

Boule Diagnostics AB Annual Report 2014



 Boule

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# This is Boule Diagnostics

Boule Diagnostics AB is active in the field of hematology, a branch of medicine concerned with the study of the blood, its function and its diseases.

Complete blood count is the most common diagnostic laboratory test during a medical consultation.

Boule develops, manufactures and sells complete blood count (CBC) systems to the health care sector.

The company's products are used in both human and veterinary diagnostics and are primarily intended for small and medium-sized hospitals, clinics and laboratories in outpatient care. Sales are conducted on a proprietary basis in certain strategically important markets, and via distributors in other parts of the world.

## Boule as an investment

### GROWTH

In the last five years Boule has had an average growth in turnover of 12 percent. Boule has continued great global growth potential and has experience of growing both organically and through acquisitions.

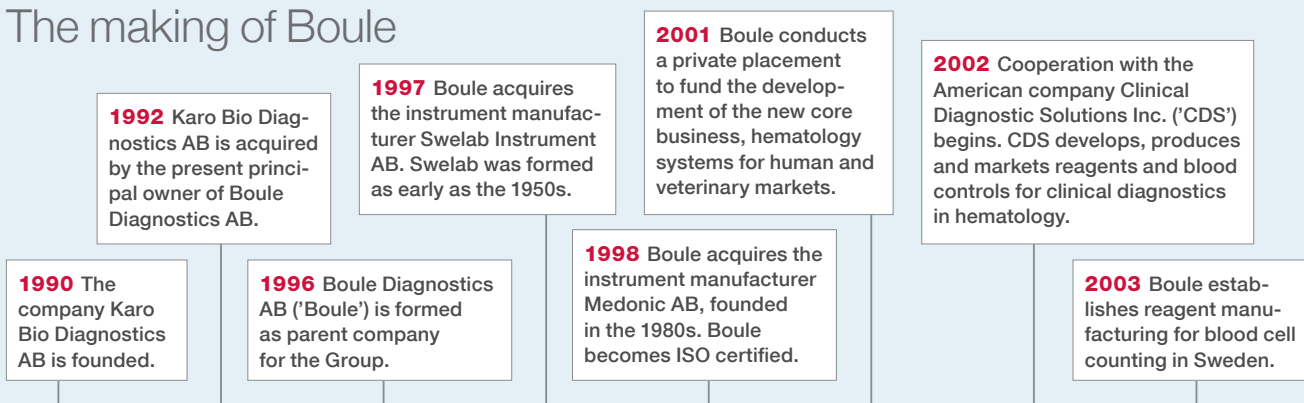
### INCREASING MARGINS

Boule has an increasing installed base of proprietary systems that generates sales of consumables with good profitability.

### DIVIDEND

The Board aims to provide shareholders a favorable dividend yield and dividend growth. The annual dividend will in the long-term be the equivalent of 25-50 percent of the profits.

## The making of Boule



# The year in brief

## KEY FIGURES 2014

Net sales:

SEKm  
307

Operating profit:

SEKm  
27

Gross margin:

44 %

Earnings per share:

SEK  
6.44

## EVENTS PER QUARTER

### First quarter 2014

- New efficiency enhancement program
- New organization and expanded Group Management

### Second quarter 2014

- Ownership change

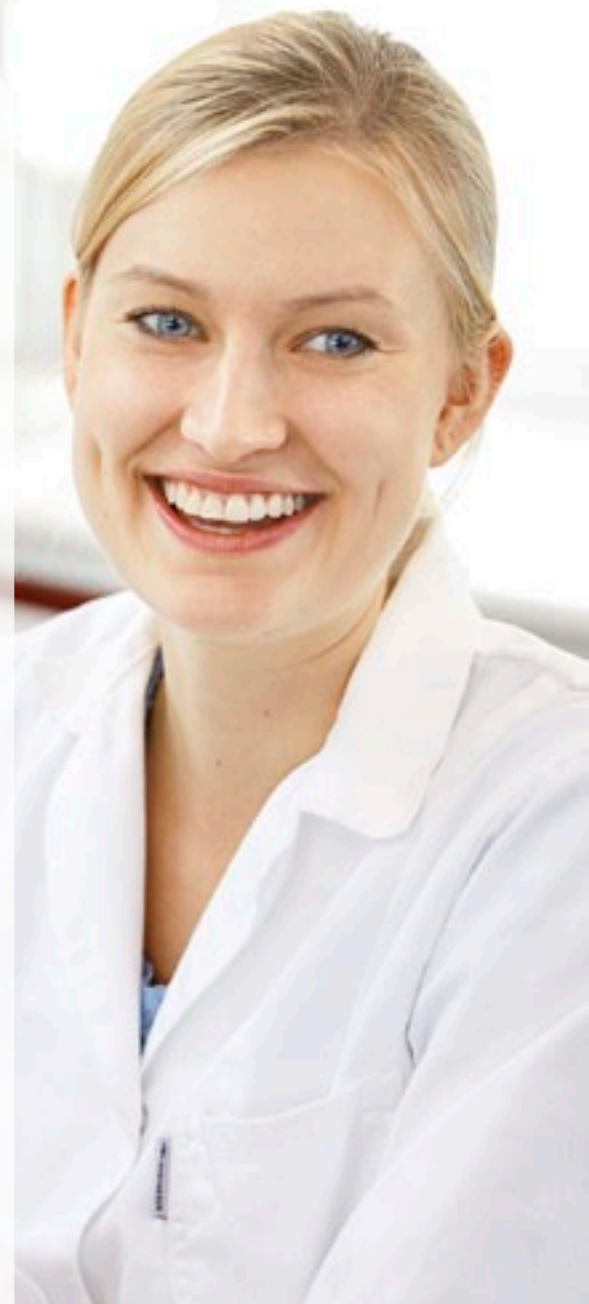
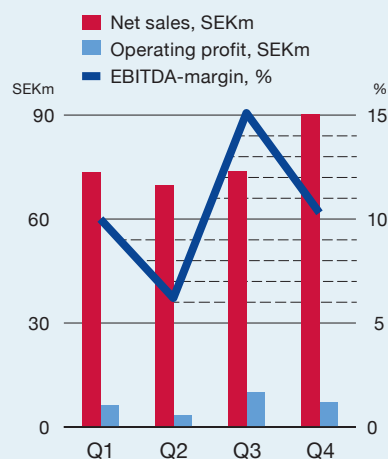
### Third quarter 2014

- Relocation of the Swedish operations

### Fourth quarter 2014

- Introduction of a new generation of instruments

### Key figures per quarter 2014



**2004** Boule's hematology system, Medonic CA 620, receives 510(k) clearance in the US. Boule acquires its partner CDS.

**2006** The company launches a new instrument generation based on a shared platform for Medonic and Swelab instruments.

**2007** CDS obtains ISO certification, entailing that all companies in the Group now hold ISO 13485 certification.

**2009** The Medonic M-series systems receive 510(k) clearance in the US.

**2010** The Quintus 5-part system is launched.

**2011** Boule is listed on Nasdaq Stockholm.

**2013** A subsidiary in Mexico and sales office in India are established.

**2014** A new product generation is introduced. Boule relocates the Swedish operations to Spånga in north Stockholm.



# Comments from President and CEO Ernst Westman

2014 was a strong year for Boule Diagnostics. We increased our profitability, continued to grow more quickly than the global market and we introduced a new generation of products.

A good sales growth during the year was crowned by a strong final quarter when we sold some 1,000 new instruments. This means that once again we achieved our financial target of an average growth of 10 percent per year over a five-year period. Our profitability improved during the year and we achieved an operating margin of 9 percent. While this is below our financial target of 13 percent, however, we have a clear picture of how we will reach it through continued improvements and rationalisation.

Cash flow improved during 2014, mainly due to improved earnings but also as a result of reduced working capital and reduced total development costs. Cash flow from operating activities after change of working capital amounted to SEK 32 (16) million.

## **BOULE IS GROWING FASTER THAN THE MARKET**

The global hematology market has been stable during recent years and in 2014 the trend was in line with our expectations. In total the market grew by 3-4 percent. Growth has varied in different regions. We have noted an almost non-existent growth in Europe and North America while the hematology market developed very strongly in several developing regions. We can confirm that Boule continues to take market shares by again achieving stronger growth than the global market. One of the reasons is our global approach where developing countries have been – and will continue to be – a strategic focus.

North America is still our biggest market and it is strategically important from many perspectives. The American market is the single largest and is at the forefront in terms of technology, both within human and veterinary diagnostics. Here our focus has also been on OEM sales of consumables with a number of interesting projects under development.

Complete blood count analysis is the most common laboratory test at medical consultations and we have no reason to believe that the market will decline. There is still a great need for many blood cell counters in developing countries as health care improves. In regions with a high level of maturity the replacement market is driven by improvements of instruments. Globally, Boule has a market share of around five percent of our target market. This means that there is great potential to further increase our market shares. Since a few years ago Boule has also been active in blood cell counting for veterinary medicine, a market where we have seen increasing interest and where we see potential to further develop our offering.

## **HOW BOULE WAS STRENGTHENED IN 2014**

With the aim of improving profitability at the beginning of the year we initiated an efficiency and cost reduction program, called P20. The program has developed well and intensified during the year. The project has significantly helped to improve both results and cash flow. The efficiency project continues during 2015 in order to improve profitability further.

In the beginning of 2014 we also introduced a functional organization structure within the group. The intention was to create better utilization of resources and simpler paths to collaboration. The organizational change has developed in the right direction. We expect that the reorganization will have additional impacts in the future. While we have reorganized, we also increased the group management by two people, which means that we have strengthened the management's expertise within strategically important areas.

In mid-2014 we moved the Swedish operation to newly renovated, tailor-made premises in Spånga, north of Stockholm, close to the reagent factory that we opened in 2012. Despite increased space the total rental cost is unchanged and the new premises are a significant improvement in many respects. The move enables more cost-effective production, simplifies the training of customers and partners and allows for future expansion. We have attained modern premises with an improved work environment. The workplace has several meeting places, which simplifies dialog and the exchange of knowledge.

## **NEXT GENERATION OF PRODUCTS**

New and more effective products are one of our key success factors. After extensive development work during the last two years, we had the pleasure of introducing a new generation of products at the leading industry trade fair, Medica, in Düsseldorf. This is our first instrument launch since 2006 within the strategically important 3-part market for blood cell counters. In 2014, the 3-part segment for human diagnostics constituted 62 percent of our total sales. The aim is to consolidate and strengthen the position with small and medium-sized laboratories. The new instruments will replace the



current products under the brands Medonic and Swelab. The systems will begin to be delivered during the second quarter of 2015 and will gradually be launched through our distributor network, as we receive registration approvals in each of the countries. All registration approvals, including the important USA approval, should be obtained by the end of 2016. It will therefore take some time before we see the full impact of the sales of our new products. In the long-term we see good opportunities for them to increase Boule's competitiveness and profitability.

Our sales will focus on new customers but also on the replacement market for the laboratories that have instruments from our latest generation, which have been on the market since 2006. The contract for Region Östergötland that we won after the end of the year in tough international competition is proof that there is a demand for our new generation of products and that the replacement market is already underway.

The contract was the biggest for several years within the segment in our domestic market and comprises a total of 35 instruments.

#### **INCREASED SHARE OF CONSUMABLES STRENGTHENS PROFITABILITY**

The strength of our business model is in selling consumables with good profitability to a steadily increasing installed base of proprietary systems. When we carry out an instrument sale this can be likened to us selling a subscription with repeating income streams in the form of consumables. We were early in our market with locked reagents, which is important from several aspects, not only because it gives good profitability. It also allows us to have important feedback from the analyses which were done in our system and we have the opportunity to control and improve the quality. Sales of consumables of our own instruments, Boule Systems, increased according to plan by almost 25 percent in 2014. Boule's sales of

consumables for other instruments and OEM solutions was in principle unchanged during the year, but we are working on strengthening these parts of the offering.

#### **FUTURE**

The most important prerequisite for increasing sales of our consumables is an increasing installed base of instruments. We look forward in 2015 to meeting the market with our new product generation that will further strengthen our competitiveness.

However, we are respectful of the future. For many years we have been successful in many developing markets in Eastern Europe, South America, the Middle East and Asia. However, we see that political and economic changes could quickly have a negative impact on us.

In order to consolidate and improve our strong position one of our biggest challenges from a long-term perspective is how we can complement Boule's offering in hematology. By complementing the offering we would have the opportunity to become a bigger part of our distributors' offering to the final customers, which would mean good opportunities to increase our growth rate and profitability. We have therefore intensified the evaluation of different opportunities to complement our business with acquisitions or collaborations.

