

REFINITIV

# DELTA REPORT

## 10-Q

ATRI - ATRION CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 422

█ CHANGES 174

█ DELETIONS 133

█ ADDITIONS 115

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

## FORM 10-Q

**Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended September 30, 2023 March 31, 2024**  
or  
 **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition Period from to**

Commission File Number 001-32982

### Atrion Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

63-0821819

(I.R.S. Employer Identification No.)

One Allentown Parkway, Allen, Texas 75002

(Address of Principal Executive Offices) (Zip Code)

(972) 390-9800

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, Par Value \$0.10 per share	ATRI	The Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Registration S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Each Class	Number of Shares Outstanding at	
	October 27, 2023	April 26, 2024
Common stock, Par Value \$0.10 per share	1,759,836	1,759,954

### ATRION CORPORATION AND SUBSIDIARIES

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**PART I**

**FINANCIAL INFORMATION**

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**Item 1. Financial Statements.**

**ATRION CORPORATION AND SUBSIDIARIES**

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**REFINITIV** 

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	<b>Three Months Ended</b> <b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
(in thousands, except per share amounts)		
Revenues	\$ 47,334	\$ 39,993
Cost of goods sold	<u>34,983</u>	<u>24,912</u>
Gross profit	<u>12,351</u>	<u>15,081</u>
Operating expenses:		
Selling	2,772	2,727
General and administrative	4,787	6,254
Research and development	<u>1,650</u>	<u>1,630</u>
	<u>9,209</u>	<u>10,611</u>
Operating income	<u>3,142</u>	<u>4,470</u>
Interest and dividend income	156	240
Other investment income/(losses)	(109)	(721)
Other income	<u>14</u>	<u>10</u>
	<u>61</u>	<u>(471)</u>
Income before provision for income taxes	3,203	3,999
Provision for income taxes	<u>(411)</u>	<u>(514)</u>
Net income	<u>\$ 2,792</u>	<u>\$ 3,485</u>
Net income per basic share	<u>\$ 1.59</u>	<u>\$ 1.98</u>
Weighted average basic shares outstanding	<u>1,760</u>	<u>1,762</u>
Net income per diluted share	<u>\$ 1.59</u>	<u>\$ 1.98</u>
Weighted average diluted shares outstanding	<u>1,761</u>	<u>1,763</u>
Dividends per common share	<u>\$ 2.20</u>	<u>\$ 2.15</u>

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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**ATRION CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	<b>Three Months Ended</b> <b>September 30,</b>		<b>Nine Months Ended</b> <b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
(in thousands, except per share amounts)				

Revenues	\$ 41,911	\$ 44,631	\$ 125,742	\$ 140,651
Cost of goods sold	28,175	26,978	79,671	82,921
Gross profit	13,736	17,653	46,071	57,730
Operating expenses:				
Selling	2,348	2,306	7,392	7,451
General and administrative	5,453	4,493	17,658	15,217
Research and development	1,869	1,251	5,106	4,180
	9,670	8,050	30,156	26,848
Operating income	4,066	9,603	15,915	30,882
Interest and dividend income	320	210	687	639
Other investment income/(losses)	(782)	764	(1,405)	216
Other income	-	7	39	92
Interest Expense	(97)	-	(124)	-
	(559)	981	(803)	947
Income before provision for income taxes	3,507	10,584	15,112	31,829
Provision for income taxes	(568)	(1,745)	(2,125)	(5,143)
Net income	\$ 2,939	\$ 8,839	\$ 12,987	\$ 26,686
Net income per basic share	\$ 1.67	\$ 4.95	\$ 7.38	\$ 14.89
Weighted average basic shares outstanding	1,760	1,786	1,761	1,793
Net income per diluted share	\$ 1.67	\$ 4.94	\$ 7.37	\$ 14.86
Weighted average diluted shares outstanding	1,761	1,788	1,762	1,796
Dividends per common share	\$ 2.20	\$ 2.15	\$ 6.50	\$ 6.05

	March 31, 2024	December 31, 2023
	(in thousands)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,135	\$ 3,565
Short-term investments	2,760	2,691
Accounts receivable	25,116	23,029
Inventories	75,000	82,307
Prepaid expenses and other current assets	2,503	3,173
	112,514	114,765
Long-term investments	8,853	8,165
Property, plant and equipment	289,054	286,445
Less accumulated depreciation and amortization	164,446	161,098
	124,608	125,347

Other assets and deferred charges:

Patents and licenses	1,043	1,072
Goodwill	9,730	9,730
Other	1,879	1,746
	<u>12,652</u>	<u>12,548</u>
Total assets	<u>\$ 258,627</u>	<u>\$ 260,825</u>

**Liabilities and Stockholders' Equity**

Current liabilities:

Accounts payable and accrued liabilities	\$ 11,112	\$ 12,515
Accrued income and other taxes	1,140	106
	<u>12,252</u>	<u>12,621</u>
Other non-current liabilities	4,452	5,315
Stockholders' equity:		
Common stock, par value \$0.10 per share; authorized 10,000 shares, issued 3,420 shares	342	342
Additional paid-in capital	67,472	67,331
Retained earnings	380,665	381,754
Treasury shares, 1,660 at March 31, 2024 and 1,660 at December 31, 2023, at cost	(206,556)	(206,538)
Total stockholders' equity	<u>241,923</u>	<u>242,889</u>
Total liabilities and stockholders' equity	<u>\$ 258,627</u>	<u>\$ 260,825</u>

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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**ATRION CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

<b>Assets</b>	<b>September 30,</b>		<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>	(in thousands)	
Current assets:				
Cash and cash equivalents	\$ 658	\$ 4,731		
Short-term investments	3,839	21,152		
Accounts receivable	23,290	23,951		
Inventories	82,946	65,793		
Prepaid expenses and other current assets	5,010	3,770		
	<u>115,743</u>	<u>119,397</u>		
Long-term investments	9,474	8,669		

