

Interim report for Bactiguard Holding AB (publ)

Corporate registration number 556822-1187

Second quarter (April-June 2018)

- During the second quarter, BIP products at a value of SEK 14.9 (6.5) million were delivered, an increase of 129%.
- Revenues amounted to SEK 52.4 (36.5) million, an increase of 44% compared to the corresponding quarter previous year, mainly driven by growth in BIP sales and currency effects.
- EBITDA¹ amounted to SEK 9.1 (3.8) million, an increase of 136%, despite costs of SEK 11.5 million for early termination of a distribution agreement for China. EBITDA margin¹ of 17% (11%).
- Operating profit amounted to SEK 0.1 (-4.8) million.
- Net profit/loss for the quarter amounted to SEK -0.9 (-6.0) million, corresponding to SEK -0.03 (-0.18) per share.
- Operating cash flow¹ for the quarter amounted to SEK 9.7 (1.8) million, corresponding to SEK 0.29 (0.05) per share.

First half year (January-June 2018)

- During the first half year, BIP products at a value of SEK 22.2 (9.3) million were delivered, an increase of 138%.
- Revenues for the period amounted to SEK 85.3 (77.5) million, an increase of 10%. First half year 2018 contained new license revenues for China of SEK 5.2 million, while corresponding period 2017 contained new license revenues for vascular injection catheters of SEK 13.1 million.
- EBITDA for the period amounted to SEK 10.9 (17.2) million, an EBITDA margin of 13% (22%). The decrease is essentially attributable to higher license revenues from the deal with Smartwise last year and costs for terminating the distribution agreement for China.
- Operating profit amounted to SEK -6.8 (-0.4) million.
- Net profit/loss for the period amounted to SEK -8.9 (-1.9) million corresponding to SEK -0.27 (-0.06) per share.
- Operating cash flow for the period amounted to SEK -4.0 (-0.2) million corresponding to SEK -0.12 (0.0) per share.

Key events during the second quarter

- Bactiguard takes the next step in China and signs agreement worth more than SEK 30 million
- New distributor appointed in Mexico
- Smartwise enters collaboration with AstraZeneca
- Jan Ståhlberg appointed as new Chairman of the Board
- New global Vice President Sales recruited

Key events after the end of the second quarter

- New partnership for Germany
- Bactiguard wins tender for central venous catheters in Sweden

Key figures ¹	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Revenues ² , SEKm	52,4	36,5	85,3	77,5	153,6
EBITDA, SEKm	9,1	3,8	10,9	17,2	34,4
EBITDA margin, %	17%	11%	13%	22%	22%
Operating profit, SEKm	0,1	-4,8	-6,8	-0,4	-0,6
Net profit/loss for the period ² , SEKm	-0,9	-6,0	-8,9	-1,9	-3,3
Operating cash flow, SEKm	9,7	1,8	-4,0	-0,2	-0,1
Earnings per share ² , SEK	-0,03	-0,18	-0,27	-0,06	-0,10
Operating cash flow per share, SEK	0,29	0,05	-0,12	0,00	0,00
Equity ratio ¹ , %	62%	61%	62%	61%	62%
Net debt ¹ , SEKm	156,2	149,7	156,2	149,7	152,4
Number of shares at the end of period	33 302 373	33 302 373	33 302 373	33 302 373	33 302 373

¹ Definition and reconciliation of performance measures see page 19-20.

² Defined according to IFRS

Comments by the CEO

The second quarter of 2018 was eventful and financially strong, both revenue and profitability wise. Sales increased by more than 40 percent, driven by more than a doubling in sales of our own product portfolio. We also signed a licensing agreement for China that contributed new licensing revenues.

This development reflects our strategy of increasing sales of our own product portfolio for infection prevention (BIP portfolio), while developing new licensing businesses. We can now put eleven quarters of rising sales for the BIP portfolio (based on rolling twelve-month figures) behind us, so the trend is stable. The fact that we now add a new licensing agreement in China to the existing ones with BD, Vigilenz and Smartwise is very important and strengthens the company's view of the licensing business potential.