Finally, I want to say a big thank you to all employees for a strong effort during the year. Thanks also to all of our customers, partners and investors for their confidence, we look forward to continued successful cooperation.

Ernst Westman  
President and CEO



## Strategic overview

### VISION

Boule will establish a global position as one of the three main companies in its market segment.

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### MISSION

Boule will help its customers to make better diagnostic decisions for a more effective treatment of patients.

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### BUSINESS CONCEPT

Boule develops, manufactures and markets high-quality and user-friendly automated blood cell counting systems for both the global human and veterinary market to achieve high profitability.

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### STRATEGIES

- Commercialize high quality systems for the decentralized market for laboratory diagnostics
  - Lock the instruments to proprietary consumables to ensure quality
  - Sell products with their own brand in parallel distribution channels
  - Focus on big and growing markets suitable for our products
  - Sell consumables and systems to OEM customers
  - Sell generic consumables under their own brand to open systems
  - Active acquisition strategy to broaden the product offering
- 

### BOULE'S OPERATIONS

The company's core business includes its own development, manufacturing and marketing of complete blood count systems (instruments, reagents, calibrators and blood controls). In addition to consumables for its own systems, the company also develops reagents, calibrators and blood controls for other manufacturers' instruments for sales both under its own brand and to OEM customers, in other words, customers who put their own brand on their products.

End customers consist of small and medium-sized clinical laboratories that are responsible for the world's most common laboratory tests, blood cell counting. The company focuses on the decentralized market segment, where the test is carried out close to the patient in preferably small and medium-sized hospitals, clinics and laboratories in outpatient care.

The products are marketed in more than a hundred countries through selected and trained distributors.

In some strategic markets the sales are conducted on a proprietary basis. So far, more than twenty five thousand instruments have been sold and several hundred million patient tests have been analyzed with Boule's systems.

Boule is one of the few players in the world that, based on its own competence and technology, develops, produces and markets all strategically important components for automated blood cell counting.

# Objectives and progress towards objectives

## OVERALL OBJECTIVES

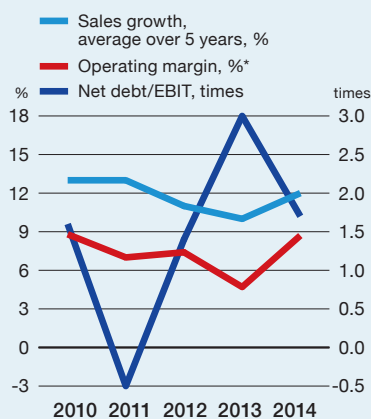
Consistent implementation of Boule's business concept and strategy will lead to good profitability and favorable development of the company's share value. In 2015, Boule is implementing two new financial objectives.<sup>1)</sup>

### FINANCIAL OBJECTIVES

|                                      | Boule aims to achieve:  | Outcome in 2014: | Comments:   |
|--------------------------------------|---|------------------|---|
| Sales growth:<br><b>&gt;10 %</b>     | An average sales growth over 5 years to exceed 10 percent a year.   | <b>11.8 %</b>    | We are exceeding our objective. Increased sales of both instruments and consumables, but also advantage of a favorable development of the USD exchange rate.  |
| Operating margin:<br><b>&gt;13 %</b> | An annual operating margin (EBIT margin) in excess of 13 percent.   | <b>8.7 %</b>     | We are not achieving our objective. Increased sales have increased the results while the efficiency program P20 has reduced costs. Continued cost control and increased sales to achieve the objective in the not too distant future. |
| Net debt/EBIT:<br><b>&lt;3 X</b>     | Net debt (interest-bearing liabilities less cash and cash equivalents) should not exceed three times operating profit on a full year basis. | <b>1.1 X</b>     | We are exceeding our objective. Since there are large periodic fluctuations in the business, Boule is always trying to have a strong financial position.  |

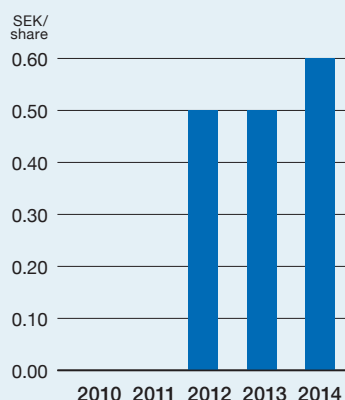
1) Two of the financial objectives (EBIT >13 % and Net debt/EBIT < 3 times) have replaced the earlier objectives (EBITDA >15 % and an equity ratio of 30-50 %).

### Five-year history new financial objectives



\*Excluding impairment POC project.

### Dividend



### FINANCIAL OBJECTIVES AND DIVIDEND

In spring 2015, Boule adopted new financial objectives. The sales objective of an annual average growth of more than 10 percent remains unchanged and has been achieved for the last 5 years. The profitability objective of an operating margin amounting to 13 percent has not been achieved but conditions are good to reach it in the future. Financial strength has always been a priority and the company surpassed the financial objective where the net debt may not be more than three times greater than the operating profit.

When financially possible, the company wants to give the owners a favorable annual dividend on their invested funds in the company.



# The fluid tissue of life

**B**lood is a body fluid with many important functions in humans and in animals. Blood enables an organism to absorb, transport and deliver, among other things, oxygen, carbon dioxide, nutrients, metabolism products, hormones and other neurotransmitters to and from body cells. Other vital functions include regulating the pH balance, sodium levels in body fluids, helping to maintain body temperature and, last not least, supporting the body's immune system.

The immune system is the body's defense against bacteria, virus, cells that are transformed into cancer cells, foreign cells or particles. These can cause infections or cancer if the body's defense mechanisms are not working properly.

Blood circulates in the blood vascular system. It contains free-floating cells and is a "fluid connective tissue". Blood and blood vessels work together to stop bleeding by forming a clot (hemostasis), which is a local coagulation of major and minor blood vessel injuries that does not block the flow of blood in the body.

## Three different types of blood cells

Blood consists of blood cells and plasma. Blood cells account for about half of the body's blood volume and move freely in a fluid known as plasma. There are three different types of blood cells and each has a special function: red blood cells, white blood cells and blood platelets. The different blood cells are formed in the red bone marrow. The first cells formed in the bone marrow are hematopoietic cells or stem cells. They then mature into other types of blood cells. Nearly one tenth of our body weight consists of blood. A person weighing 70 kilos has approximately five to six liters of blood.



### ERYTHROCYTES

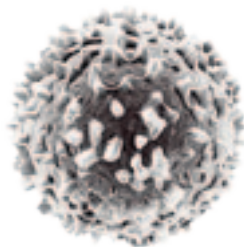


Red blood cells, erythrocytes, get their color from hemoglobin which is the molecule that transports oxygen in the body. When measuring, the blood value usually refers to the content of hemoglobin. For example, the number, size and appearance of individual red blood cells are studied to assess the cause of anemia.

**Blood samples of erythrocytes can reveal:**

Anemia, bleeding, pregnancy, metabolic disorders, leukemia, etc.

### LEUKOCYTES



White blood cells, leukocytes, are of great significance to the body's immunity to infections. The white blood cells can in turn be divided into different subgroups. By studying the division between these subgroups guidance can be given for example about whether an infection is caused by a virus or bacteria.

**Blood samples of leukocytes can reveal:**

Bacterial infections, virus infections, parasite infections, leukemia, allergies, etc.

### THROMBOCYTES

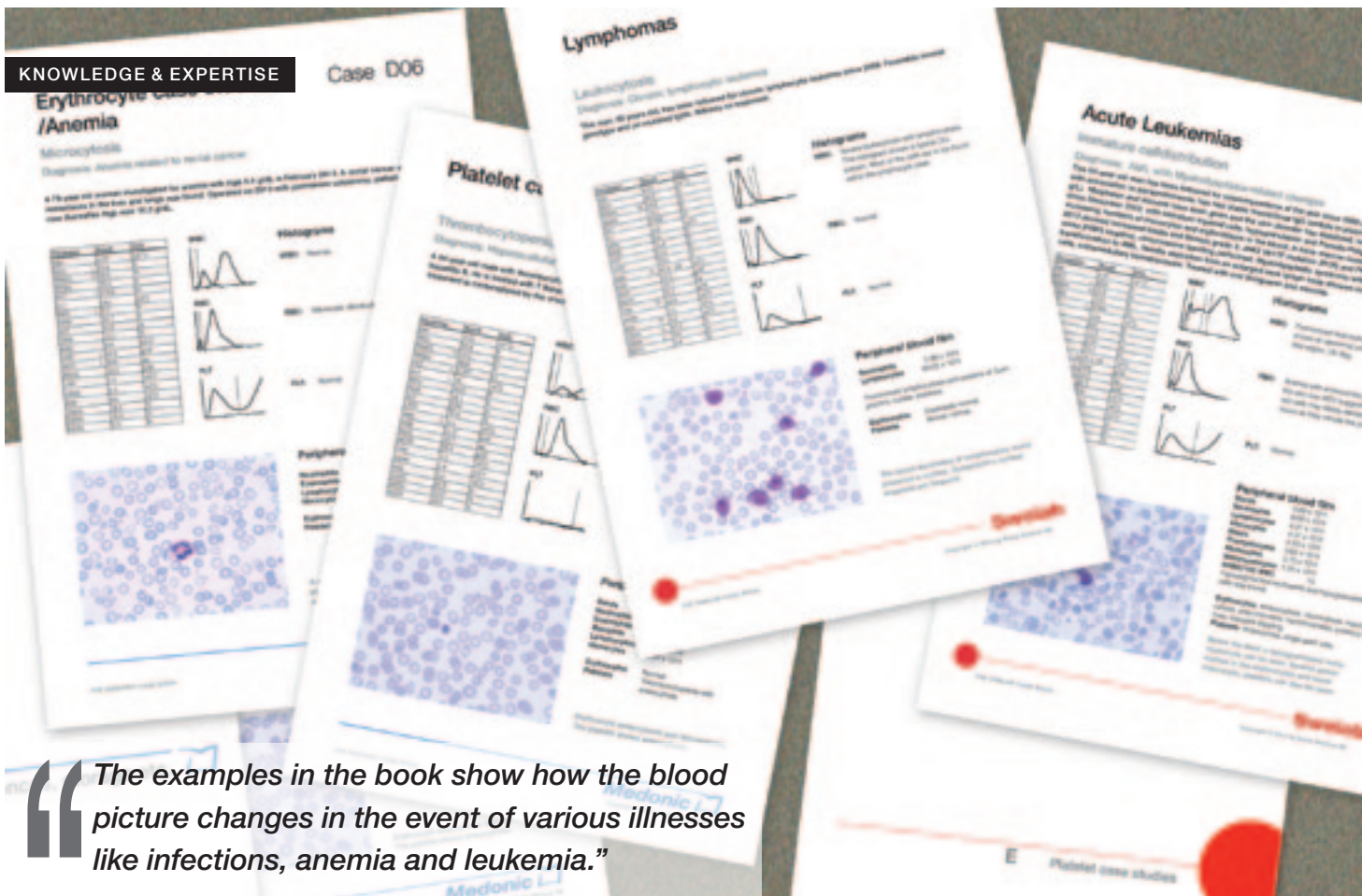


Blood platelets, thrombocytes are important for the blood's ability to coagulate. When the blood coagulates, that is, solidifies, the blood cells and certain proteins into a solid substance. The fluid that is not coagulated is called serum.

**Blood samples of thrombocytes can reveal:**

Coagulation disorders, chemotherapy, hemophilia infections, etc.





“The examples in the book show how the blood picture changes in the event of various illnesses like infections, anemia and leukemia.”



**Sigward Söderström**  
Biomedical Analyst,  
Västansjö  
Cytogramutveckling

## A source of knowledge in hematology

For two of Boule's product series, Boule has in cooperation with Örebro University Hospital (USÖ) developed a "case book" that accompanies each instrument. The aim of the book is to train and support Boule's customers in their day-to-day work.

The book can easily and in an educational way be used as a textbook, but also as a reference for users of Boule hematology systems. The book also supports Boule's sales process.

The person responsible for the case studies is Sigward Söderström, registered biomedical analyst at Västansjö Cytogramutveckling, who for many years served as an expert consultant for Boule.

"In the book the cell counters' screening of blood cells was compared with the microscopic examination of the cells in the microscope. Collection of new cases continues and the intention is to publish a hundred patient cases", he says.

Sigward Söderström is also engaged, together with staff at the Hematology Division, Laboratory Medicine, at USÖ responding to various evaluation tests of Boule's new cell counters.

"The examples in the book show how the blood picture changes for different illnesses like infections, anemia and leukemia", says Sigward Söderström.