Property, plant and equipment	284,079	270,642
Less accumulated depreciation and amortization	157,313	146,888
	<u>126,766</u>	<u>123,754</u>
<b>Other assets and deferred charges:</b>		
Patents and licenses	1,100	1,185
Goodwill	9,730	9,730
Other	1,996	1,977
	<u>12,826</u>	<u>12,892</u>
Total assets	<u><u>\$ 264,809</u></u>	<u><u>\$ 264,712</u></u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 13,915	\$ 18,024
Accrued income and other taxes	<u>1,351</u>	<u>74</u>
	<u>15,266</u>	<u>18,098</u>
Line of credit	4,500	-
Other non-current liabilities	4,861	7,073
<b>Stockholders' equity:</b>		
Common stock, par value \$0.10 per share; authorized 10,000 shares, issued 3,420 shares	342	342
Additional paid-in capital	67,165	66,347
Retained earnings	379,213	377,682
Treasury shares, 1,660 at September 30, 2023 and 1,659 at December 31, 2022, at cost	<u>(206,538)</u>	<u>(204,830)</u>
Total stockholders' equity	<u>240,182</u>	<u>239,541</u>
Total liabilities and stockholders' equity	<u><u>\$ 264,809</u></u>	<u><u>\$ 264,712</u></u>
<b>Three Months Ended</b>		
<b>March 31,</b>		
<b>2024</b>		
(In thousands)		
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,792	\$ 3,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,943	3,509
Deferred income taxes	(135)	(1,394)
Stock-based compensation	235	407
Net change in unrealized gains and losses on investments	109	721
Net change in accrued interest, premiums, and discounts on investments	<u>(5)</u>	<u>(77)</u>
	<u>6,939</u>	<u>6,651</u>
<b>Changes in operating assets and liabilities:</b>		

Accounts receivable	(2,087)	4,527
Inventories	7,307	(9,300)
Prepaid expenses	345	979
Other non-current assets	192	382
Accounts payable and accrued liabilities	(1,504)	167
Accrued income and other taxes	1,034	984
Other non-current liabilities	(728)	(62)
Cash flows from operating activities	<u>11,498</u>	<u>4,328</u>
<b>Cash flows from investing activities:</b>		
Property, plant and equipment additions	(3,175)	(7,543)
Purchase of investments	(3,608)	(4,160)
Proceeds from sale of investments	228	52
Proceeds from maturities of investments	<u>2,519</u>	<u>11,574</u>
Cash flows from investing activities	<u>(4,036)</u>	<u>(77)</u>
<b>Cash flows from financing activities:</b>		
Purchase of treasury stock	-	(613)
Shares tendered for employees' withholding taxes on stock-based compensation	(20)	(22)
Dividends paid	<u>(3,872)</u>	<u>(3,784)</u>
Cash flows from financing activities	<u>(3,892)</u>	<u>(4,419)</u>
Net change in cash and cash equivalents	3,570	(168)
Cash and cash equivalents at beginning of period	<u>3,565</u>	<u>4,731</u>
Cash and cash equivalents at end of period	<u>\$ 7,135</u>	<u>\$ 4,563</u>
Cash paid for:		
Income taxes	\$ 11	\$ 146

The accompanying notes to the condensed consolidated financial statements are an integral part of these **statements**.

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**ATRION CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED STATEMENTS** **STATEMENT OF CASH FLOWS** **CHANGES IN STOCKHOLDERS' EQUITY**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
(In thousands)		
<b>Cash flows from operating activities:</b>		
Net income	\$ 12,987	\$ 26,686
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,090	10,339
Deferred income taxes	(1,931)	(2,391)
Stock-based compensation	1,319	1,523

Net change in unrealized gains and losses on investments	1,405	(289)
Net change in accrued interest, premiums, and discounts on investments	(98)	219
Other	<u>—</u>	<u>—</u>
	<u>24,772</u>	<u>36,087</u>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	661	(1,015)
Inventories	(17,153)	(8,846)
Prepaid expenses	(1,450)	(575)
Other non-current assets	191	606
Accounts payable and accrued liabilities	1,130	(403)
Accrued income and other taxes	1,277	2,523
Other non-current liabilities	(280)	570
Cash flows from operating activities	<u>9,148</u>	<u>28,947</u>
<b>Cash flows from investing activities:</b>		
Property, plant and equipment additions	(19,757)	(25,321)
Purchase of investments	(5,648)	(25,544)
Proceeds from sale of investments	172	240
Proceeds from maturities of investments	<u>20,676</u>	<u>42,426</u>
Cash flows from investing activities	<u>(4,557)</u>	<u>(8,199)</u>
<b>Cash flows from financing activities:</b>		
Purchase of treasury stock	(1,667)	(14,430)
Shares tendered for employees' withholding taxes on stock-based compensation	(57)	(633)
Dividends paid	(11,440)	(10,824)
Proceeds from draw on line of credit	23,628	-
Repayment of draw on line of credit	<u>(19,128)</u>	<u>-</u>
Cash flows from financing activities	<u>(8,664)</u>	<u>(25,887)</u>
Net change in cash and cash equivalents	(4,073)	(5,139)
Cash and cash equivalents at beginning of period	<u>4,731</u>	<u>32,264</u>
Cash and cash equivalents at end of period	<u>\$ 658</u>	<u>\$ 27,125</u>
Cash paid for:		
Income taxes	\$ 3,366	\$ 5,786
Non-cash financing activities: Non-cash effect of stock option exercises	\$ -	\$ 4,008

	For the Three Months Ended							
	Common Stock		Treasury Stock		Additional			
	Shares		Shares		Paid-in		Retained	
	Outstanding	Amount	Shares	Amount	Capital		Earnings	Total
Balances, January 1, 2023	1,761	\$ 342	1,659	\$ (204,830)	\$ 66,347		\$ 377,682	\$ 239,541
Net income						3,485		3,485
Stock-based compensation transactions					2		35	37
Shares surrendered in stock transactions					(22)			(22)
Purchase of treasury stock	(1)		1		(613)			(613)
Dividends						(3,787)		(3,787)

Balances, March 31, 2023	1,760	\$ 342	1,660	\$ (205,463)	\$ 66,382	\$ 377,380	\$ 238,641
Balances, January 1, 2024	1,760	\$ 342	1,660	\$ (206,538)	\$ 67,331	\$ 381,754	\$ 242,889
Net income						2,792	2,792
Stock-based compensation transactions					2	141	143
Shares surrendered in stock transactions					(20)		(20)
Purchase of treasury stock						-	
Dividends						(3,881)	(3,881)
Balances, March 31, 2024	1,760	\$ 342	1,660	\$ (206,556)	\$ 67,472	\$ 380,665	\$ 241,923