We generated an EBITDA of SEK 9.1 million, which is more than a doubling compared with the previous year, and a margin of 17 percent. This despite the cost of over SEK 11 million for cancelling our former distribution agreement in China. Net profit for the period is still negative, and this is essentially due to significant depreciation of our technology, even though the real value rises as we develop new products and license applications. Cash flow was strong, both due to increased sales and reduced accounts receivable.

The biggest news during the quarter was undoubtedly the new combined distribution and licensing agreement with Well Lead Medical for China. It initially generates SEK 30 million in product sales and licensing revenues, whereof approximately half in the second quarter and the rest in connection with new deliveries. In the longer term, the value of the partnership is significantly greater than that.

Well Lead is China's largest and one of the world's leading manufacturers of medical device consumables, with significant exports. They will immediately take over the exclusive right to sell and distribute Bactiguard's urinary catheters in China. At the same time, the process of obtaining product approval for locally-produced central venous catheters and endotracheal tubes with Bactiguard's infection preventive technology will commence. This means that, in a few years' time, Well Lead is expected to manufacture and sell all products in our product portfolio in China and generate license revenues for Bactiguard.

Our former partner Jian AN has made a sizeable and important effort by contributing to the product approval and market introduction of Bactiguard's urinary catheters in this huge market. Therefore, it is justified that we compensate them for their work and investment when we now terminate the cooperation ahead of time.

Revenues from our largest licensing partner BD (after their acquisition of C.R. Bard) amounted to SEK 25 million. The underlying business is stable, but volumes vary somewhat between the quarters without following a clear seasonal pattern.

Growth in our own product portfolio comes from several regions; China, Europe, India and the Middle East. China, I have already touched on and we recently announced a new partnership for Germany with Asid Bonz, a well-established and professional partner, who shares our ambition to grow by offering premium products and services to the healthcare sector.

We establish ourselves step by step in the European markets and see positive developments. This applies, for example, to Sweden where the procurement of our urinary catheters for Stockholm and Skåne has generated increased sales. Therefore, it is extra gratifying that we recently won our first Swedish tender for central venous catheters. The Lund University Hospital has positive experience of our products and region Skåne has now decided to make them available to all hospitals through a joint procurement.

The product approval of our central venous catheters in India has opened doors and creates new possibilities to approach intensive care units with a combined product offering for infection prevention. Our distributors have sales staff across most of the country, with initial focus on the major hospitals. Today, our products have been introduced in several well-reputed hospitals and chains, such as Apollo, Fortes, Max and Medanta, where the focus is now on broadening the use.

The Middle East continues to develop positively, and in the quarter, we signed an agreement with a distributor for Oman. The product registration for Egypt is in the final phase and we expect launch in the third quarter.

To further drive growth by leading our sales organization, while developing global sales strategies and processes, we have recruited a Vice President Sales. Jonas Östregård has many years of international sales experience from the pharmaceutical industry at AstraZeneca and is a welcome addition to the management team.

The second quarter has been eventful and strong. I therefore look forward to the continued development this year, which has the potential to be exciting.

Christian Kinch, CEO

Key events during the second quarter

Bactiguard takes the next step in China and signs agreement worth more than SEK 30 million

Bactiguard has signed a combined distribution and license agreement with Well Lead Medical (Well Lead) for China, including all products in Bactiguard's portfolio. Initially, the agreement generates revenues of more than SEK 30 million in the form of product deliveries and license fees, which will be distributed over a 12-month period starting in Q2 2018. At the same time, the cooperation with the distributor Jian AN is terminated and Bactiguard pays a compensation of SEK 11.5 million for the significant investments Jian AN has made in the marketing and product approval process and repurchase of inventories.

Well Lead is today China's largest and one of the world's leading manufacturers of consumable medical devices and will initially take over the exclusive right to sell and distribute Bactiguard's urinary catheters in China. At the same time, the process of obtaining product approval for locally-produced central venous catheters and endotracheal tubes with Bactiguard's infection preventive technology will be initiated. This means that, in a few years' time, Well Lead will manufacture and sell all products in Bactiguard's portfolio on the Chinese market, which will generate license revenue for Bactiguard.