Swelab Case book

Medonic Case book

# Our business model is to develop, manufacture and sell systems for blood cell counting

Boule's business and revenue model is to sell proprietary instruments and consumables for blood cell counting. Boule's proprietary systems include both instruments and consumables that are optimized for their own instrument. Sales are conducted globally in more than 100 countries, mainly via distributors.



Swelab Alfa Plus with autosampler.

## PRODUCT DEVELOPMENT

Product development is an important part of Boule's continued success in a competitive market. Within Boule there are several decades of combined experience of development of instruments and consumables. In addition to developing new products, it is just as important for the research and development department to reduce production costs to achieve continuously increased profitability.

## PRODUCTION

Efficient production is an important part of Boule's business model. Unless production interacts with other units, the robust and scalable model falters. The production facilities are strategically located close to the development departments to facilitate cross-functional collaboration.

## TOTAL QUALITY CONCEPT

Boule offers a complete system solution – the Total Quality Concept – for ensuring reliable results and high operational reliability in the user chain. From instruments and reagents through to calibrators and controls to training and service, the aim is to offer high quality throughout the entire value chain and life of the instruments.

## OFFERING AND CUSTOMERS

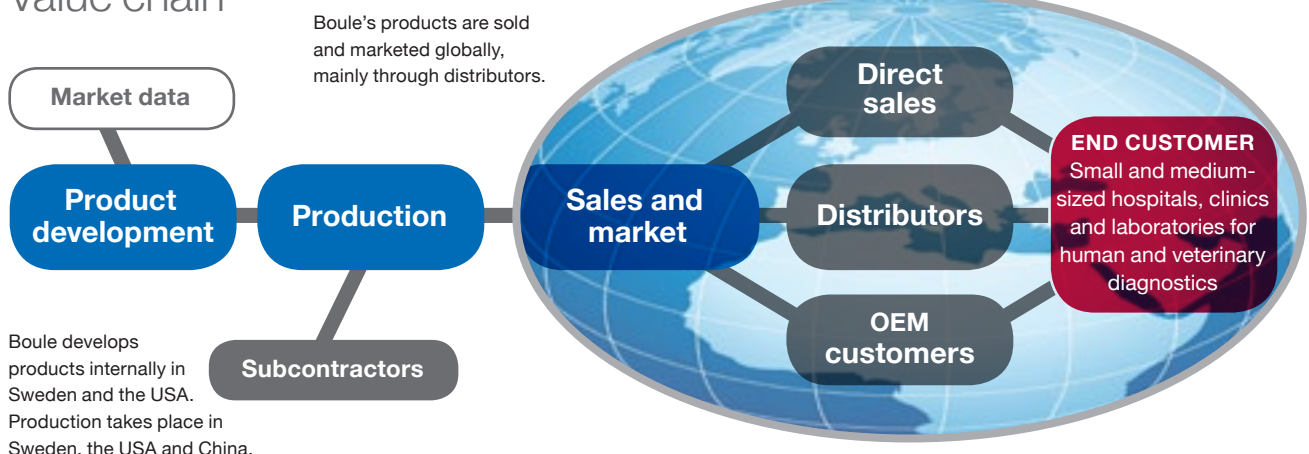
Boule offers a complete system for automated blood cell counting (CBC) to the global human and veterinary market consisting of proprietary instruments and consumables. The company's instruments are locked to its own specially developed reagents, in addition to which other consumables are produced under their own

name and as OEM products for other manufacturers Boule has a unique concept and the company is one of the few players that develops, produces and markets all strategically important components for automated blood cell counting.

## SALES AND MARKETING

Sales take place through Boule's extensive distribution network with around 200 distributors in more than 100 countries. In strategically important markets, such as Sweden and the USA, sales are also conducted on a proprietary basis. Marketing is decentralized to adapt the marketing to the conditions in each market.

## Value chain





**ROBUST AND SCALABLE BUSINESS MODEL**

Boule’s global distributor network means that Boule, despite a relatively small sales organization, can reach out with the customer offering in a cost-effective way. The global distributor network also means that Boule has a scalable business to the extent that we are not bound to sell a particular quantity of products in each market. Boule’s business model is robust and has functioned historically.

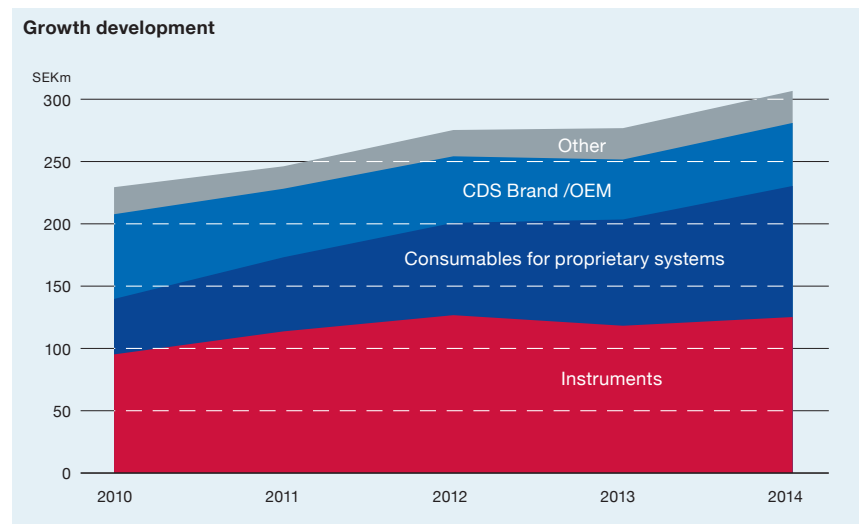
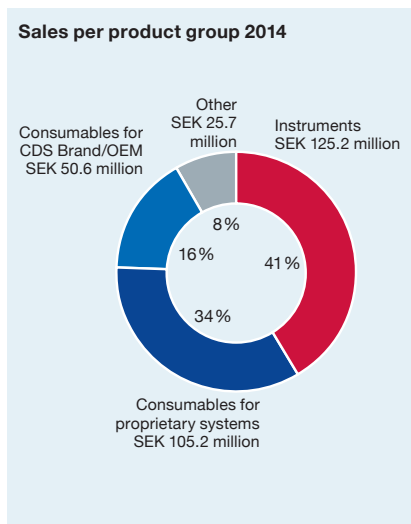
More recently, the company has also showed growth in profitability. The strength of the model lies in selling consumables with good profitability to a constantly growing base of installed proprietary systems.

**GROWTH STRATEGY**

Boule’s growth strategy is based on selling instruments, which is a one-time investment, and to further develop and improve its instruments and thereby also phase out the old

instruments. This normally takes place over a cycle of about 10 years, as the hospitals and laboratories need to replace or update their investments.

Furthermore, Boule’s long-term strategy is to increase the margins as a result of that the consumables’ share of the total turnover increases. As more and more buy Boule’s instruments and the installed base increases, the sales of Boule’s consumables will increase.







## Boule's offering

Boule offers its own instruments for blood cell analysis and consumables such as reagents and blood controls. Boule's strong market position is based on very competitive products with high quality.

### COMPETENCE TO MANUFACTURE ALL COMPONENTS FOR BLOOD CELL COUNTING

Boule is one of the few players in the world that with its own competence and technology can develop, produce and market all strategically important components for automated blood cell counting. The current generation of

instruments is only compatible with Boule's own reagents, which results in close contact with customers during the instrument's life cycle. With only self-manufactured consumables the quality and precision of the tests also increases since they are adapted and optimized for Boule's systems.

### BOULE SELLS COMPLETE SYSTEMS

One of Boule's objectives is to sell complete solutions to the customer, which includes both instruments and consumables such as reagents and controls. All instruments are locked to Boule's own consumables. This is also where the key to Boule's growth strategy lies, to have a constantly growing base of systems, where Boule is a turnkey supplier for a long time to come. This objective combined with the quality of the measurement results enables premium sales of Boule's products.

#### Boule's comprehensive offering

|             | Boule Systems  | Contract manufacturing (OEM) | Generics      |
|-------------|--|------------------------------|---------------|
| Instruments | Yes  | Yes                          |               |
| Reagents    | Yes  | Yes                          | Yes           |
| Controls    | Yes  | Yes                          | Yes           |
| Service     | Yes  |                              |               |
| Brands      | Swelab Alfa (Human, 3-part)<br>Medonic (Human, 3-part)<br>Quintus (Human, 5-part)<br>Exigo (Veterinarian, 3- & 4-part) | Customer's brand             | CDS own brand |

#### Degree of differentiation of Boule's different instruments

| Blood cell division  | 3-parts                                  | 4-parts  | 5-parts   |
|--|--|--|---|
| The results of different degrees of differentiation of the white blood cells | Monocytes<br>Lymphocytes<br>Granulocytes | Monocytes<br>Lymphocytes<br>Neutrophils<br>Eosinophils | Monocytes<br>Lymphocytes<br>Neutrophils<br>Eosinophils<br>Basophils |

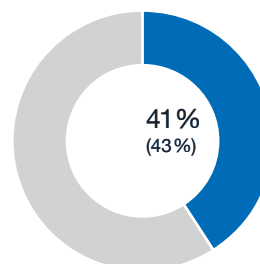
The difference between the different instruments and degrees of differentiation is determined by how the white blood cells are divided up in the blood cell counting, see the table on the left. 4 and 5-part differentiation divides up the white blood cells into further parts compared with 3-part differentiation.



## Instruments

In the autumn of 2014, Boule introduced new systems that will replace the old product generations under the brands Medonic and Swelab Alfa (see images below). The reception of the new products has so far been positive and they will begin to be delivered in the first half of 2015.

**INSTRUMENTS**  
Proportion of  
total turnover 2014 (2013)



**Medonic**  
Human diagnostics  
3-part systems



**Swelab Alfa**  
Human diagnostics  
3-part systems



**Quintus**  
Human diagnostics  
5-part systems

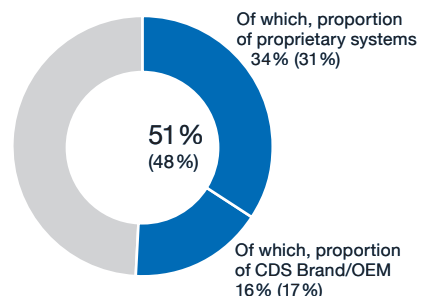


**Exigo**  
Veterinary diagnostics  
3- & 4-part systems

## Consumables

Boule sells consumables for its proprietary systems, consumables under their own brand for competitors' open systems and consumables for OEM customers. What makes Boule unique is that the company has its own development and production of all essential consumables for hematology blood cell counters.

**CONSUMABLES**  
Proportion of  
total turnover 2014 (2013)



Reagents



Blood controls and calibrators



Cleaning products

# Product development and production

Product development and production are central parts of Boule's business. In product development and production all functions in the company contribute with competence, from the marketing department to the regulatory department and development department. Investments in product development and production enabled Boule to introduce a new generation of products in the autumn of 2014.

## DEVELOPMENT

The research and development departments are located in Sweden and the USA. A total of 22 employees are engaged in the development of hematology instruments, reagents, controls and calibrators. The Instrument and system development is conducted at Boule in Stockholm, where about 14 employed developers are stationed, several with extensive experience of blood cell counting. The current product lines have been supplemented with new functionality,

with the aim of further improving systems on the basis of feedback from distributors and end-customers. The company also works continuously to reduce its manufacturing costs.

Clinical Diagnostic Solutions (CDS), Boule's subsidiary in Florida, is responsible for the development of reagents, calibrators and controls and has six employees engaged in research and development. The R&D team at CDS has an outstanding background in hematology, primarily due to the multi-year experience

gained from the former market-dominating company Coulter (now part of Beckman Coulter in listed Danaher).

