketing for a new product area, clinical chemistry, in the second quarter of this year. These products complement our offering in hematology. We believe that we will be able to start sales of the first products during the second half of 2015.

MARGINS AND EXPENSES

The operating margin amounted to 7.8 percent (6.6). This increase on the previous year was mostly due to higher sales of consumables and the higher USD rate.

Rising sales expenses and higher R&D costs had a negative impact on the operating margin. The increase in sales expenses was mainly due to the stronger USD, which is having an impact on us as our American subsidiary accounts for a high percentage of these sales expenses.

The increase in R&D expenditures is mostly due to the fact that none have been capitalized since 1 April 2015. The R&D expenditures for the development of consumables are also exposed to the USD exchange rate as it is our American subsidiary that accounts for these expenses. The total R&D expenditures (capitalized and charged to earnings) amounted to 13 percent of the sales in the first half of 2015. The corresponding figure for the previous year was 15 percent.

P20 PROGRAMME

Boule's P20 efficiency programme is going according to plan for the most part. The challenges currently lie in the production of consumables in the USA. The efficiency programme has not yet produced the results that we want. To address this, Boule appointed a new Production Manager in the USA in August. We expect the planned measures to bear fruit by 2016 at the latest.

THE REST OF THE YEAR

The problems of selling instruments in our markets in Brazil, Russia and Turkey will probably remain for the second half of the year. However, sales of instruments are increasing in other markets, in some cases by percentages in double figures. It is mainly new customers that buy the new instruments. This results in a steady increase in the installed base of instruments that continues to drive a continuous increase in the sale of consumables with high margins.

Ernst Westman
President and CEO

The information in this interim report is such that Boule Diagnostics AB (publ) is obligated to publish under the Swedish Securities Market Act. The information was submitted for publication in Swedish on August 24 2015 at 11:30 am (CET).

For further information, please contact:

Ernst Westman

CEO
+46-8-744 77 00

ernst.westman@boule.se

Fredrik Alpsten

CFO
+46-8-744 77 00

fredrik.alpsten@boule.se