Bactiguard appoints new distributor in Mexico

In May Bactiguard signed distribution agreement for Mexico with Degasa, a well-established family owned company, whose sales force covers most of the country. Through the cooperation with Degasa, Bactiguard strengthens its market presence in Latin America.

Bactiguard's licensing partner Smartwise enters collaboration with AstraZeneca

Smartwise Sweden AB has signed a strategic collaboration agreement with AstraZeneca regarding, among other things, the development of advanced vascular injection catheters with Bactiguard coating for new, innovative treatment methods of cardiovascular disease and cancer. The agreement initially does not generate any new license revenues for Bactiguard, but when the catheters reach the market it will generate royalties, which is estimated to be about two to three years into the future.

Jan Ståhlberg is elected new member of the Board and Chairman of Bactiguard Holding AB (publ)

At the Annual General Meeting 2018 Jan Ståhlberg was elected as new member and Chairman of the Board of Bactiguard Holding AB (publ). At the end of the second quarter, Jan Ståhlberg owned shares in Bactiguard corresponding to 7.4 percent of the capital and 3.6 percent of the votes, which means that he was the third largest shareholder in the company at the time.

Bactiguard recruits global Vice President Sales

Jonas Östregård, who has extensive sales experience from various positions at Astra Zeneca, has been recruited to a new global role as Vice President Sales at Bactiguard. Jonas Östregård will join in August and will lead the sales organization, which consists of regional sales directors, sales representatives and external distributors. He will report to the CEO and be responsible for developing global sales strategies and processes.

Key events after the end of the second quarter

Bactiguard enters new partnership for Germany

Bactiguard has entered a new distribution agreement for Germany with Asid Bonz GmbH (Asid Bonz), including all products in Bactiguard's portfolio. Asid Bonz has been supplying solutions to the German healthcare sector since 1811 and is a leading provider of medical consumables with focus on anesthesia, urology, surgery and ward supplies. The new distribution agreement replaces a previous agreement with Roeser Medical GmbH which was signed in December 2016.

Bactiguard wins tender for central venous catheters in Sweden

Bactiguard has won its first Swedish tender for central venous catheters (CVC), covering the Skåne region. The contract enables hospitals in the region to purchase Bactiguard's anti-infective central venous catheters (BIP CVC), for at least two years.




Consolidated revenues and earnings

Revenues

Bactiguard has two revenue streams, sales of BIP products and license revenues.

Sales of BIP products

Bactiguard's BIP (Bactiguard Infection Protection) product portfolio currently includes sales of the BIP Foley, BIP ETT and BIP CVC products.

BIP Foley Catheter	BIP ETT	BIP CVC
		
BIP Foley Catheter is the company's urinary catheter, which uses the Bactiguard coating to reduce the risk of patients contracting catheter-associated infections of the urinary tract.	BIP ETT is the company's endotracheal tube, which uses the Bactiguard coating to reduce the risk of patients contracting ventilator-associated pneumonia.	BIP CVC is the company's central venous catheter, which uses the Bactiguard coating to reduce the risk of patients contracting catheter-associated blood infections.

License revenues

License revenues are attributable to sales of products under license, which currently includes the Group's licensing agreement with BD (formerly C.R. Bard) regarding Foley catheters for the USA, Japan, the UK, Ireland, Canada and Australia, a license agreement with Vigilenz Medical Devices for orthopedic trauma implants, covering the ASEAN region, a global license agreement with Smartwise Sweden AB (Smartwise) for vascular injection catheters as well as a license agreement with Well Lead Medical covering all products in Bactiguard's portfolio for the Chinese market, all with the Bactiguard technology.

Other revenue

Other revenue mainly comprises foreign exchange differences and other operating income.

Revenue distribution

Second quarter (April-June)

Consolidated revenues for the second quarter amounted to SEK 52.4 (36.5) million, an increase by 44% compared to the corresponding quarter last year. Net sales (revenues excluding other revenues) amounted to SEK 45.0 (36.5) million, which is an increase of 23% compared to the corresponding quarter last year.