## PRODUCTION

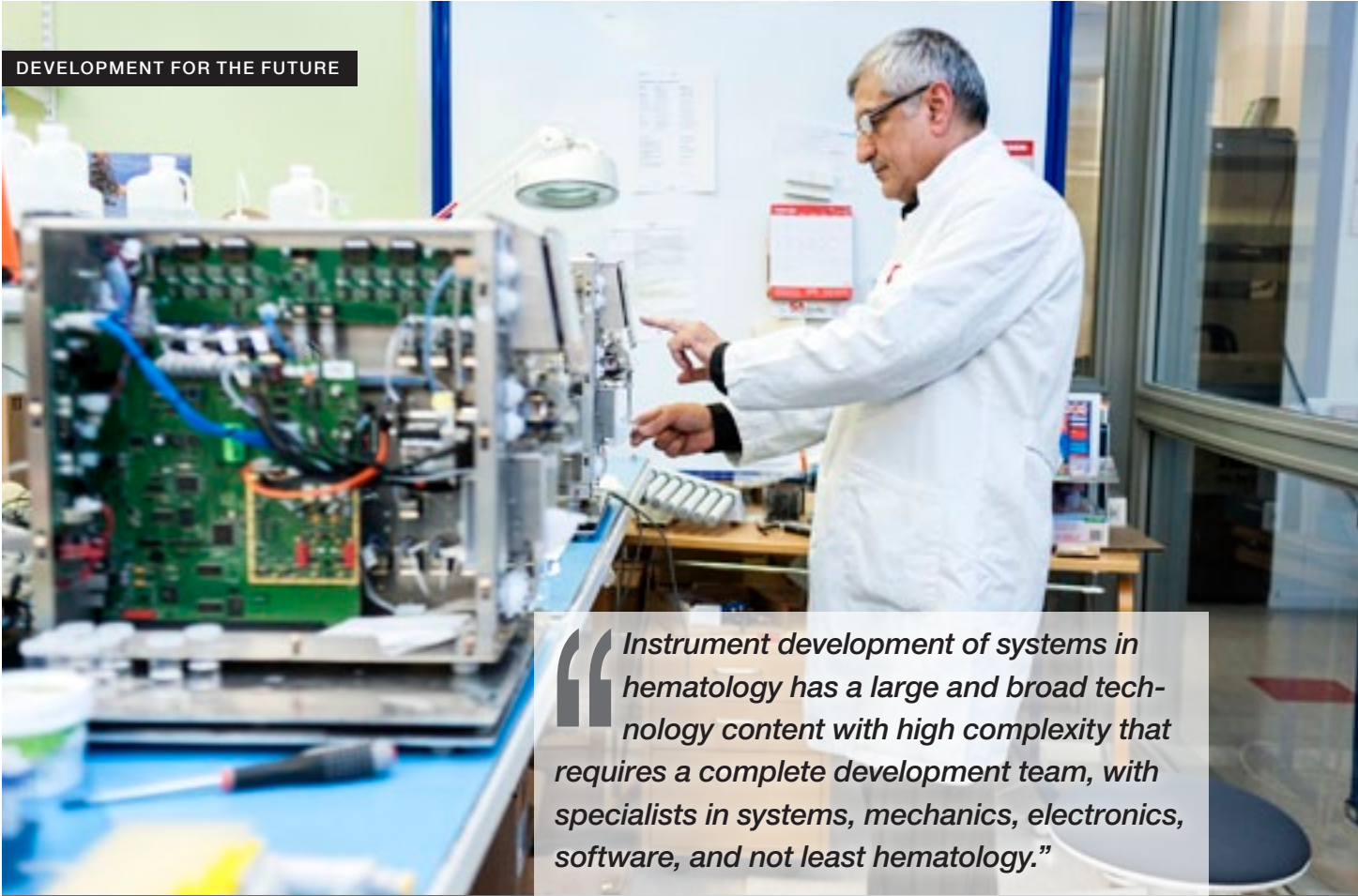
Production is conducted in Sweden, the US and China. High-quality manufacturing of instruments takes place in Sweden and China. Most of the instruments are manufactured in Sweden, while reagent production takes place in Sweden and the USA. Calibrators and controls are manufactured exclusively in the USA.

Boule is continually working on streamlining production and stimulating cooperation between the production units and other departments to improve internal processes and product development. To facilitate the phase-in of new products into production, the production facilities in Sweden and the US are located adjacent to Boule's development units.

## INVESTMENTS FOR THE FUTURE

The total costs for research and development in 2014 amounted to SEK 40 (47) million, and in total SEK 17 (23) million of this was capitalized. The results of completed research and development costs excluding impairment charges amounted to 21 percent (22) of total operating expenses. Boule believes that development expenditure as a proportion of sales will decline. Boule will in the future, just like today, also together with OEM customers develop new products for contract manufacturing.





“Instrument development of systems in hematology has a large and broad technology content with high complexity that requires a complete development team, with specialists in systems, mechanics, electronics, software, and not least hematology.”

## New generation of products that strengthens Boule’s position

*Boule’s business model rests on constantly developing new products and further developing existing products. At Boule there are many years of accumulated experience and expertise in product development, which resulted in the company during the autumn 2014 introducing a new generation of products in the strategically important 3-part segment.*

*Successful product development is everything to succeed in a competitive market. What enables Boule to be at the forefront of product development is the many years’ experience of product development in combination with the employees possessing high expertise in their respective specialist areas.*

*“The attraction of working with product development in hematology is the opportunity to work with interesting products that benefit people*

*worldwide. Instrument development of systems in hematology has a large and broad technology content with high complexity that requires a complete development team, with specialists in systems, mechanics, electronics, software, and not least hematology. Products must be developed to meet the stringent regulatory requirements for medical devices”, says Fredrik Ekdahl, Head of Development.*

*For nearly two years, Boule has worked to develop a new generation of instruments in Medonic and Swelab Alpha series, which are products of the 3-part segment for human diagnostics. The older products are market leaders in terms of performance and reliability. The new products are intended to improve this leading position in the market. The main changes contained in the new*



**Fredrik Ekdahl**  
Head of Development,  
Boule Medical

*generation lie in improved communication with other systems and improved user interface.*

*A big advantage against competitors’ instruments is the ability to run fingertip samples directly in the instrument – a smart feature that Boule has a patent on.*



# Boule's market

Boule's offering is aimed at customers in the global market for decentralized and near-patient hematology diagnostics for the human and veterinary segment.

## MARKET SIZE AND GROWTH

In 2013, the global in vitro diagnostics market (the IVD market) amounted to SEK 280 billion, and is expected to grow by around three percent annually until 2018 (Kalorama, November 2013). The global hematology market is expected to comprise seven percent of the global IVD market and amounted to around SEK 20 billion.

The market can be divided into two main segments based on the customer category targeted by instrument manufacturers – the market for centralized hematology diagnostics, and the market for decentralized hematology diagnostics.

Instrument sales account for about 41 percent of total sales, while the remaining portion comprises sales of various consumables for the instrument and other sales supporting services such as service and training. The mix of the respective product segments' share of sales can vary since sales of instruments may vary significantly from year to year. Consumables tend to have a more stable sales trend.

Boule operates in the market for decentralized hematology diagnostics, in both human and veterinary diagnostics.

## DECENTRALIZED HEMATOLOGY DIAGNOSTICS

Decentralized hematology diagnostics entails that specific analyses are performed at laboratories close to the patient in order to shorten lead and treatment times. The analyses are performed at clinics, healthcare centers, consulting surgeries, veterinary clinics and hospitals.

The market for decentralized hematology diagnostics accounts for more than one fourth of the global market in this segment and mainly comprises small to medium-sized hospitals, clinics and laboratories. The instruments are characterized by high user-friendliness and relatively low investment costs.

Boule's market share of the decentralized hematology diagnostics market is around five percent.

## DRIVERS OF DECENTRALIZED ANALYSIS

Decentralization, where specific analyses are carried out at the point of care – at clinics, healthcare centers and consulting surgeries, for example – leads to significantly improved service for both physicians and patients. By relocating the analysis from a central laboratory to a site closer to the physician's surgery, a single visit can generate immediate results and provide support for suitable follow-ups. In addition, the costly administration work related to the handling of patient samples is reduced.

## GROWTH FACTORS

The North American and European markets are characterized by a high degree of maturity, with growth mainly driven by a growing need for blood analyses, in the first instance, due to an aging population and the discovery of new diseases and infections that require analysis, treatment and monitoring. The US is the world's single most important market for hematology products. The North American market is the most important market for Boule and accounts for a third of the sales. The Russian market is also of significance since it accounts for more than an eighth of sales.

In the faster-growing markets such as Asia, Africa, the Middle East and South America the drivers are for the most part attributable to a general improvement of health care and gradually improved living standards.

Boule has in recent years chosen to increase focus in these markets, as growth here is significantly higher

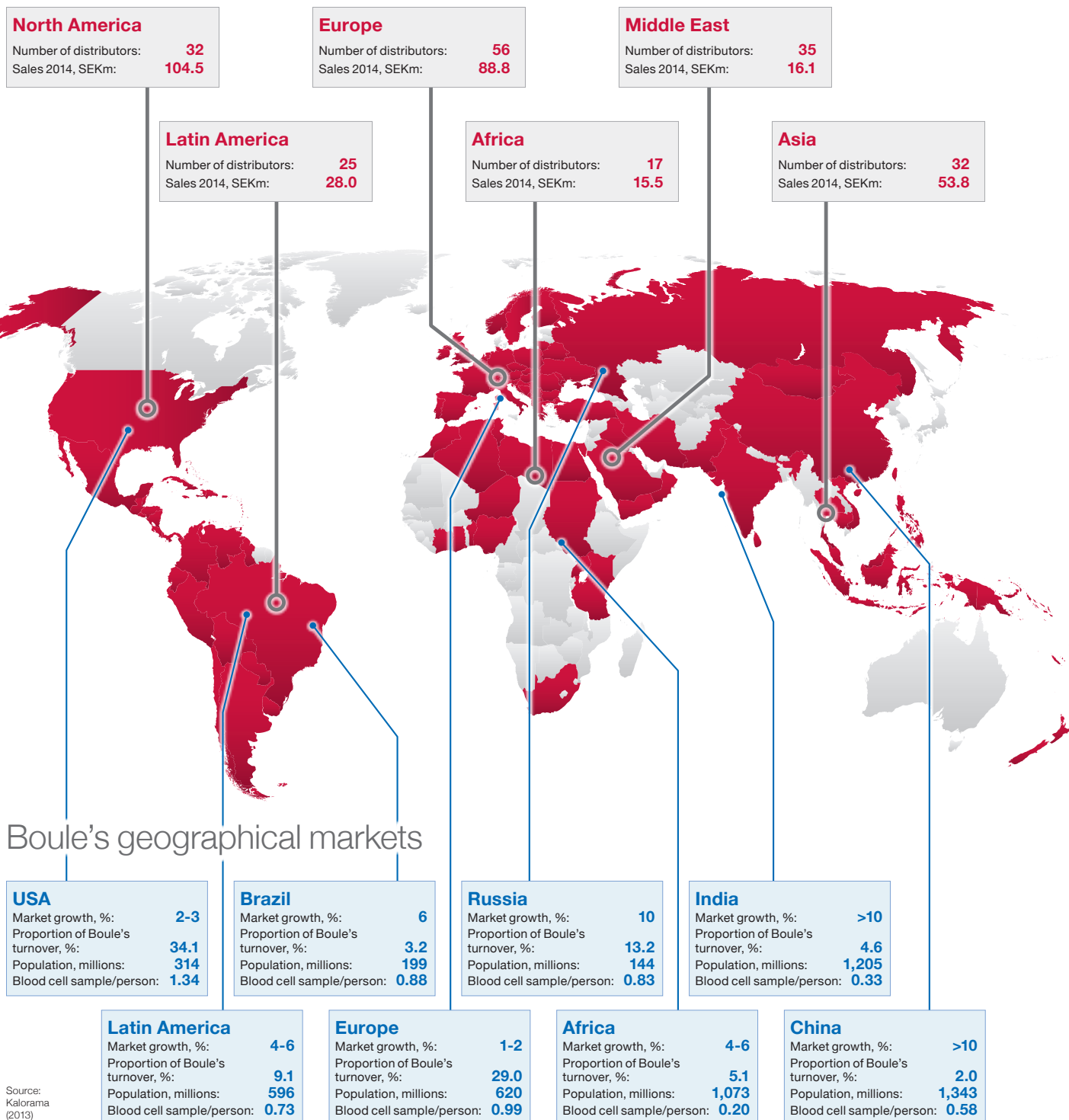
| The total hematology market – main companies and market shares |              |         |  |
|--|--------------|---------|--|
| Name   | Market share | Country | Other prioritized product areas  |
| <b>Boule</b>   | <b>1 %*</b>  | Sweden  |  |
| Sysmex Corporation   | 37 %         | Japan   | Immunochemistry, Clinical Chemistry, Urinalysis  |
| Beckman Coulter  | 22 %         | USA     | Clinical Chemistry, Immunochemistry, Molecular Biology Diagnostics   |
| ABX Horiba   | 9 %          | Japan   | Immunochemistry, Clinical Chemistry  |
| Abbott Diagnostics   | 8 %          | USA     | Clinical Chemistry, Immunochemistry, Molecular Biology Diagnostics   |
| Siemens Healthcare Diagnostics                                 | 8 %          | Germany | Clinical Chemistry, Molecular Biology Diagnostics, Immunochemistry   |
| Mindray  | 4 %          | China   | Urinalysis, Biochemistry, Immunochemistry, Microbiology Analysis, Monitors, Treatment Products, Ultrasound |
| Nihon Kodan  | 3 %          | Japan   | Monitors, Processing Equipment, Physiological Measuring Equipment  |
| Other  | 8 %          |         |  |

\* Boule's market share in decentralized hematology amounts to 5 percent. Source: Kalorama (2013)



## Sales channels in more than 100 countries

Total sales 2014, SEKm: **306.7**



than the growth in the more mature markets.