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements

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**ATRION CORPORATION AND SUBSIDIARIES**  
**NOTES CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(Unaudited)**

	For the Three Months Ended							
	Common Stock		Treasury Stock		Additional			
	Shares		Shares		Paid-in Capital	Retained Earnings	Total	
	Outstanding	Amount	Shares	Amount				
Balances, July 1, 2022	1,788	\$ 342	1,632	\$ (188,219)	\$ 66,167	\$ 368,165	\$ 246,455	
Net income						8,839	8,839	
Stock-based compensation transactions	1		(1)	14	77		91	
Shares surrendered in stock transactions					(179)		(179)	
Purchase of treasury stock	(9)		9	(5,090)			(5,090)	
Dividends						(3,841)	(3,841)	
Balances, September 30, 2022	1,780	\$ 342	1,640	\$ (193,474)	\$ 66,244	\$ 373,163	\$ 246,275	
Balances, July 1, 2023	1,760	\$ 342	1,660	\$ (206,541)	\$ 66,946	\$ 380,152	\$ 240,899	
Net income						2,939	2,939	
Stock-based compensation transactions					3	219		222
Shares surrendered in stock transactions							-	
Purchase of treasury stock							-	
Dividends						(3,878)	(3,878)	
Balances, September 30, 2023	1,760	\$ 342	1,660	\$ (206,538)	\$ 67,165	\$ 379,213	\$ 240,182	

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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**ATRION CORPORATION AND SUBSIDIARIES**  
**NOTES CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

(Unaudited)

	For the Nine Months Ended						
	Common Stock		Treasury Stock		Additional		
	Shares		Shares	Amount	Paid-in Capital	Retained Earnings	Total
Balances, January 1, 2022	1,801	\$ 342	1,619	\$ (174,544)	\$ 61,174	\$ 357,324	\$ 244,296
Net income						26,686	26,686
Stock-based compensation transactions	4		(4)	(3,867)	5,070		1,203
Shares surrendered in stock transactions	(1)		1	(633)			(633)
Purchase of Treasury Stock	(24)		24	(14,430)			(14,430)
Dividends						(10,847)	(10,847)
Balances, September 30, 2022	1,780	\$ 342	1,640	\$ (193,474)	\$ 66,244	\$ 373,163	\$ 246,275
Balances, January 1, 2023	1,761	\$ 342	1,659	\$ (204,830)	\$ 66,347	\$ 377,682	\$ 239,541
Net income						12,987	12,987
Stock-based compensation transactions	1		(1)	16	818		834
Shares surrendered in stock transactions				(57)			(57)
Purchase of Treasury Stock	(2)		2	(1,667)			(1,667)
Dividends						(11,456)	(11,456)
Balances, September 30, 2023	1,760	\$ 342	1,660	\$ (206,538)	\$ 67,165	\$ 379,213	\$ 240,182

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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(Unaudited)

**(1) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Atrion Corporation and its subsidiaries (collectively referred to herein as "Atrion," the "Company," "we," "our," or "us") have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by US GAAP for complete financial statements. In the opinion of management, these statements include all normal and recurring adjustments necessary to present a fair statement of our consolidated results of operations, financial position, and cash flows. Operating results for any interim period are not necessarily indicative of the results that may be expected for the full year. Preparation of the Company's financial statements in conformity with US GAAP requires management to make estimates and assumptions that can have a significant impact on our revenue, operating income, and net income, as well as on the value of certain assets and liabilities on our consolidated balance sheets. We base our assumptions, judgments, and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. We are not aware of any specific event or circumstance that would require updates to our estimates or judgments or require us to revise the carrying value of our assets or liabilities as of **November 7, 2023** **May 10, 2024**, the date of issuance of this Quarterly Report on Form 10-Q. However, these estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions. At least quarterly, we evaluate our assumptions, judgments, and estimates, and make changes as we deem necessary.

This Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended **December 31, 2022** **December 31, 2023** ("2022 2023 Form 10-K").

**(2) Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by using the first-in, first-out method. The following table details the major components of inventories (in thousands):

	March 31, 2024	December 31, 2023
Raw materials	\$ 36,518	\$ 37,770
Work in process	17,756	17,462
Finished goods	20,726	27,075
Total inventories	<u><u>\$ 75,000</u></u>	<u><u>\$ 82,307</u></u>

	September 30, 2023	December 31, 2022
Raw materials	\$ 37,890	\$ 33,329
Work in process	17,036	13,618
Finished goods	28,020	18,846
Total inventories	<u><u>\$ 82,946</u></u>	<u><u>\$ 65,793</u></u>

The decrease in inventories is partially due to a \$2.3 million one-time inventory write-off at one of our subsidiaries attributable to a correction of a prior-year immaterial error related to our 2023 10-K.

**ATRION CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**(3) Income per share**

The following is the computation for basic and diluted income per share:

	Three Months ended		Nine Months ended		Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
(in thousands, except per share amounts)						
Net income	\$ 2,939	\$ 8,839	\$ 12,987	\$ 26,686	\$ 2,792	\$ 3,485
Weighted average basic shares outstanding	1,760	1,786	1,761	1,793	1,760	1,762
Add: Effect of dilutive securities	1	2	1	3	1	1
Weighted average diluted shares outstanding	<u>1,761</u>	<u>1,788</u>	<u>1,762</u>	<u>1,796</u>	<u>1,761</u>	<u>1,763</u>
<b>Earnings per share:</b>						
Basic	\$ 1.67	\$ 4.95	\$ 7.38	\$ 14.89	\$ 1.59	\$ 1.98
Diluted	<u>\$ 1.67</u>	<u>\$ 4.94</u>	<u>\$ 7.37</u>	<u>\$ 14.86</u>	<u>\$ 1.59</u>	<u>\$ 1.98</u>

Incremental shares from stock options and restricted stock units were included in the calculation of weighted average diluted shares outstanding using the treasury stock method. Potential dilutive securities have been excluded when their inclusion would be anti-dilutive.