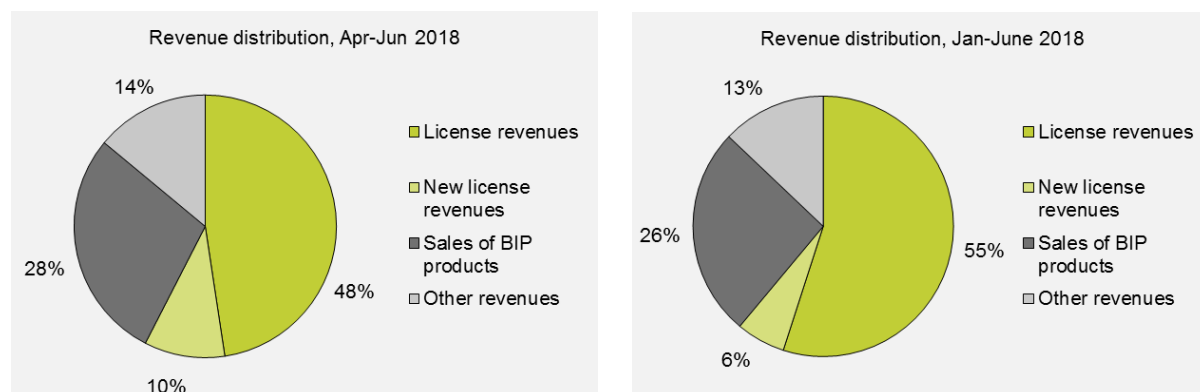
The major share of revenues was related to license revenues from BD (formerly C.R. Bard), which amounted to SEK 24.9 (25.7) million. The decrease is due to somewhat lower volumes. The underlying business is stable, but volumes vary between the quarters without following a clear seasonal pattern.

A new license agreement with Well Lead Medical in China, was signed at the end of the second quarter, which generated new license revenues of SEK 5.2 million in the quarter. Through the license agreement, Well Lead is granted the right to use Bactiguard's technology for local production of the products currently included in Bactiguard's product portfolio in the Chinese market. This represents the first part of a license revenue totaling approximately SEK 10 million. The remaining part will be recognized as revenue during the collaborative phase, which commences during the third quarter and is expected to continue for

approximately one year. The corresponding quarter last year included new license revenues of SEK 4.3 million, which were generated by the license agreement with Smartwise for the exclusive and global right to the Bactiguard technology for advanced vascular injection catheters

Sales growth of BIP products was strong during the quarter and amounted to SEK 14.9 (6.5) million, an increase of 129%. BIP revenues represented 28% of the revenues in the quarter. China, Europe, India and MEA (the Middle East and Africa) were the regions generating the largest revenues.

Other revenues during the quarter amounted to SEK 7.3 (0) million, whereof about half were currency effects. This item has also been affected by grants for development projects, changes in inventories of finished goods and work in progress as well as adjustment of prepaid territorial fee to the former distributor in China.



First half year (January-June)

Consolidated revenues for the first half year amounted to SEK 85.3 (77.5) million, an increase of 10 % compared to the corresponding period previous year. Net sales (revenues excluding other revenues) amounted to SEK 74.3 (75.5) million.

The increase in revenue is mainly due to the sale of BIP products, which amounted to SEK 22.2 (9.3) million, in line with BIP sales for the full year 2017. Sales of BIP products accounted for 26% of total revenues during the first half year. The increase of 138% is mainly attributable to increased sales volumes in China and India, but also the fact that the product mix changed during the year and the value of BIP sales thus increased.

The bulk of the revenue 55% or SEK 46.9 (53.1) million was attributable to license revenues from C.R. Bard. The decrease is due to somewhat lower volumes. The underlying business is stable, but volumes vary between the quarters without following a clear seasonal pattern.