The veterinarian market for blood cell count has historically been underdeveloped and investment in

automated hematology systems with high quality adapted for animals has not had the same priority as the human market. The market for veterinary blood cell counting, however,

has in recent years been characterized by an increased interest as veterinary medicine has been developed with a focus on pets.

THE PRIVILEGE TO DELIVER TO ONE OF THE MOST RESPECTED PEDIATRIC GROUPS IN THE U.S.

“It is very important for practitioners to have a fast and reliable method to provide better treatment.”

## A fast and reliable method that helps to provide a better treatment

*Pediatric Associates is one of the oldest and most respected pediatric groups in the United States. Since the opening of their first office in Hollywood, Florida in 1955, they have grown to having 33 locations within Florida with over 200 employees.*

*This group diagnoses and treats all types of childhood illnesses to provide immunizations, general examinations, laboratory services and x-ray. Additionally, they offer after hour services and a nurse advice line that is open 24 hours a day, 365 days a year to give patients the highest degree of service possible.*

*Pediatric Associates realizes that the company's success is dependent on their patients so their mission is to enhance the lives of all children, their families, and communities by*

*delivering the highest quality of pediatric healthcare and service in a compassionate and healthy environment.*

*Since 2012, Clinical Diagnostic Solutions, Inc. has had the privilege of providing hematology products and services to help this group achieve their mission. “We believe, performing CBC's allows Pediatric Associates to have a baseline diagnostic test that allows screening and referral to further advanced testing and treatment for sick patients. It is very important for practitioners to have a fast and reliable method to provide better treatment”, says Monique Hayden, Lab Manager, Pediatric Associates.*

*The reliability and ease of use of the Medonic M-Series sold by CDS*



**Monique Hayden**

Lab Manager,  
Pediatric Associates

*along with the confidence in results and support were the biggest factors that caused Pediatric Associates to move over to Clinical Diagnostic Solutions, Inc. as their hematology products provider.*

# Global sales

Boule has a distributor-based sales strategy with independent regional distributors who market and sell the company's products. In certain strategic markets, however, the company's products are sold on a proprietary basis. The company also has contracts with several major diagnostics companies where Boule after a common initial development contract manufactures OEM products.

## LARGE PROPORTION FOR EXPORT

In 2014, sales in Sweden amounted to three percent of Boule's total revenue, mainly through sales on a proprietary basis. A large proportion, 97 percent of the Group's sales is exports, where Boule's sales were mainly conducted through distributors. In some strategic markets, such as Sweden and to some extent in the US, the company's products were sold on a proprietary basis in order to maintain proximity to end customers and thus obtain important information directly from users of the importance of product development.

## DISTRIBUTORS

The global network consists of nearly 200 distributors in more than 100 markets. In 2014, distributor sales accounted for 98 percent of total sales.

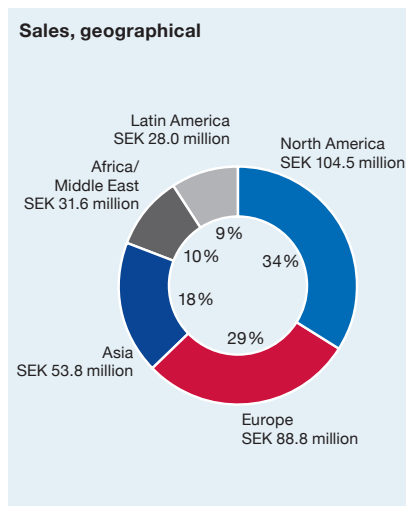
## OEM

The OEM business mainly comprises development and production of reagents and controls that are labeled with the customer's brand before reaching the end-customer. Boule currently sells OEM reagents to, for example, international human and veterinary diagnostic companies.

## MARKETING

Boule applies a decentralized approach to marketing, in close collaboration with its distributors, to adapt communication to the local circumstances of each geographic market.

Boule's marketing activities primarily take the form of personal meetings with distributors, training, trade fairs and seminars. Marketing activities that target end-customers are primarily conducted via distributors and vary from country to country.



| Sales and growth per product area   |              |              |              |              |              |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| SEKm                                | 2010         | 2011         | 2012         | 2013         | 2014         |
| Instrument                          | 95.2         | 113.7        | 126.7        | 118.2        | 125.2        |
| <i>Growth from previous year, %</i> | -            | 19.4         | 11.4         | -6.7         | 5.9          |
| Consumables for proprietary systems | 44.5         | 59.5         | 74.1         | 85.3         | 105.2        |
| <i>Growth from previous year, %</i> | -            | 33.7         | 24.5         | 15.1         | 23.3         |
| CDS Brand/OEM                       | 68.0         | 55.0         | 53.4         | 48.1         | 50.6         |
| <i>Growth from previous year, %</i> | -            | -19.1        | -2.9         | -9.9         | 5.2          |
| Other (service, parts & shipping)   | 21.7         | 18.0         | 21.1         | 25.2         | 25.7         |
| <i>Growth from previous year, %</i> | -            | -17.1        | 17.2         | 19.4         | 2.0          |
| <b>Total</b>                        | <b>229.4</b> | <b>246.2</b> | <b>275.3</b> | <b>276.8</b> | <b>306.7</b> |



“Overall, Boule’s products exceeded our high expectations.”

## Large procurement in the Swedish hematology market

Region Östergötland has a total of three hospitals and 45 health centers scattered across the county, something that places great demands on coordination and cooperation between units. Despite this, Region Östergötland received several awards, including University Hospital of Linköping being designated as the best university hospital of 2014. Medical care in Region Östergötland was also considered in an international survey by the National Association of Local Authorities and the Health Consumer Powerhouse to be world class.

Since 2007, the Region Östergötland had a successful collaboration with Boule regarding instruments, consumables and service. In total, Region Östergötland has blood cell counters at 35 medical centers, something that is unique in Sweden and carries out 160,000 blood cell analyses per year. The use of Boule’s

products has increased coordination between the units, which has meant that health centers can maintain high quality even at the local clinic while patients receive diagnosis and necessary treatment faster.

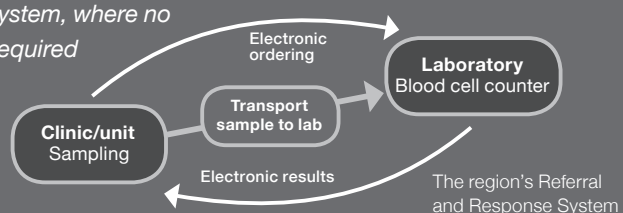
Because blood cell counting and analysis can be done at the local health center, it is a huge relief for the larger laboratories in the county. In the long run, it is also a financial advantage for the clinics to have their own blood cell counters.

“Overall, Boule’s products exceeded our high expectations. The instruments also have been simple to integrate into our existing Referral and Response system, where no intermediary is required between the client and the laboratory.



**Lena Pettersson**  
Technology and Methodology Support, Diagnostics Center, University Hospital, Linköping

Everything is done electronically and the results are then seen in the clinic’s patient information system”, says Lena Pettersson from University Hospital in Linköping, Sweden.





# Responsible business

Blood cell counter analyses are the most common diagnostic laboratory test at medical consultations, which makes high demands on the quality of blood cell counters to come up with reliable results. As a global market leader, Boule has a responsibility to act for a sustainable society, not only for economic sustainability but also environmental and social sustainability. Boule's most important asset is all of our competent and loyal employees who help the company deliver high quality products and achieve its objectives.

## ENVIRONMENTAL RESPONSIBILITY

Boule's business has a fixed focus related to international standards such as ISO 14001 Environmental Management Systems related to corporate environmental system.

Boule works under ISO 14001 that stipulates that firms must establish, document, implement, maintain and continuously improve its environmental management system.

Boule's production facilities in Sweden, the USA and China have the necessary permits required to conduct business. Boule places further importance on following the adopted environmental policy, which stipulates among other things that:

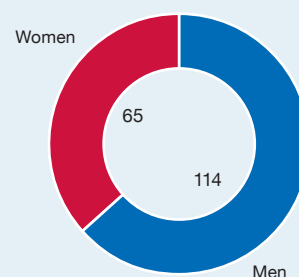
- Supply of goods and services shall be subject to high awareness and care for the environment.
- Employees and suppliers are encouraged to environmental awareness and more environmentally-friendly alternatives must be sought whenever possible.
- The business should have a defined focus related to national and international guidelines for environmental work.

## EMPLOYEES AND ORGANIZATION

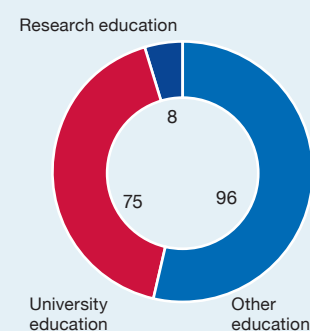
In 2014, Boule had an average of 179 (175) employees, of whom 8 (5) were employed in the Parent Company. The Swedish subsidiary had 68 (72) employees, the USA operations 83 (74) employees, the Chinese operations 16 (19), the Swiss operations 3 (3), the Polish operations 0 (1) and the Mexican operations 1 (1). A total of 22 (23) employees were engaged in the Group's research and development activities. Among Boule's employees there are around 20 nationalities, which is enriching.

During 2013, an employee survey was carried out within the Group which resulted in an employee satisfaction index (ESI) of a total of 3.7 of a maximum of 5. The working environment was an area that lowered the total ESI value and Boule addressed the issue in 2014 by moving its main operations in Sweden to newly renovated premises in Spånga. The move is assessed to have had a positive impact on the work environment, through modern premises that are tailor-made based on Boule's business and because more meeting places were created for exchange among employees which created better cohesion and communication. A process is also under way to find new and efficient space for the operation in the United States.

Gender distribution



Education level





A new employee survey will be conducted in the Swedish and American operations in 2015.

Staff turnover within the group amounted to 17.3 percent due partly to the relocation of the Swedish operations from Västberga south of Stockholm to Spånga north of Stockholm as well as Boule's efficiency program. In 2014 sick leave amounted to 3.3 percent, which is an area that Boule is actively working to improve. As an initiative to reduce sick leave Boule has started a project with the goal of making 2015 "The Year of Health".

Boule was in 2014 involved in a project that the Swedish Public Employment Service (Arbetsförmedlingen) and the University of Stockholm operate, which is aimed at graduates with a foreign background. The aim is to safeguard skills and shorten the path to the Swedish labor market. In 2014, two people worked as interns in Boule, one of whom is now employed by the hour in the company. Since Boule believes that the project is important and worthwhile the commitment is continuing in 2015.

**SOCIAL RESPONSIBILITY, QUALITY RESPONSIBILITY AND PATIENT SAFETY**

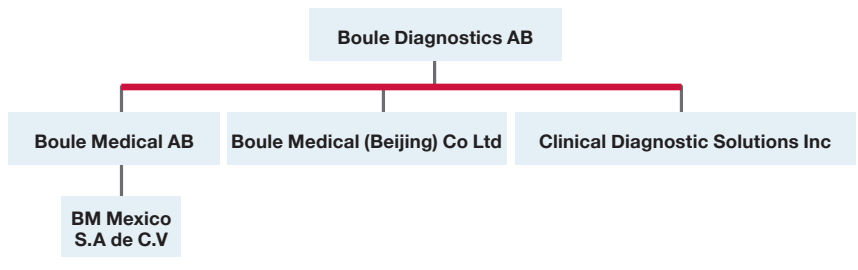
Boule must be credible advisors to their customers through employees and partners. To achieve this goal, the company has developed some basic principles, Boule's Code of Conduct. These apply to employees and outsiders, suppliers and customers.

All companies in the Group are certified in accordance with ISO 13485 Medical Devices – Quality Management Systems – Requirements for regulatory purposes which demands quality systems of manufacturers of medical devices.

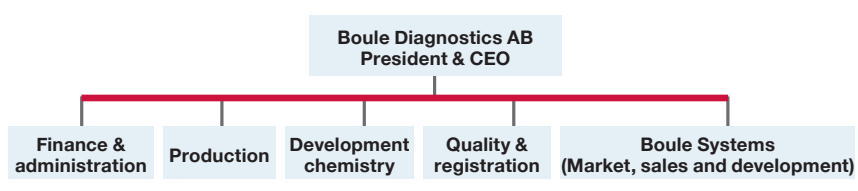
All Group companies also meet the FDA's QSR-requirements (Quality System Regulation). In 2014, the FDA conducted an audit of Boule's quality of production in the facility in Västberga, which is the same system used in the new facility in Spånga. The Company met the requirements well. The Company's quality system and products also meet the requirements of the EU Council's IVD Directive in terms of safety, quality and effectiveness of medical devices.