**(4) Investments**

As of **September 30, 2023** **March 31, 2024**, we held investments in bonds, money market accounts, mutual funds, and equity securities. The bonds are considered held-to-maturity and are recorded at amortized cost in the accompanying consolidated balance sheets. The money market accounts, equity securities, and mutual funds are recorded at fair value in the accompanying consolidated balance sheets. The fair values of these investments were estimated using recently executed transactions and market price quotations. We consider as current assets those investments which will mature in the next 12 months

including interest receivable on the long-term bonds. The remaining investments are considered non-current assets which we intend to hold longer than 12 months.

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**ATRION CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The components of the Company's cash and cash equivalents and our short- and long-term investments are as follows (in thousands):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<b>Cash and cash equivalents:</b>				
Money market funds	\$ 656	\$ 2,380	\$ 7,133	\$ 3,563
Cash deposits	2	603	2	2
Commercial paper	-	1,748		
Total cash and cash equivalents	<u>\$ 658</u>	<u>\$ 4,731</u>	<u>\$ 7,135</u>	<u>\$ 3,565</u>
<b>Short-term investments:</b>				
Bonds (held-to-maturity)	\$ 3,748	\$ 8,597	\$ 2,618	\$ 2,552
Equity securities (available for sale)	91	330	142	139
Commercial paper (held-to-maturity)	-	12,227		
Allowance for credit losses	-	(2)		
Total short-term investments	<u>\$ 3,839</u>	<u>\$ 21,152</u>	<u>\$ 2,760</u>	<u>\$ 2,691</u>
<b>Long-term investments:</b>				
Equity securities (available for sale)	\$ 3,910	\$ 5,139	\$ 4,227	\$ 4,354
Bonds (held-to-maturity)	3,839	3,180	3,307	3,575
Mutual funds (available for sale)	1,725	350	1,319	236
Total long-term investments	<u>\$ 9,474</u>	<u>\$ 8,669</u>	<u>\$ 8,853</u>	<u>\$ 8,165</u>
<b>Total cash, cash equivalents and short and long-term investments</b>	<b><u>\$ 13,971</u></b>	<b><u>\$ 34,552</u></b>	<b><u>\$ 18,748</u></b>	<b><u>\$ 14,421</u></b>

We utilize a lifetime "expected credit loss" measurement objective for the recognition of credit losses for held-to-maturity securities at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. During the **third** **first** quarter of **2023, 2024**, our allowance for credit losses was immaterial.

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**ATRION CORPORATION AND SUBSIDIARIES**  
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**(Unaudited)**

The following table summarizes the amortized cost of our held-to-maturity bonds at **September 30, 2023** **March 31, 2024** aggregated by credit quality indicator (in thousands):

**Held-to-Maturity Bonds**

Held-to-Maturity Bonds		Held-to-Maturity Bonds							
Credit Quality Indicators		Fed Govt. Bonds/Notes			Corporate Bonds			Totals	
AAA/AA/A		\$ 104	\$ 3,693	\$ 3,797	\$ 2,384	\$ 500	\$ 2,884		
BBB/BB		-	3,790	3,790	-	3,041	3,041		
TOTAL		\$ 104	\$ 7,483	\$ 7,587	\$ 2,384	\$ 3,541	\$ 5,925		

Our investments are required to be measured for disclosure purposes at fair value on a recurring basis. Our investments are considered Level 1 or Level 2 as detailed in the table below. The fair values of these investments were estimated using recently executed transactions and market price quotations. The amortized cost and fair value of our investments, and the related gross unrealized gains and losses, were as follows as of the dates shown below (in thousands):

	Gross Unrealized					Gross Unrealized				
	Level	Cost	Gains	Losses	Fair Value	Level	Cost	Gains	Losses	Fair Value
<b>As of September 30, 2023:</b>										
<b>As of March 31, 2024:</b>										
Money market	1	656	\$ -	\$ -	\$ 656	1	7,133	\$ -	\$ -	\$ 7,133
Commercial paper	2	-	\$ -	\$ -	\$ -					
Bonds	2	7,587	\$ 4	\$ (144)	\$ 7,447	2	5,925	\$ 1	\$ (86)	\$ 5,840
Mutual funds	1	1,781	\$ -	\$ (56)	\$ 1,725	1	1,347	\$ -	\$ (28)	\$ 1,319
Equity investments	2	6,054	\$ -	\$ (2,053)	\$ 4,001	2	6,054	\$ -	\$ (1,685)	\$ 4,369
<b>As of December 31, 2022:</b>										
<b>As of December 31, 2023:</b>										
Money Market	1	2,380	\$ -	\$ -	\$ 2,380	1	3,563	\$ -	\$ -	\$ 3,563
Commercial paper	2	13,975	\$ 1	\$ (9)	\$ 13,967					
Bonds	2	11,777	\$ -	\$ (353)	\$ 11,424	2	6,127	\$ 1	\$ (82)	\$ 6,046
Mutual funds	1	466	\$ -	\$ (116)	\$ 350	1	279	\$ -	\$ (43)	\$ 236
Equity investments	2	6,054	\$ -	\$ (585)	\$ 5,469	2	6,054	\$ -	\$ (1,561)	\$ 4,493

The carrying value of our investments is reviewed quarterly for changes in circumstances or the occurrence of events that suggests an investment may not be fully recoverable. The bonds represent investments in various issuers at **September 30, 2023** **March 31, 2024**. The unrealized losses for some of these bond investments reflect changes in interest rates following their acquisition. As of **September 30, 2023** **March 31, 2024**, we had **six** **four** bond investments in a loss position for more than 12 months.

At **September 30, 2023** **March 31, 2024**, the length of time to maturity for the bonds we held ranged from **less than a month** **12** to **27** **24** months.