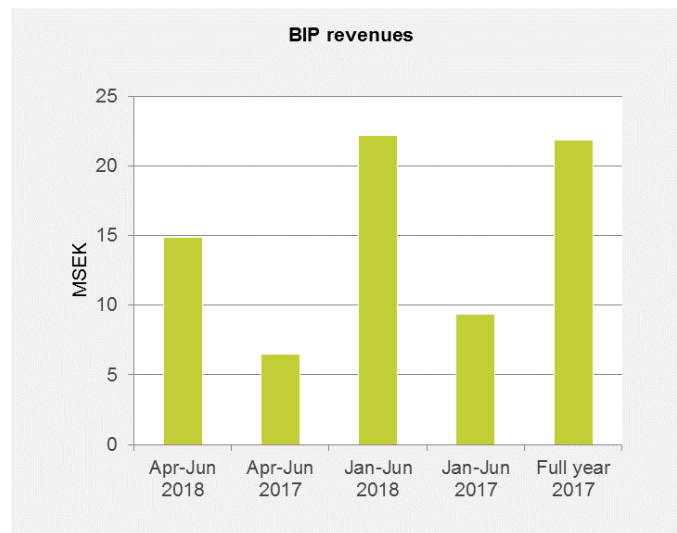
New license revenues from the agreement with Well Lead amounted to SEK 5.2 million and was 6% of total revenues. The corresponding period previous year included new license revenue from Smartwise of SEK 13.1 million.

Other revenues during the period January to June amounted to 13% or SEK 11.0 (2.0) million whereof about half were currency effects. Other revenues, as described under revenue for the second quarter above, has also affected the first half year positively.

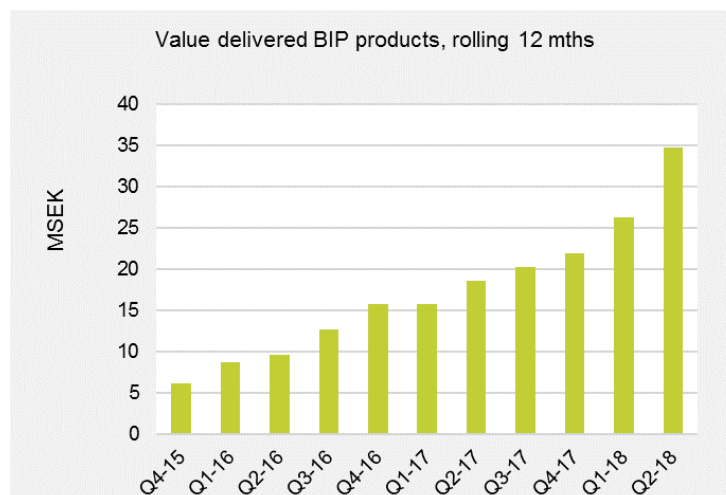
Revenue split	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
License revenues	48%	70%	55%	68%	68%
New license revenues	10%	12%	6%	17%	14%
Sales of BIP products	28%	18%	26%	12%	14%
Other revenues	14%	0%	13%	3%	4%

BIP revenues

In the full-year accounts for 2015, Bactiguard changed the principles of revenue recognition to establish a more direct link between product deliveries, reported revenue and cash flow. The business model was also changed, and the company no longer enters distribution agreements based on territorial fees and associated market contributions in the form of commitments on future product deliveries. Following the termination of the contract with Jian AN for China, only a small amount of prepaid territorial fees and commitments on product deliveries remain in the balance sheet. Therefore, it is not relevant to follow the development of the number of products sold and, from now on, we will fully focus on the value of BIP products sold.



During the second quarter of 2018, BIP products at a value of SEK 14.9 million were delivered, compared to SEK 6.5 million in the corresponding quarter of 2017. During the first half year, BIP products at a value of 22.2 (9.3) million have been sold. During the full year 2017, the value of BIP products sold amounted to SEK 21.8 million.



Development per quarter, value in MSEK for delivered BIP products, rolling 12 months.

Financial results

Second quarter (April-June)

EBITDA for the second quarter amounted to SEK 9.1 (3.8) million, corresponding to an EBITDA margin of 17% (11%). The increase compared to corresponding quarter last year is primarily a consequence of the growth in sales. While signing a new agreement with Well Lead Medical for China, the agreement with former distributor (Jian AN) was terminated ahead of time. Thus, one-off costs of SEK 11.5 million have been taken to compensate Jian AN for investments made in the marketing and product approval process and repurchase of inventories. These one-off costs have increased other external costs and affected EBITDA negatively in the quarter.

Personnel costs increased during the second quarter compared to previous year, which is a result of investments in sales and marketing to increase sales.

Other operating expenses includes currency effects, which had a negative effect of SEK -1.8 (-1.7) million in the quarter.