All of the Group's products in the EU area are CE-marked, which means that they also fulfill the requirements set outside the IVD field such as, for

**LEGAL STRUCTURE**



**FUNCTIONAL STRUCTURE**



example, that the products must be designed, manufactured or packaged so that they minimize the amount of radiation exposure to users, risk for electromagnetic interference, electrical shock or other mechanical failure. CE marking also means that Boule delivers the information users of the company's products require in order to use the product safely and correctly.

Boule won in major international competition a contract in hematology in the Swedish market for Region Östergötland. An important reason that Boule won the contract was that the company was the only player that lived up to the high demands Region Östergötland put on the products. Patient safety was one of the key requirements that the Regions Östergötland requested, and that is something that Boule focused on especially on in the development of the new generations of Medonic M-series and Swelab Alfa Plus. Boule's instruments have a unique flexibility in the number of ways a blood sample can be introduced and analyzed in the instrument. The safest is closed blood collection tubes in which blood is never exposed to the user.

#### **BOULE DELIVERS MONETARY VALUE**

An important part of Boule's sustainability work is to act for economic sustainability. Economic sustainability directly benefits shareholders and lenders. Indirect economic sustainability also benefits other stakeholders such as employees, the state and the society in which it operates. Boule has over the years not only supplied monetary value to shareholders through dividends and a positive share price trend, but also to the citizens and the community where the company is active by providing jobs and paying taxes.

#### **NEW EFFICIENT PREMISES**



“...instrument manufacturing much closer to our factory for reagent manufacturing which facilitates the exchange of knowledge...”

## **More cost effective production with room for growth**

*Boule's head office and instrument manufacturing in Sweden was moved in July 2014 from Västberga south of Stockholm to newly renovated, tailor-made premises in Spånga in north Stockholm. Despite larger premises the total rental charges are unchanged. The move has also involved changes on many other fronts.*

*“Since the move is the instrument production much closer to our factory for reagent manufacturing which facilitates knowledge exchange and decreasing travel time. The new premises also enable more efficient production, simpler cooperation between different departments, we can have customer training courses and there is room to scale up our instrument manufacturing. Quite simply, we had grown out of the premises in Västberga.*

*In addition, the work environment has improved significantly. The new premises mean more ergonomic workplaces, ventilation and the IT environment is better and there are more meeting places to meet colleagues from different departments. We really enjoy the new premises”, says Hans Johansson, Director of Production.*



**Hans Johansson**  
Senior VP Production,  
Boule Diagnostics



# The Boule share

Boule Diagnostics shares are listed on Nasdaq Stockholm since June 23, 2011. As of December 31, 2014 the company had 536 shareholders.

## MARKET CAPITALIZATION AND SHARE TURNOVER

The closing price at December 31, 2014 was SEK 54.50 (44.10), yielding a market capitalization for Boule Diagnostics of SEK 256.5 (206.7) million. As of March 13, 2015, the closing price was SEK 85.75, giving a market capitalization of SEK 403.6 million. During the fiscal year, the average daily turnover was about 5,712 shares. In 2014, the total turnover of Boule shares was 1,427,901 at a value of SEK 69.5 million. All shares were traded on the Stockholm Stock Exchange, of which 98.6 percent was on the Nasdaq Stockholm and 1.4 percent took place on the OMX OTC, which was reported in retrospect. The price increase in 2014 was 23.6 percent. In the financial year 2014 the OMXSPI index simultaneously rose by 11.85 percent. In 2015, until March 13, 2015 the price increase was 57.3 percent.

## SHARE CAPITAL

At December 31, 2014, Boule Diagnostics' share capital was SEK 4,707,138, represented by 4,707,138 shares with a quotient value of SEK 1.00 per share. Boule Diagnostics has only one class of shares and all shares afford equal rights to participation in the company's assets and profits. A trading lot is one (1) share.

## SHAREHOLDERS' AGREEMENT

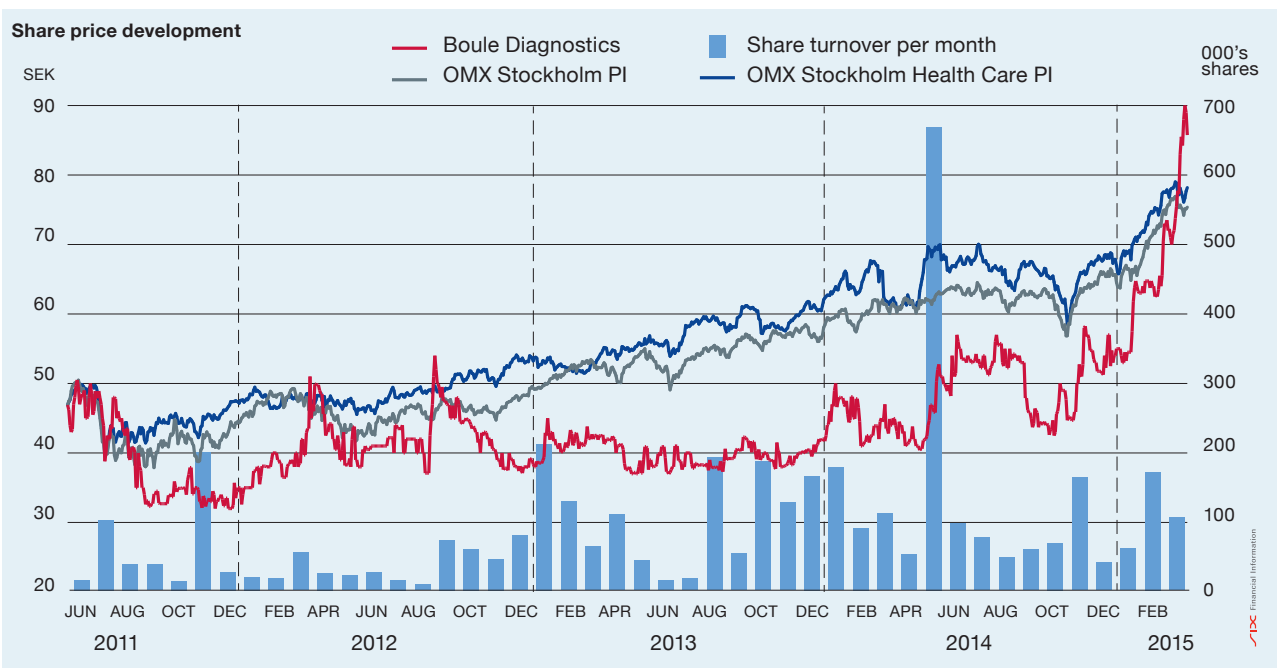
The Board of Directors of Boule is not aware of any shareholder agreements or other agreements between the company's shareholders of which the purpose is to gain joint influence over the company. Nor is the Board aware of any agreements or the equivalent that could result in a change in control over the company.

## DIVIDEND AND DIVIDEND POLICY

The Board of Boule Diagnostics proposes that the Annual General Meeting resolves to pay a dividend of SEK 0.60 (0.50) per share for the fiscal year 2014. The Board aims to provide shareholders a dividend that reflects a favorable dividend yield and dividend growth and to apply a policy that adapts the dividend level to Boule's earnings level, financial position and other factors deemed relevant by the Board. Over the long term, the annual dividend is to correspond to between 25 and 50 percent earnings for the period for the core operations, taking the company's equity/assets ratio and liquidity into account.

### Share capital development

| Year | Month     | Transaction       | Increase in share capital, SEK | Total share capital, SEK | No. of new shares | Total number of shares | Quotient value, SEK |
|------|-----------|-------------------|--------------------------------|--------------------------|-------------------|------------------------|---------------------|
| 1996 | October   | Company formed    | 100,000                        | 100,000                  | 100,000           | 100,000                | 1.00                |
| 1996 | December  | Private placement | 129,600                        | 229,600                  | 129,600           | 229,600                | 1.00                |
| 1997 | January   | Private placement | 287,950                        | 517,550                  | 287,950           | 517,550                | 1.00                |
| 1997 | January   | Private placement | 728,500                        | 1,246,050                | 728,500           | 1,246,050              | 1.00                |
| 1997 | October   | Private placement | 290,000                        | 1,536,050                | 290,000           | 1,536,050              | 1.00                |
| 1998 | February  | Private placement | 22,786                         | 1,558,836                | 22,786            | 1,558,836              | 1.00                |
| 1998 | April     | Private placement | 103,922                        | 1,662,758                | 103,922           | 1,662,758              | 1.00                |
| 1998 | June      | Private placement | 10,000                         | 1,672,758                | 10,000            | 1,672,758              | 1.00                |
| 1998 | August    | Private placement | 5,634                          | 1,678,392                | 5,634             | 1,678,392              | 1.00                |
| 2001 | September | Private placement | 460,350                        | 2,138,742                | 460,350           | 2,138,742              | 1.00                |
| 2004 | October   | Private placement | 380,347                        | 2,519,089                | 380,347           | 2,519,089              | 1.00                |
| 2007 | June      | Rights issue      | 944,658                        | 3,463,747                | 944,658           | 3,463,747              | 1.00                |
| 2011 | June      | Private placement | 1,243,391                      | 4,707,138                | 1,243,391         | 4,707,138              | 1.00                |



#### Largest shareholders

| Shareholders                             | No. of shares    | Portion of voting rights/share capital, % |
|--|------------------|---|
| Siem Capital AB                          | 1,570,084        | 33.36                                     |
| Nortal Investments AB                    | 620,402          | 13.18                                     |
| Linc Invest AB                           | 470,715          | 10.00                                     |
| Thomas Eklund incl. companies            | 444,638          | 9.45                                      |
| Ernst Westman incl. family and companies | 127,892          | 2.72                                      |
| Société Générale                         | 114,919          | 2.44                                      |
| Leif Ek                                  | 100,583          | 2.14                                      |
| Daniel Rommeskov                         | 98,933           | 2.10                                      |
| Avanza                                   | 70,587           | 1.50                                      |
| Other shareholders (527)                 | 1,088,385        | 23.12                                     |
| <b>Total</b>                             | <b>4,707,138</b> | <b>100.00</b>                             |

#### Shareholder register at Dec. 31 2014

| Holding       | No. of shareholders | No. of shares    | Holding, %    | Voting rights, % |
|---------------|---------------------|------------------|---------------|------------------|
| 1–500         | 340                 | 58,484           | 1.24          | 1.24             |
| 501–1,000     | 60                  | 51,322           | 1.09          | 1.09             |
| 1,001–5,000   | 86                  | 194,881          | 4.14          | 4.14             |
| 5,001–10,000  | 20                  | 163,608          | 3.48          | 3.48             |
| 10,001–15,000 | 3                   | 38,500           | 0.82          | 0.82             |
| 15,001–20,000 | 3                   | 53,566           | 1.14          | 1.14             |
| 20,001–       | 24                  | 4,146,777        | 88.10         | 88.10            |
| <b>Total</b>  | <b>536</b>          | <b>4,707,138</b> | <b>100.00</b> | <b>100.00</b>    |