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**ATRION CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**(5)**

**Patents and Licenses**

Patents and license fees paid for the use of other entities' patents are amortized over the useful life of the patent or license. The following tables provide information regarding patents and licenses (dollars in thousands):

September 30, 2023						December 31, 2022						March 31, 2024						December 31, 2023																	
March												31, 2024																							
31, 2024												March 31, 2024																							
Weighted Average												Weighted Average																							
Original Life (years)	Original Life (years)	Gross Carrying Amount	Accumulated Amortization	Original Life (years)	Gross Carrying Amount	Accumulated Amortization	Original Life (years)	Gross Carrying Amount	Accumulated Amortization	Original Life (years)	Gross Carrying Amount	Original Life (years)	Gross Carrying Amount	Accumulated Amortization																					
15.67		\$ 13,840	\$ 12,740	15.67	\$ 13,840	\$ 12,655	15.67	\$ 13,840	\$ 12,797	15.67	\$ 13,840	\$ 12,768																							

Aggregated amortization expense for patents and licenses was **\$29 thousand** and **\$28 thousand** in the three-month period ended **September 30, 2023** **March 31, 2024** and **\$29 thousand** in the three month period ended September 30, 2022. Aggregated amortization expense for patents and licenses was **\$85 thousand** in the nine-month period ended September 30, 2023 and **\$89 thousand** in the nine-month period ended September 30, 2022, **March 31, 2023**, respectively.

Estimated future amortization expense for each of the years set forth below ending December 31 is as follows (in thousands):

2024		\$	113
2025		\$	112
2026		\$	112
2027		\$	108
2028		\$	108
2029		\$	108

**(6) Revenues**

We recognize revenue when performance obligations under the terms of a contract with our customer are satisfied. This occurs with the transfer of control of our products to customers when products are shipped. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products or services. Sales and other taxes we may collect concurrent with revenue-producing activities are excluded from revenue.

A summary of revenue by geographic area, based on shipping destination, for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** is as follows (in thousands):

	Three Months Ended				Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2024	2023	2024	2023
United States	\$ 26,146	\$ 27,779	\$ 78,594	\$ 84,121	\$ 31,087	\$ 24,868		
European Union	6,695	6,371	21,361	23,851	6,313	8,085		
All other regions	9,070	10,481	25,787	32,679	9,934	7,040		
Total	\$ 41,911	\$ 44,631	\$ 125,742	\$ 140,651	\$ 47,334	\$ 39,993		

A summary of revenue by product line for the three months ended March 31, 2024 and 2023 is as follows (in thousands):

	2024		2023	
	2024	2023	2024	2023
Fluid Delivery	\$ 19,537	\$ 17,585		
Cardiovascular	20,016	15,665		
Ophthalmology	1,476	1,359		
Other	6,305	5,384		
Total	\$ 47,334	\$ 39,993		

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**ATRION CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

A summary of revenue by product line for the three and nine months ended September 30, 2023 and 2022 is as follows (in thousands):

	Three Months Ended				Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2024	2023	2024	2023
Fluid Delivery	\$ 17,717	\$ 19,303	\$ 52,591	\$ 64,973				
Cardiovascular	17,170	16,780	51,568	50,165				
Ophthalmology	2,700	1,607	6,849	4,495				
Other	4,324	6,941	14,734	21,018				
Total	\$ 41,911	\$ 44,631	\$ 125,742	\$ 140,651				

More than 98 percent of our total revenue in the periods presented herein is pursuant to shipments initiated by a purchase order (our "contract") and recognized at a single point in time when the performance obligation of the product being shipped is satisfied, rather than recognized over time, and is presented as a receivable on the balance sheet. Payment is typically due within 30 days.

We maintain an allowance for **doubtful accounts credit losses** to reflect estimated losses resulting from the failure of customers to make required payments. We calculate our credit loss allowance for our trade receivables following a lifetime "expected credit loss" measurement objective. An account is written off when we determine the receivable will not be collected. Historically, bad debt has been immaterial.

We have elected to recognize the cost of shipping as an expense in cost of sales when control over the product has transferred to the customer.

We do not make any material accruals for product returns and warranty obligations because our returns and warranty obligations have been very low due to our focus on quality control.

We do not disclose the value of unsatisfied performance obligations for contracts for which we recognize revenue at the amount for which we have the right to invoice. We believe that the complexity added to our disclosures by the inclusion of a large amount of insignificant detail in attempting to disclose information about immaterial contracts would potentially obscure more useful and important information.

#### **(7) Recent Accounting Pronouncements**

From time to time, new accounting pronouncements applicable to us are issued by the Financial Accounting Standards Board or other standards-setting bodies. We generally adopt these standards as of the specified effective date. Unless otherwise discussed, we believe the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Overview**

We develop and manufacture products primarily for medical applications. We market components to other equipment manufacturers for incorporation in their products and sell finished devices to physicians, hospitals, clinics, and other treatment centers. Our medical products primarily serve the fluid delivery, cardiovascular, and ophthalmology markets. Our other medical and non-medical products include instrumentation and disposables used in valves and inflation devices used in marine and aviation safety products.

Our products are used in a wide variety of applications by numerous customers. We encounter competition in all of our markets and compete primarily on the basis of product quality, price, engineering, customer service, and delivery time.

Our business strategy is to provide hospitals, physicians, and other healthcare providers with the tools they need to improve the lives of the patients they serve. To do so, we provide a broad selection of products in the areas of our expertise. We have diverse product lines serving primarily the fluid delivery, cardiovascular, and ophthalmic markets, and this diversity has served us well as we encounter changing market conditions. Research and development, or R&D, efforts are focused on improving current products and developing highly-engineered products that meet customer needs and serve niche markets with meaningful sales potential. Proposed new products may be subject to regulatory clearance or approval prior to commercialization and the time period for introducing a new product to the marketplace can be unpredictable. We also focus on controlling costs by investing in modern manufacturing technologies and controlling purchasing processes. We have been successful in consistently generating cash from operations and have used that cash to reduce or eliminate indebtedness, to fund capital expenditures, to make investments, to repurchase stock, and to pay dividends.

Our strategic objective is to further enhance our position in our served markets by:

- Focusing on customer needs;
- Expanding existing product lines and developing new ones;
- Investing in our future growth, while balancing the need to sensibly control cost; and
- Preserving and fostering a collaborative, entrepreneurial management culture.