Consolidated operating profit for the second quarter of 2018 amounted to SEK 0.1 (-4.8) million. Depreciations, which do not have any impact on cash flow, have affected the operating profit by SEK -8.9 (-8.6) million, whereof depreciations on the Bactiguard technology of SEK -6.0 (-6.0) million.

Financial net amounted to SEK -3.3 (-2.4) million in the quarter. Of these, SEK 2.8 (0.3) million is financial income and SEK -6.0 (-2.7) million financial expenses. Due to non-recurring effects in connection with the termination of the Jian AN contract, the items financial income and financial expenses have each increased by SEK 2.3 million, i.e. a net effect of 0. Other financial expenses consist, among other things, of unrealized value changes in forward hedging which had a negative impact in the quarter, as well as interest expenses on the bank loan.

Tax for the second quarter amounted to SEK 2.2 (1.2) million and refers to the change in deferred taxes attributable to temporary differences relating to the Group's intangible assets. Deferred tax is recalculated to new future tax rates and the effect of changes in deferred tax has been taken in its entirety during the second quarter.

Consolidated net profit for the second quarter amounted to SEK -0.9 (-6.0) million.

First half year (January-June)

EBITDA for the first half year amounted to SEK 10.9 (17.2) million, corresponding to an EBITA margin of 13% (22%). The change compared with the same period last year is largely due to that the first half of the previous year included new license revenues of SEK 13.1 million from Smartwise, while the corresponding period in 2018 included new license income from Well Lead of SEK 5.2 million. At the same time, one-off costs for the termination of the contract with Jian AN for China have had a negative impact on EBITDA of SEK 11.5 million in 2018.

Consolidated net profit for the first half year amounted to SEK -8.9 (-1.9) million. Depreciations have affected the net profit by SEK -17.7 (-17.6) million, whereof depreciations on the Bactiguard technology of SEK -11.9 (-11.9) million.

Cash flow

Second quarter (April-June)

Operating cash flow (cash flow from operating activities after investments and changes in working capital) for the second quarter amounted to SEK 9.7 (1.8) million. Cash flow from operating activities contributed positively by SEK 6.1 (1.3) million, and cash flow from changes in working capital with SEK 4.5 (1.8) million. Working capital has mainly been affected by decreased account receivables due to payment of license fee (Smartwise) received at the beginning of the quarter. Investing activities generated a cash flow of SEK -0.9 (-1.3) million.

Cash flow from financing activities amounted to SEK -10.1 (0.0) million, mainly explained by reduced utilized amount of the overdraft facility of SEK -7.2 million and amortization of bank loan of SEK -2.5 million. The total cash flow for the second quarter amounted to SEK -0.4 (1.8) million.

First half year (January-June)

Operating cash flow for the first half of 2018 amounted to SEK -4.0 (-0.2) million. Cash flow from operating activities before change in working capital contributed positively by SEK 6.7 (13.0) million and was affected by a negative working capital of SEK -8.5 (-11.4). Most of the change in working capital comes from increased prepaid expenses, including an up-front fee for the bank loan, as well as reduced prepaid income.

Total cash flow for the first half of the year was SEK -6.0 million (-0.2).

Investments

Investments in property, plant and equipment during the second quarter amounted to SEK 0.2 (0) million. Investments in intangible assets, mainly related to capitalized development expenditures, amounted to SEK 0.6 (1.3) million. No investments were made in financial non-current assets during the quarter.

Financial position

The consolidated equity ratio was 62% on 30 June 2018 (61% on 30 June 2017) and equity amounted to SEK 376.7 (388.6) million.

Interest-bearing debt consist of a financial lease of SEK 11.7 million, and a three-year term loan of SEK 147.5 million, with a maturity of three years to December 2020. The term loan carries a base interest rate of STIBOR 90, but no less than 0 %, and a margin of 3.0 %. The bank loan will be amortized by SEK 35 million until maturity, whereof SEK 2.5 million has been amortized to date 2018.