# Five-year overview and definitions

| KSEK  | 2014           | 2013           | 2012           | 2011           | 2010           |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>INCOME STATEMENT</b>   |                |                |                |                |                |
| Net sales   | 306,687        | 276,804        | 275,301        | 246,155        | 229,421        |
| Cost of goods sold  | -170,242       | -155,340       | -151,795       | -138,116       | -127,207       |
| <b>Gross profit</b>   | <b>136,445</b> | <b>121,464</b> | <b>123,506</b> | <b>108,039</b> | <b>102,214</b> |
| Other operating revenue   | 5,947          | 802            | 115            | 1,082          | 60             |
| Selling and marketing expenses  | -62,572        | -59,021        | -54,431        | -44,457        | -39,692        |
| Administration expenses   | -24,989        | -25,132        | -25,148        | -24,554        | -20,456        |
| Research and development expenses                                     | -23,631        | -119,592       | -22,165        | -22,507        | -19,641        |
| Other operating expenses  | -4,641         | -913           | -1,527         | -436           | -2,152         |
| <b>Operating profit/loss</b>  | <b>26,560</b>  | <b>-82,392</b> | <b>20,350</b>  | <b>17,167</b>  | <b>20,333</b>  |
| Net financial items   | -1,629         | -1,831         | -145           | -1,317         | -2,030         |
| Share of profit/loss related to associated companies                  | -              | -              | -              | 529            | 372            |
| Profit/loss related to sale of shares of associated companies         | -              | -              | -              | 1,113          | -              |
| <b>Profit/loss before tax</b>   | <b>24,931</b>  | <b>-84,223</b> | <b>20,205</b>  | <b>17,492</b>  | <b>18,675</b>  |
| Tax   | 5,335          | 14,098         | -9,246         | -7,405         | 216            |
| <b>Net profit/loss for the year</b>                                   | <b>30,266</b>  | <b>-70,125</b> | <b>10,959</b>  | <b>10,087</b>  | <b>18,891</b>  |
| <b>BALANCE SHEET</b>  |                |                |                |                |                |
| <b>Assets</b>   |                |                |                |                |                |
| <b>Fixed assets</b>   |                |                |                |                |                |
| Intangible assets   | 98,664         | 73,661         | 135,463        | 106,936        | 84,470         |
| Tangible fixed assets   | 17,587         | 15,776         | 15,316         | 12,225         | 8,973          |
| Financial fixed assets  | 107            | 205            | -              | -              | 4,108          |
| Deferred tax assets   | 13,093         | 10,025         | 951            | 1,139          | 1,009          |
| <b>Total fixed assets</b>   | <b>129,451</b> | <b>99,667</b>  | <b>151,730</b> | <b>120,300</b> | <b>98,560</b>  |
| <b>Current assets</b>   |                |                |                |                |                |
| Inventories   | 46,195         | 47,854         | 45,636         | 43,379         | 38,284         |
| Current receivables   | 81,647         | 62,146         | 61,994         | 54,467         | 46,072         |
| Cash and cash equivalents   | 22,656         | 11,051         | 15,871         | 53,701         | 17,689         |
| <b>Total current assets</b>   | <b>150,498</b> | <b>121,051</b> | <b>123,501</b> | <b>151,547</b> | <b>102,045</b> |
| <b>Total assets</b>   | <b>279,949</b> | <b>220,718</b> | <b>275,231</b> | <b>271,847</b> | <b>200,605</b> |
| <b>Equity and liabilities</b>   |                |                |                |                |                |
| Equity  | 169,992        | 127,492        | 199,695        | 192,858        | 130,565        |
| Long-term interest-bearing liabilities                                | 8,951          | 8,455          | 717            | 618            | 6,901          |
| Deferred tax liabilities  | 1,428          | 5,627          | 11,375         | 3,806          | 280            |
| Current interest-bearing liabilities                                  | 41,825         | 37,944         | 20,195         | 30,780         | 20,180         |
| Current non interest-bearing liabilities                              | 57,753         | 41,200         | 43,249         | 43,785         | 42,679         |
| <b>Total equity and liabilities</b>                                   | <b>279,949</b> | <b>220,718</b> | <b>275,231</b> | <b>271,847</b> | <b>200,605</b> |
| <b>CASH FLOW</b>  |                |                |                |                |                |
| Cash flow from operating activities before changes in working capital | 27,874         | 20,162         | 22,348         | 18,432         | 22,017         |
| Changes in working capital  | 3,111          | -4,487         | -11,400        | -12,988        | -5,858         |
| Cash flow from investing activities                                   | -22,761        | -33,111        | -37,013        | -24,412        | -15,595        |
| Cash flow from financing activities                                   | 1,941          | 12,887         | -11,361        | 54,765         | 5,623          |
| <b>Cash flow for the year</b>   | <b>10,165</b>  | <b>-4,549</b>  | <b>-37,426</b> | <b>35,797</b>  | <b>6,187</b>   |



|  | 2014               | 2013      | 2012      | 2011      | 2010      |
|--|--------------------|-----------|-----------|-----------|-----------|
| <b>KEY DATA</b>                                    |                    |           |           |           |           |
| Net sales growth, %                                | 10.8               | 0.5       | 11.8      | 7.3       | 30.7      |
| Gross margin, %                                    | 44.5               | 44        | 45        | 44        | 45        |
| EBITDA, SEK million                                | 30.9               | 16.9      | 23.5      | 20.0      | 23.1      |
| EBITDA margin, %                                   | 10.1               | 6.1       | 8.5       | 8.1       | 10.1      |
| EBIT, SEK million                                  | 26.6               | -82.4     | 20.4      | 17.2      | 20.3      |
| EBIT margin (operating margin), %                  | 8.7                | -29.8     | 7.4       | 7.0       | 8.9       |
| Return on total assets, %                          | 10.6               | -33.2     | 7.8       | 7.5       | 11.1      |
| Return on equity, %                                | 20.3               | -42.9     | 5.6       | 6.2       | 15.4      |
| Return on capital employed, %                      | 13.3               | -42.1     | 9.3       | 9.0       | 13.2      |
| <b>CAPITAL STRUCTURE</b>                           |                    |           |           |           |           |
| Equity, SEK million                                | 170.0              | 127.5     | 199.7     | 192.9     | 130.6     |
| Capital employed, SEK million                      | 220.8              | 173.9     | 220.6     | 224.3     | 157.6     |
| Working capital, SEK million                       | 116.7              | 96.7      | 97.0      | 124.6     | 73.5      |
| Liabilities to credit institutions, SEK million    | 50.8               | 46.4      | 20.9      | 31.4      | 27.1      |
| Interest coverage ratio, multiple                  | 16.2               | -73.0     | 41.9      | 12.2      | 21.2      |
| Net debt   | 50.8               | 46.1      | 20.9      | 31.4      | 27.1      |
| Net debt/equity ratio, %                           | 29.9               | 36.2      | 10.5      | 16.3      | 20.7      |
| Equity/assets ratio, %                             | 61                 | 58        | 73        | 71        | 63        |
| <b>DATA PER SHARE</b>                              |                    |           |           |           |           |
| Average number of shares                           | 4,707,138          | 4,707,138 | 4,707,138 | 4,063,300 | 3,463,747 |
| Number of shares at the end of the period          | 4,707,138          | 4,707,138 | 4,707,138 | 4,707,138 | 3,463,747 |
| Earnings per share, SEK                            | 6.44               | -14.90    | 2.33      | 2.48      | 5.45      |
| Equity per share, SEK                              | 36.1               | 27.1      | 42.4      | 41.0      | 37.7      |
| Cash flow from operating activities per share, SEK | 6.58               | 4.40      | 2.33      | 1.16      | 3.43      |
| Dividend per share, SEK                            | 0.60 <sup>1)</sup> | 0.50      | 0.50      | -         | -         |
| <b>EMPLOYEES</b>                                   |                    |           |           |           |           |
| Average number of employees                        | 179                | 175       | 165       | 156       | 147       |

1) Proposed.

## DEFINITIONS

**Gross profit** is net sales less costs of goods sold

**Gross margin** is gross profit divided by net sales

**EBITDA** (Earnings before interest, taxes, depreciation and amortization) is profit before net financial items, taxes, and depreciation/amortization of tangible and intangible assets

**EBITDA margin** is EBITDA divided by net sales

**EBIT** (Earnings before interest and taxes) is profit before net financial items and taxes

**EBIT margin** is EBIT divided by net sales

**Capital employed** is total assets less deferred tax liabilities and non-interest-bearing liabilities

**Working capital** is inventories, accounts receivables, and cash less accounts payable

**Net investments** are investments in tangible and intangible assets adjusted for disposals

**Interest coverage ratio** is operational profit plus financial income divided by financial expenses

**Net debt** is interest-bearing assets less interest-bearing liabilities

**Net debt/equity ratio** is net debt divided by equity

**Equity/assets ratio** is equity divided by total assets

**Return on equity** is profit for the year after taxes divided by equity

**Return on capital employed** is profit after net financial items plus financial expenses divided by the average capital employed

**Return on total capital** is operating profit plus financial income divided by average total capital

# Board of Directors



## Lars-Olof Gustavsson

Born 1943. Member of the Board and Chairman of the Board since 2010.

**Other assignments:** Chairman of the Boards of Four Seasons Venture Capital AB and Futurum Edge AB and Board member of Siem Capital AB, Norstel AB and TA Associates AB. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

**Education:** MBA from the Gothenburg School of Business, Economics and Law.

**Shareholding in Boule:** 42,900.



## Britta Dalunde

Born 1958. Member of the Board since 2010.

**Other assignments:** Chairman of the Boards of Chorus AB, JustBeforeTime AB and StraightTalk AB and Board member of Knightec AB and Oniva Online Group Europe AB. Deputy Board member of Odd Fellow huset i Stockholm AB.

**Present occupation:** Independent Board member and business consultant.

**Education:** MBA in International Relations from Uppsala University. Postgraduate Diploma in Business Administration from Edinburgh Business School.

**Shareholding in Boule:** 4,000.



## Thomas Eklund

Born 1967. Member of the Board since 2014.

**Other assignments:** Chairman of the Boards of Global Health Partner AB, Itrim AB and Sedana Medical AB and Board member of Memira AB, Biotage AB and Rodebjer Form AB.

**Present occupation:** Independent Board member, adviser and consultant.

**Education:** MBA from the Stockholm School of Economics.

**Shareholding in Boule:** 444,638.



## Eva-Lotta Kraft

Born 1951. Member of the Board since 2010.

**Other assignments:** Board member of Nibe Industrier AB, Opus Group AB and Xano Industri AB.

**Present occupation:** Independent Board member, business consultant.

**Education:** Master of Science in Chemistry from the Royal Institute of Technology (KTH) and an MBA from Uppsala University.

**Shareholding in Boule:** 500.



## Tord Lendau

Born 1957. Member of the Board since 2014.

**Other assignments:** Chairman of the Board of Stille AB, Actea AB, Encare AB and Scibase AB. Board member and Chairman of the audit committee of Vitrolife AB.

**Present occupation:** President and owner of Lendau Capital AB.

**Education:** Studies in Industrial Management in Linköping.

**Shareholding in Boule:** 1,100.



## Gösta Oscarsson

Born 1944. Member of the Board since 1996.

**Other assignments:** Board member in Siem Capital AB and several of its associated companies. Board member of Four Seasons AB and Four Seasons Venture Capital AB and subsidiaries and Fridhems Kursgård AB.

**Present occupation:** CEO of Four Seasons Venture Capital AB.

**Education:** MBA from the University of Gothenburg School of Business, Economics and Law.

**Shareholding in Boule:** 42,900.

# Group Management



## Ernst Westman

Ernst Westman has been President and CEO of Boule Diagnostics AB since 1996 and has been employed at Boule since 1994.

**Education:** Master of Science in Chemistry from Chalmers University of Technology in Gothenburg.

**Shareholding in Boule:** 127,992 shares (privately and through company).

**Stock options:** 32,000.



## Fredrik Alpsten

Fredrik Alpsten is Senior Vice President and CFO and has been employed at Boule since 2011.

**Other assignments:** Chairman of the Board of Personlig Almanacka Nordic AB.

**Education:** Master of Science from the Stockholm School of Economics.

**Shareholding in Boule:** 200 shares.

**Warrants in Boule:** 10,000 warrants.

**Stock options:** 11,000.



## Claes Blanche

Claes Blanche is President of the subsidiary Boule Medical AB and has been employed at Boule since January 2012.

**Education:** Master of Science in Biochemistry from the Royal Institute of Technology (KTH).

**Shareholding in Boule:** 400 shares.

**Warrants in Boule:** 10,000 warrants.

**Stock options:** 11,000.



## Michael Elliott

Michael Elliott is Senior Vice President R&D at CDS, and has been employed in the subsidiary CDS since 2000.

**Education:** Michael Elliott has a Master of Science from Queens University in Belfast and an Executive MBA from Florida Atlantic University.

**Shareholding in Boule:** 258 shares.

**Warrants in Boule:** 10,000 warrants.

**Stock options:** 11,000.



## Hans Johansson

Hans Johansson is Senior Vice President of Production and has been employed at Boule since 2001.

**Education:** Hans Johansson holds a Master of Science in Applied Physics and Electrical Engineering, and a Licentiate of Engineering in Material Physics, both from the Institute of Technology of Linköping University.

**Shareholding in Boule:** 8,307 shares.

**Stock options:** 11,000.



## Thomas Olsson

Thomas Olsson is Senior Vice President of Quality & Regulatory and has been employed at Boule since 1992.