For the three months ended **September 30, 2023** **March 31, 2024**, we reported revenues of **\$41.9 million** **\$47.3 million**, down 6 up 18 percent, operating income of **\$4.1 million** **\$3.1 million**, down 58 30 percent, and net income of **\$2.9 million** **\$2.8 million**, down 67 20 percent from as compared to the three months ended **September 30, 2022** **March 31, 2023**.

**Results for the three months ended **September 30, 2023** **March 31, 2024****

Consolidated net income totaled **\$2.9 million** **\$2.8 million**, or **\$1.67** **\$1.59** per basic and diluted share, in the **third** **first** quarter of **2023** **2024**. This is compared with consolidated net income total of **\$8.8 million** **\$3.5 million**, or **\$4.95** **\$1.98** per basic and **\$4.94** per diluted share, in the **third** **first** quarter of **2022** **2023**. The income per basic share computations are based on weighted average basic shares outstanding of 1,760 thousand in the **2023** **2024** period and **1,786** **1,762** thousand in the **2022** **2023** period. The income per diluted share computations are based on weighted average diluted shares outstanding of 1,761 thousand in the **2023** **2024** period and **1,788** **1,763** thousand in the **2022** **2023** period.

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Consolidated revenues of \$41.9 million \$47.3 million for the third first quarter of 2023 2024 were 6.1 18.4 percent lower higher than revenues of \$44.6 million \$40.0 million for the third first quarter of 2022. Although revenues in each of the 2023. Our first three quarters of 2023 were down from the comparable quarters in 2022, the percentage of the spread has narrowed each quarter as supply chain shortages have eased. Our third quarter 2023 2024 results were unfavorably favorably impacted by a 27.8 percent increase in Cardiovascular revenue, an 8.2 11.1 percent decrease increase in Fluid Delivery revenue, an 8.6 percent increase in Ophthalmic revenue, and a 37.7 17.1 percent decrease increase in Other product line revenue as compared to the third first quarter of 2022, 2023.

Revenues by product line were as follows (in thousands):

	Three Months Ended				Three Months Ended			
	September 30,		March 31,		2024		2023	
	2023	2022	2024	2023	2024	2023	2024	2023
Fluid Delivery	\$ 17,717	\$ 19,303	\$ 19,537	\$ 17,585				
Cardiovascular	17,170	16,780	20,016	15,665				
Ophthalmology	2,700	1,607	1,476	1,359				
Other	4,324	6,941	6,305	5,384				
Total	\$ 41,911	\$ 44,631	\$ 47,334	\$ 39,993				

Cost of goods sold of \$28.2 million \$35.0 million for the third first quarter of 2023 2024 was 40.4 percent higher than our cost of goods sold of \$27.0 million \$24.9 million for the third first quarter of 2022, 2023, primarily due to increased revenue, and higher manufacturing costs. costs, including a \$2.3 million one-time inventory write-off at one of our subsidiaries attributable to a correction of a prior-year immaterial error related to our 2023 10-K. Our cost of goods sold in the third first quarter of 2023 2024 was 67.2 73.9 percent of revenue compared to 60.4 62.3 percent of revenue in the third first quarter of 2022, 2023.

Gross profit of \$13.7 million \$12.4 million in the third first quarter of 2023 2024 was \$3.9 million \$2.7 million or 22.2 18.1 percent lower than in the comparable 2022 2023 period. Our gross profit percentage in the third first quarter of 2023 2024 was 32.8 26.1 percent of revenues compared with 39.6 37.7 percent of revenues in the third first quarter of 2022, 2023. The decrease in gross profit percentage in the 2023 2024 period compared to the 2022 2023 period was related to the higher manufacturing costs. costs mentioned above, as well as mix of products sold.

Our third first quarter 2023 2024 operating expenses of \$9.7 million \$9.2 million were \$1.6 million higher \$1.4 million lower than the operating expenses for the third first quarter of 2022, 2023. This increase decrease was attributable to a \$959 thousand increase \$1.5 million decrease in general and administrative expenses, largely driven by outside services and reduced compensation as well as a \$618 thousand costs, partially offset by an increase in R&D selling expense of \$44.7 thousand driven by commissions. There was also a slight increase of \$20.7 thousand in research and development expenses primarily related to outside services and supplies. Selling expenses increased \$42 thousand, primarily related to driven by supplies, which was offset by a decrease in outside services.

Operating income of \$4.1 million \$3.1 million in the third first quarter of 2023 2024 represented a \$5.5 million \$1.3 million, or 57.7 29.7 percent, decrease in operating income as compared to third first quarter 2022 2023 operating income. This decrease was due to lower sales and the gross profit decrease discussed above. Operating income was 9.7 6.6 percent of revenues for the third first quarter of 2023 2024 and 21.5 11.2 percent of revenues for the third first quarter of 2022, 2023.

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Interest and dividend income in the third first quarter of 2023 2024 was \$320 \$156 thousand compared with \$210 \$240 thousand for the same period in the prior year. The increase decrease in interest and dividend income was due to dividends received on equity investments a decrease in the third interest income as compared to first quarter of 2023.

Other investment income in the third first quarter of 2023 2024 was a \$782 \$109 thousand loss compared with Other investment gain of \$764 \$721 thousand loss in the third first quarter of 2022, 2023. These amounts were attributable to unrealized gains and losses on equity investments resulting from changes in the

market values of the investments in each quarter.

Income tax expense was ~~\$568~~ \$411 thousand for the **third** **first** quarter of **2023** **2024** compared with \$1.7 million for the third quarter of 2022. The effective tax rate for the third quarter of 2023 was 16.2 percent compared with 16.5 percent for the third quarter of 2022.

#### **Results for the nine months ended September 30, 2023**

Consolidated net income totaled \$13.0 million, or \$7.38 per basic and \$7.37 per diluted share, in the first nine months of 2023. This is compared with consolidated net income of \$26.7 million, or \$14.89 per basic and \$14.86 per diluted share, in the first nine months of 2022. The income per basic share computations are based on weighted average basic shares outstanding of 1,761 ~~\$514~~ thousand in the 2023 period and 1,793 thousand in the 2022 period. The income per diluted share computations are based on weighted average diluted shares outstanding of 1,762 thousand in the 2023 period and 1,796 thousand in the 2022 period.