Consolidated cash position on 30 June 2018 amounted to SEK 5.7 million (SEK 14.9 million on 30 June 2017). Out of a granted overdraft facility of SEK 30 million, SEK 1.2 million was utilized as of 30 June 2018 (SEK 0 million as of 30 June 2017). Net debt amounted to SEK 156.2 million (SEK 149.7 million on 30 June 2017).

The total assets of the Group on 30 June 2018 amounted to SEK 609.3 million (SEK 640.7 million on 30 June 2017). The largest asset items in the balance sheet are goodwill of SEK 226.3 million (226.3) and technology related to Bactiguard's product portfolio, which amounted to SEK 200.9 (224.7) million.

Accounts receivable amounted to SEK 57.5 million on 30 June 2018, which is an increase of SEK 17.9 million since 31 December 2017. The increase is related to the license agreement with Well Lead at the end of the second quarter, but also an effect of increased deliveries of BIP products.

Other disclosures

The share and share capital

Trade in the Bactiguard share takes place on Nasdaq Stockholm under the ticker symbol "BACTI". The last price paid for the listed B share on 30 June 2018 was SEK 28.70, and the market capitalization amounted to SEK 956 million.

The share capital of Bactiguard on 30 June 2018 amounted to SEK 0.8 million divided into 29,302,373 B shares, each with one vote (29,302,373 votes) and 4,000,000 A shares, each with ten votes (40,000,000 votes). The total number of shares and votes in Bactiguard on 30 June 2018 amounted to 33,302,373 shares and 69,302,373 votes.

Ownership

On 30 June 2018 Bactiguard had 2,504 shareholders.

Shareholders	No. of A shares	No. of B shares	Total number	% of capital	% of votes
CHRISTIAN KINCH WITH FAMILY AND COMPANY	2 000 000	7 440 977	9 440 977	28,4%	39,6%
THOMAS VON KOCH WITH COMPANY	2 000 000	7 440 878	9 440 878	28,4%	39,6%
STÅHLBERG, JAN		2 463 080	2 463 080	7,4%	3,6%
HANDELSBANKEN FONDER		1 100 000	1 100 000	3,3%	1,6%
FÖRSÄKRINGSBOLAGET, AVANZA PENSION		718 262	718 262	2,2%	1,0%
SWEDBANK FÖRSÄKRING		650 577	650 577	2,0%	0,9%
LANCELOT ASSET MANAGEMENT AB		600 000	600 000	1,8%	0,9%
FRÖAFALL INVEST AB		516 000	516 000	1,5%	0,7%
RUGFELT, JOHAN		401 632	401 632	1,2%	0,6%
SARGAS EQUITY AB		364 090	364 090	1,1%	0,5%
Total, major shareholders	4 000 000	21 695 496	25 695 496	77,2%	89,0%
Total, others	0	7 606 877	7 606 877	22,8%	11,0%
Total number of shares	4 000 000	29 302 373	33 302 373	100%	100%

Human resources

The average number of employees in the Group during the period January to June amounted to 67 (65), of which 40 (39) are women.

Accounting and valuation principles

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with IAS 34 Interim Reporting and the Annual Accounts Act. Disclosures in accordance with IAS 34 Interim Reporting are submitted both in notes and elsewhere in the interim report. The parent company's financial statements have been prepared in accordance with the Annual Accounts Act and the Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The accounting and valuation principles are unchanged from those applied in the Annual Report 2017, in addition to what is explained below.

IFRS 9 Financial Instruments

As of January 1, 2018, the Group applies IFRS 9 Financial Instruments. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 involves changes in how financial assets is classified and valued, introduces a model for expected credit losses and changes in principles for hedge accounting.

According to IAS 39, the company's financial assets were categorized as "Loan receivables and account receivables" at amortized cost. According to IFRS 9, the financial assets are categorized as "Hold to collect" at accrued amortized cost.

The new standard has not affected the accounting of the company's financial assets other than account receivables. The group is affected by the new expected credit loss model regarding the calculation of the credit reserves for accounts receivables. The model deviates from expected credit losses and end up in an estimated loss for all account receivable, including the ones not yet expired. Bactiguard has chosen to apply the simplified model, e.g. the reservation will correspond to the expected loss covering the entire life span of the account receivables. Bactiguard has chosen not to calculate comparative figures for the 2017 financial

year, in accordance with the transitional rules of the standard. Opening balance of Equity per 1 January 2018 has been adjusted with SEK -0.9 million as an effect of the new standard, which is also clearly shown in Condensed consolidated statement of changes in equity in page 15. The expected loss model has been adjusted with changes in account receivables as per 30 June 2018 and the effect is shown as other external cost in the Income Statement.