**Education:** PhD in Biochemistry from Stockholm University.

**Shareholding in Boule:** 56,312 shares.

**Stock options:** 11,000.



# Consolidated statement of comprehensive income

| January 1- December 31, KSEK                      | 2014           | 2013           |
|---|----------------|----------------|
| Net sales   | 306,687        | 276,804        |
| Cost of goods sold                                | -170,242       | -155,340       |
| <b>Gross profit</b>                               | <b>136,445</b> | <b>121,464</b> |
| Other operating revenue                           | 5,947          | 802            |
| Selling and marketing expenses                    | -62,573        | -59,021        |
| Administration expenses                           | -24,989        | -25,132        |
| Research and development expenses <sup>1)</sup>   | -23,631        | -119,592       |
| Other operating expenses                          | -4,641         | -913           |
| <b>Operating profit/loss</b>                      | <b>26,559</b>  | <b>-82,392</b> |
| Financial income                                  | 11             | 37             |
| Financial expenses                                | -1,640         | -1,868         |
| <b>Net financial items</b>                        | <b>-1,629</b>  | <b>-1,831</b>  |
| <b>Profit/loss before tax</b>                     | <b>24,930</b>  | <b>-84,223</b> |
| Current tax                                       | -1,167         | -724           |
| Deferred tax                                      | 6,502          | 14,822         |
| <b>Net profit/loss for the year <sup>2)</sup></b> | <b>30,265</b>  | <b>-70,125</b> |

1) Including SEK -95.5 millions for impairment of the POC project in the Jan-Dec 2014 period.

2) The net profit/loss for the year is fully attributable to the parent

## Other comprehensive income

| January 1- December 31, KSEK  | 2014          | 2013           |
|---|---------------|----------------|
| Items that may be allocated to the net profit/loss for the period           |               |                |
| Translation differences for the year from translation of foreign operations | 14,352        | 276            |
| <b>Other comprehensive profit/loss for the year</b>                         | <b>14,352</b> | <b>276</b>     |
| <b>Comprehensive profit/loss for the year</b>                               | <b>44,617</b> | <b>-69,849</b> |
| Earnings per share before and after dilution (SEK)                          | 6.44          | -14.90         |
| Number of shares outstanding at the end of the period                       | 4,707,138     | 4,707,138      |

# Consolidated statement of financial position

| KSEK  | Dec. 31 2014   | Dec. 31 2013   |
|---|----------------|----------------|
| <b>ASSETS</b>                                       |                |                |
| <b>Fixed asset</b>                                  |                |                |
| <b>Intangible assets</b>                            |                |                |
| Capitalized development expenses                    | 28,308         | 12,126         |
| Goodwill  | 70,355         | 61,535         |
| <b>Total intangible assets</b>                      | <b>98,663</b>  | <b>73,661</b>  |
| <b>Tangible fixed assets</b>                        |                |                |
| Plant and machinery                                 | 4,014          | 2,100          |
| Equipment, tools, fixtures and fittings             | 10,744         | 11,637         |
| Leasehold improvements                              | 2,829          | 2,039          |
| <b>Total tangible fixed assets</b>                  | <b>17,587</b>  | <b>15,776</b>  |
| <b>Financial fixed assets</b>                       |                |                |
| Long-term non-interest bearing receivables          | 107            | 205            |
| Deferred tax assets                                 | 13,093         | 10,025         |
| <b>Total fixed assets</b>                           | <b>129,450</b> | <b>99,667</b>  |
| <b>Current assets</b>                               |                |                |
| <b>Inventories</b>                                  |                |                |
| Raw materials and supplies                          | 31,613         | 26,848         |
| Intermediate goods                                  | 2,648          | 2,723          |
| Finished goods and goods for resale                 | 11,935         | 18,283         |
| <b>Total inventories</b>                            | <b>46,196</b>  | <b>47,854</b>  |
| <b>Current receivables</b>                          |                |                |
| Tax assets  | 2,334          | 2,060          |
| Accounts receivable                                 | 68,864         | 50,134         |
| Other receivables                                   | 4,943          | 6,391          |
| Prepaid expenses and accrued income                 | 5,506          | 3,561          |
| <b>Total current receivables</b>                    | <b>81,647</b>  | <b>62,146</b>  |
| Cash and cash equivalents                           | 22,656         | 11,051         |
| <b>Total current assets</b>                         | <b>150,499</b> | <b>121,051</b> |
| <b>TOTAL ASSETS</b>                                 | <b>279,949</b> | <b>220,718</b> |
| <b>EQUITY</b>                                       |                |                |
| Share capital                                       | 4,707          | 4,707          |
| Other paid-in capital                               | 188,231        | 190,584        |
| Translation reserve                                 | 4,510          | -9,842         |
| Retained earnings including net profit for the year | -27,456        | -57,957        |
| <b>TOTAL EQUITY</b>                                 | <b>169,992</b> | <b>127,492</b> |
| <b>LIABILITIES</b>                                  |                |                |
| <b>Long-term liabilities</b>                        |                |                |
| Long-term interest-bearing liabilities              | 8,951          | 8,455          |
| Deferred tax liabilities                            | 1,428          | 5,627          |
| <b>Total long-term liabilities</b>                  | <b>10,379</b>  | <b>14,082</b>  |
| <b>Current liabilities</b>                          |                |                |
| Current interest-bearing liabilities                | 41,825         | 37,944         |
| Accounts payable                                    | 20,998         | 14,682         |
| Tax liabilities                                     | 371            | 54             |
| Other liabilities                                   | 6,178          | 4,477          |
| Accrued expenses and deferred income                | 29,706         | 21,487         |
| Provisions  | 500            | 500            |
| <b>Total current liabilities</b>                    | <b>99,578</b>  | <b>79,144</b>  |
| <b>TOTAL LIABILITIES</b>                            | <b>109,957</b> | <b>93,226</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 | <b>279,949</b> | <b>220,718</b> |
| <b>Assets pledged and contingent liabilities</b>    |                |                |
| Assets pledged                                      | 71,353         | 48,535         |
| Contingent liabilities                              | 1,800          | None           |

# Consolidated statement of changes in shareholders' equity

| KSEK  | Share<br>capital | Other<br>paid-in<br>capital | Translation<br>reserve | Retained<br>earnings incl.<br>net profit<br>for the year | Total<br>equity |
|---|------------------|-----------------------------|------------------------|--|-----------------|
| <b>Equity, opening balance, Jan. 1, 2013</b>  | <b>4,707</b>     | <b>191,198</b>              | <b>-10,118</b>         | <b>13,908</b>  | <b>199,695</b>  |
| <b>Comprehensive profit/loss for the year</b> |                  |                             |                        |  |                 |
| Net profit for the year                       | -                | -                           | -                      | -70,125  | -70,125         |
| Other comprehensive income for the year       | -                | -                           | 276                    | -  | 276             |
| Comprehensive profit/loss for the year        | -                | -                           | 276                    | -70,125  | -69,849         |
| <b>Transactions with shareholders</b>         |                  |                             |                        |  |                 |
| Dividends                                     | -                | -614                        | -                      | -1,740   | -2,354          |
| <b>Equity, closing balance, Dec. 31, 2013</b> | <b>4,707</b>     | <b>190,584</b>              | <b>-9,842</b>          | <b>-57,957</b>   | <b>127,492</b>  |
| <b>Equity, opening balance, Jan. 1, 2014</b>  | <b>4,707</b>     | <b>190,584</b>              | <b>-9,842</b>          | <b>-57,957</b>   | <b>127,492</b>  |
| <b>Comprehensive profit/loss for the year</b> |                  |                             |                        |  |                 |
| Net profit for the year                       | -                | -                           | -                      | 30,265   | 30,265          |
| Other comprehensive income for the year       | -                | -                           | 14,352                 | -  | 14,352          |
| Comprehensive profit/loss for the year        | -                | -                           | 14,352                 | 30,265   | 44,617          |
| <b>Transactions with shareholders</b>         |                  |                             |                        |  |                 |
| Share-based payments                          | -                | -                           | -                      | 236  | 236             |
| Dividends                                     | -                | -2,353                      | -                      | -  | -2,354          |
| Total transactions with shareholders          | -                | -2,353                      | -                      | 236  | -2,117          |
| <b>Equity, closing balance, Dec. 31, 2014</b> | <b>4,707</b>     | <b>188,231</b>              | <b>4,510</b>           | <b>-27,456</b>   | <b>169,992</b>  |



# Consolidated cash flow statement

| January 1- December 31, KSEK   | 2014           | 2013           |
|--|----------------|----------------|
| <b>Operating activities</b>  |                |                |
| Operating profit/loss  | 26,560         | -82,392        |
| Adjustments for non-cash items   | 3,732          | 104,463        |
| Interest received  | 10             | 37             |
| Dividend received  | -              | -              |
| Interest paid  | -1,271         | -1,596         |
| Income tax paid  | -1,157         | -350           |
| <b>Cash flow from operating activities before changes in working capital</b> | <b>27,874</b>  | <b>20,162</b>  |
| <b>Cash flow from changes in working capital</b>                             |                |                |
| Increase (-)/Decrease (+) in inventories                                     | 6,368          | -1,862         |
| Increase (-)/Decrease (+) in operating receivables                           | -16,244        | -280           |
| Increase (-)/Decrease (+) in operating liabilities                           | 12,987         | -2,345         |
| <b>Cash flow from operating activities</b>                                   | <b>30,985</b>  | <b>15,675</b>  |
| <b>Investing activities</b>  |                |                |
| Acquisitions of tangible fixed assets  | -5,913         | -9,715         |
| Investments in other financial fixed assets                                  | -              | -205           |
| Disposal of tangible fixed assets  | -              | 102            |
| Capitaillized development expenses   | -16,848        | -23,293        |
| <b>Cash flow from investing activities</b>                                   | <b>-22,761</b> | <b>-33,111</b> |
| <b>Financing activities</b>  |                |                |
| Borrowings   | 2,365          | 5,000          |
| Amortization of loans  | -1,372         | -5,532         |
| Increase (+) in current financial liabilities                                | 5,276          | 15,773         |
| Decrease (-) in current financial liabilities                                | -1,397         | -              |
| Translation difference   | -577           | -              |
| Dividends  | -2,354         | -2,354         |
| <b>Cash flow from financing activities</b>                                   | <b>1,941</b>   | <b>12,887</b>  |
| <b>Cash flow for the year</b>  | <b>10,165</b>  | <b>-4,549</b>  |
| Cash and cash equivalents at the beginning of the year                       | 11,051         | 15,871         |
| Exchange-rate differences in cash and cash equivalents                       | 1,440          | -271           |
| <b>Cash and cash equivalents at the end of the year</b>                      | <b>22,656</b>  | <b>11,051</b>  |

# Financial information

## PRELIMINARY PUBLICATION DATES

|  |                  |
|--|------------------|
| Interim report first quarter of 2015. . . . .  | May 12, 2015     |
| Interim report second quarter of 2015. . . . . | August 24, 2015  |
| Interim report third quarter of 2015 . . . . . | November 4, 2015 |

## CONTACT INVESTOR RELATIONS



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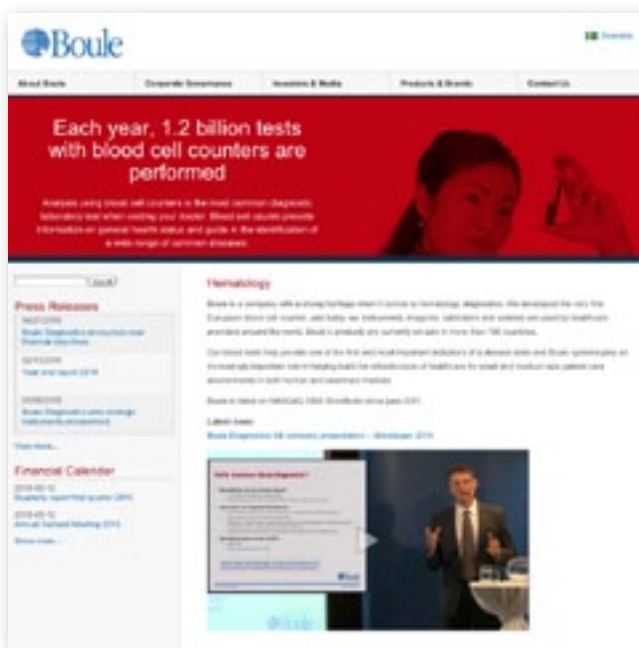
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## ANNUAL GENERAL MEETING

The Annual General Meeting of Boule Diagnostics AB will be held in Boule's facilities at Domnarvsgatan 4, Spånga, May 12, 2015, at 6 p.m. Registration to the Annual General Meeting starts at 5.30 p.m.

## OTHER INFORMATION

For more information please visit our website [www.boule.se/en/](http://www.boule.se/en/) where all the latest news can be found.



This English summary of the annual report is a translation of the Swedish original. In the event of discrepancy between the two versions, the Swedish version takes precedence.



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## HEADQUARTERS

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