Consolidated revenues of \$125.7 million for the first **nine months** **quarter** of **2023** were 10.6 percent lower than revenues of \$140.7 million for the first nine months of 2022. This decrease in revenue was due to decreased sales volumes of 19.1 percent in Fluid Delivery and 29.9 percent in Other product lines compared to the first nine months of 2022.

Revenues by product line were as follows (in thousands):

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
Fluid Delivery	\$ 52,591	\$ 64,973
Cardiovascular	51,568	50,165
Ophthalmology	6,849	4,495
Other	14,734	21,018
<b>Total</b>	<b>\$ 125,742</b>	<b>\$ 140,651</b>

Cost of goods sold of \$79.7 million for the first nine months of 2023 was \$3.3 million lower than in the comparable 2022 period. This decrease was due to lower sales volumes and increased manufacturing costs. Our cost of goods sold in the first nine months of 2023 was 63.4 percent of revenues compared to 59.0 percent of revenues in the first nine months of 2022.

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Gross profit was \$46.1 million in the first nine months of 2023 and \$57.7 million in the first nine months of 2022. Our gross profit percentage was 36.6 percent of revenues in the first nine months in 2023 and 41.0 percent in 2022. The decrease in gross profit percentage in the 2023 period compared to the 2022 period was related to higher manufacturing costs.

Operating expenses of \$30.2 million for the first nine months of 2023 were \$3.3 million higher than the operating expenses for the first nine months of 2022. This increase was attributable to a \$2.4 million increase in general and administrative expenses and a \$925 thousand increase in R&D expenses, primarily driven by outside services and compensation. This increase was partially offset by a \$59 thousand decrease in selling expenses.

Operating income of \$15.9 million for the first nine months of 2023 represented a \$15.0 million or 48.5 percent decrease in operating income as compared to the first nine months of 2022. Operating income was 12.7 percent of revenues for the first nine months of 2023 and 22.0 percent of revenues for the first nine months of 2022.

Interest and dividend income for the first nine months of 2023 was \$687 thousand, compared with \$639 thousand for the same period in the prior year. The increase in interest and dividend income was primarily related to an increase in dividends received on equity investments in the current-year period.

Other investment income for the first nine months of 2023 was a \$1.4 million loss compared to a \$216 thousand gain in the first nine months of 2022. These amounts were attributable to unrealized gains and losses on equity investments resulting from changes in the market values of our investments in each time period.

Income tax expense was \$2.1 million for the first nine months in 2023 and \$5.1 million for the first nine months in 2022. The effective tax rate for the first nine months **quarter** of **2023** **2024** was ~~14.1~~ **12.8** percent compared with ~~16.2~~ **12.9** percent for the first **nine months** **quarter** of **2022**. The decrease in the 2023 period effective tax rate was primarily related to the impact of the R&D tax credit on lower income before income taxes, 2023.

#### **Liquidity and Capital Resources**

As of **September 30, 2023** **March 31, 2024**, we had a ~~\$75.0 million~~ \$25.0 million revolving credit facility with a **money center** money-center bank pursuant to which the lender is obligated to make advances until **February 28, 2024** **December 21, 2026**. The credit facility is secured by substantially all of our inventories, equipment, and accounts receivable. Interest under the credit facility is assessed at 30-day, 60-day, or 90-day Adjusted Term SOFR, as selected by us, plus 1.0

percent, and is payable monthly. We had no outstanding borrowings under the credit facility at September 30, 2023 of \$4.5 million March 31, 2024, and we were in compliance with all financial covenants.

At September 30, 2023 March 31, 2024, we had a total of \$14.0 million \$18.7 million in cash and cash equivalents, short-term investments, and long-term investments. At December 31, 2022 December 31, 2023, cash and cash equivalents, short-term investments, and long-term investments totaled \$34.6 million \$14.4 million.

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Cash flows from operating activities of \$9.1 million \$11.5 million for the nine three months ended September 30, 2023 March 31, 2024 were primarily comprised of net income plus the net effect of non-cash expenses, a decrease in inventory, and an increase in inventory and prepaid expenses, accounts receivable. During the first nine three months of 2023, 2024, we used \$19.8 million \$3.8 million to pay dividends, \$3.6 million to purchase investments, and \$3.2 million for the addition of property and equipment, \$11.4 million for dividends, and \$5.6 million for the purchase of investments, equipment. During the same period, our maturities and sales of investments generated \$20.8 million \$2.7 million in cash, and our cash borrowings under our credit facility at September 30, 2023 were \$4.5 million cash. For the nine three months ended September 30, 2022 March 31, 2023, cash flows from operating activities of \$28.9 million \$4.3 million were primarily comprised of net income plus the net effect of non-cash expenses, and an increase in inventory, inventory, and a decrease in accounts receivable. During the first nine three months of 2022, 2023, we used \$25.5 million for the purchase of investments, \$25.3 million \$7.5 million for the addition of property and equipment, \$10.8 million \$4.2 million for the purchase of investments, \$3.8 million for dividends, and \$14.4 million \$613 thousand for the purchase of treasury stock. During the same period, maturities and sales of investments generated \$42.7 million \$11.6 million in cash.

At September 30, 2023 March 31, 2024, we had working capital of \$100.5 million \$100.3 million, including \$658 thousand \$7.1 million in cash and cash equivalents and \$3.8 million \$2.8 million in short-term investments, compared to working capital of \$101.3 million \$102.1 million at December 31, 2022 December 31, 2023. The \$822 thousand \$1.8 million decrease in working capital during the first nine three months of 2023 2024 was primarily related to a decrease in cash inventory and short-term investments, prepaid expenses, partially offset by an increase in inventory cash and prepaid expenses, cash equivalents and accounts receivable.

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We believe that our \$14.0 million \$18.7 million in cash, cash equivalents, short-term investments, and long-term investments, along with cash flows from operations and available borrowings of up to \$70.5 million \$25.0 million under our credit facility, will be sufficient to fund our cash requirements for at least the foreseeable future. We believe that our strong financial position would allow us to access equity or debt financing should that be necessary.

**COVID-19 Impact**

We believe the impact of COVID-19 on our business has largely diminished at this time; however, uncertainties continue, particularly around disruptions to the global economy, supply chains, and healthcare systems. Even with the public health actions that have been taken to date, the disease may pose future risks with the emergence of new variants. We will continue to monitor COVID-19 as well as resulting legislative and regulatory changes to manage our response and assess and seek to mitigate potential adverse impacts on our business. For additional discussion regarding COVID-19 and our related risks, see Part I, Item 1A, "Risk Factors" included in our 2022 2023 Form 10-K.

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**Forward-Looking Statements**

Statements in this Management's Discussion and Analysis and elsewhere in this Quarterly Report on Form 10-Q that are forward-looking are based upon current expectations, and actual results or future events may differ materially. Therefore, the inclusion of such forward-looking information should not be regarded as a representation by us that our objectives or plans will be achieved. Such statements include, but are not limited to, our plans to hold certain investments for longer than 12 months, our belief that the impact of standards recently issued by the Financial Accounting Standards Board, or other standard-setting bodies, that are not yet effective, will not have a material impact on our consolidated financial statements upon adoption, and our ability to fund our cash requirements for the foreseeable future with our current assets, long-term investments, cash flow, and borrowings under our credit facility, and our access to equity and debt financing. Implementing control and procedure improvements will address the material weakness described below. Words such as "expects," "believes," "anticipates," "intends," "should," "plans," and variations of such words and similar expressions are intended to identify such forward-looking

statements. Forward-looking statements contained herein involve numerous risks and uncertainties, and there are a number of factors that could cause actual results or future events to differ materially, including, but not limited to, the following: the risk that COVID-19 leads to further material delays and cancellations of, or reduced demand for, procedures in which our products are utilized; curtailed or delayed capital spending by hospitals and other healthcare providers; disruption to our supply chain; closures of our facilities; delays in training; delays in gathering clinical evidence; diversion of management and other resources to respond to COVID-19; the impact of global and regional economic and credit market conditions on healthcare spending; the risk that COVID-19 further disrupts local economies and causes economies in our key markets to enter prolonged recessions; changing economic, market and business conditions; acts of war or terrorism; the effects of governmental regulation; the impact of competition and new technologies; slower-than-anticipated introduction of new products or implementation of marketing strategies; implementation of new manufacturing processes or implementation of new information systems; our ability to protect our intellectual property; changes in the prices of raw materials; changes in product mix; intellectual property and product liability claims and product recalls; the ability to attract and retain qualified personnel; and the loss of, or any material reduction in sales to, any significant customers. In addition, assumptions relating to budgeting, marketing, product development and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic review which may cause us to alter our marketing, capital expenditures or other budgets, which in turn may affect our results of operations and financial condition. The forward-looking statements in this Quarterly Report on Form 10-Q are made as of the date hereof, and we do not undertake any obligation, and disclaim any duty, to supplement, update or revise such statements, whether as a result of subsequent events, changed expectations or otherwise, except as required by applicable law.

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

For the quarter ended **September 30, 2023** **March 31, 2024**, we did not experience any material changes in market risk exposures that affect the quantitative and qualitative disclosures presented in our **2022** **2023** Form 10-K.

**Item 4. Controls and Procedures.**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of **September 30, 2023** **March 31, 2024**. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective, not effective due to the material weakness described in our 2023 Form 10-K. There were no changes in our internal control over financial reporting for the quarter ended **September 30, 2023** **March 31, 2024** that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. However, as reported in our 2023 Form 10-K, we are planning, initiating, and implementing control and procedure improvements and anticipate that these improvements will address the material weakness.

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**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

We have no pending legal proceedings of the type described in Item 103 of Regulation S-K.

**Item 1A. Risk Factors.**

As of the date of this Report, there has been no material change in the risk factors described in our **2022** **2023** Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

**Issuer Purchases of Equity Securities**

On May 21, 2015, our Board of Directors approved a stock repurchase program pursuant to which we can repurchase up to 250,000 shares of our common stock from time to time in open market or privately-negotiated transactions. Our stock repurchase program has no expiration date but may be terminated by our Board of Directors at any time. No repurchases of our stock were made during the three months ended **September 30, 2023** **March 31, 2024**. As of **September 30, 2023** **March 31, 2024**, we had repurchased 121,247 shares of our common stock authorized under the program and the number of shares still available for repurchase under the program was 128,753.

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**Item 6. Exhibits.**

**Exhibit Index**

**Exhibit**

**Number**

**Number** Description

[31.1 Sarbanes-Oxley Act Section 302 Certification of Chief Executive Officer](#)

[31.2 Sarbanes-Oxley Act Section 302 Certification of Chief Financial Officer](#)

[32.1 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of The Sarbanes – Oxley Act Of 2002](#)

[32.2 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of The Sarbanes – Oxley Act Of 2002](#)

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Atrion Corporation

(Registrant)

Date: November 7, 2023

(Registrant)

By: /s/ David A. Battat

David A. Battat

President and  
Chief Executive Officer

Date: November 7, 2023 May 10, 2024

By: /s/ David A. Battat

David A. Battat  
President and  
Chief Executive Officer

Date: May 10, 2024

By: /s/ Cindy Ferguson

Cindy Ferguson  
Vice President and  
Chief Financial Officer  
(Principal Accounting and Financial Officer)

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EXHIBIT 31.1

**Chief Executive Officer Certification**

I, David A. Battat, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Atrion Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over the financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023 May 10, 2024

/s/ David A. Battat

/s/ David A. Battat

David A. Battat

President and

Chief Executive Officer

**Chief Financial Officer Certification**

I, Cindy Ferguson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Atrion Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over the financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023 May 10, 2024

/s/ Cindy Ferguson

Cindy Ferguson

Vice President and

Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES – OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Atrion Corporation (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **November 7, 2023** **May 10, 2024**

/s/ David A. Battat

David A. Battat

President and Chief Executive Officer

The foregoing certification is made solely for purpose of 18 U.S.C. § 1350 and not for any other purpose.

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**EXHIBIT 32.2**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES – OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, the undersigned officer of Atrion Corporation (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **November 7, 2023** **May 10, 2024**

/s/ Cindy Ferguson

Cindy Ferguson

Vice President and

Chief Financial Officer

The foregoing certification is made solely for purpose of 18 U.S.C. § 1350 and not for any other purpose.

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