As in the past, the Group does not apply hedge accounting.

IFRS 15 Revenue from contracts with customers

As of January 1, 2018, the Group applies IFRS 15 Revenue from contracts with customers. Bactiguard has chosen not to calculate comparative figures for the comparison year. IFRS 15 replaces IAS 18 Revenues, IAS 11 Construction contracts and related interpretations. The new standard means a new model of revenue recognition based on when the control of a product or service is transferred to the customer.

Bactiguard has evaluated the group's agreement with customers and the assessment is that the accounting of revenues will not be affected by the transition to IFRS 15, why no change in the opening balance of Equity has been made. Further information regarding the group's revenue distribution is to be found in Note 1.

New IFRS standards from 1 January 2019

IFRS 16 Leasing agreements

IFRS 16 Leasing agreements will be replacing IAS 17 Leasing agreements as of January 1, 2019. IFRS 16 has a leasing model for the lessees, which means that virtually all leasing agreements are to be recognized in the statement of financial position. Bactiguard holds leasing agreements primarily for premises. The management's assessment is that IFRS 16 will affect the recognized amounts in the statement of financial position. A detailed analysis of IFRS 16 has begun but not been completed, why there is an inability to quantify the effects.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may derive revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which there is separate financial information. The company's reporting of operating segments is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function that assesses the operating segment performance and decides how to allocate resources. The company has determined that the Group executive management constitutes the chief operating decision maker.

The company is considered in its entirety to operate within one business segment.

Related-party transactions

Transactions between the company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation.

Services and other transactions between companies within the Group are charged according to commercial principles.

Bactiguard has since 2017 a license agreement with Smartwise Sweden AB, a company owned by a group of private investors, including Bactiguard's CEO and main shareholder Christian Kinch and main shareholder Thomas von Koch. During the second quarter of 2018 Smartwise Sweden AB paid the remaining receivable regarding license fee in its entirety.

Other than as described above, neither Bactiguard nor its subsidiaries have granted loans, guarantees or sureties to, or for the benefit of, any directors or senior managers of the Group. None of these persons have any direct or indirect participation in any other business transaction with any entity of the Group which is, or was, unusual in its nature or with regard to its terms.

Parent company

Revenues consist of invoiced intercompany expenses (management fees). During the period, the parent company received interest on its receivables from group companies. No investments were made during the period.

Risk factors

Companies within the Group are exposed to various types of risk through their activities. The company continually engages in a process of identifying all risks that may arise and assessing how each of these risks shall be managed. The Group is working to create an overall risk management program that focuses on minimizing potential adverse effects on the company's financial results. The company is primarily exposed to market related risks, operational risks and financial risks. A description of these risks can be found on page 29 and 48-49 in the Annual Report for 2017.

Financial targets

Bactiguard's goal is to create value and generate good returns for the shareholders. One financial target is to have an average growth of 20 % per year over a five-year period, with 2015 as the base year, and adjusted revenues of SEK 118.5 million as the starting point. Another target is to achieve an EBITDA margin of at least 30 % at the end of the five-year period (year 2020). Bactiguard will continue to expand the business by strengthening the sales- and marketing organization, developing new products to the existing BIP portfolio and by entering new license agreements in new therapeutic areas. Other financial targets are to have an equity ratio of at least 30 % and a long-term objective of a dividend of 30-50 % of profit after tax, taking into consideration the company's financial position. The company is in an expansion phase and will therefore in the coming years, prioritize growth over dividends.

Condensed consolidated income statement

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
<i>Revenues</i>					
License revenues	30 142	29 999	52 116	66 194	125 609
Sales of BIP products	14 901	6 504	22 195	9 338	21 849
Other revenues	7 330	-37	11 020	1 961	6 181
	52 373	36 466	85 332	77 493	153 639
Raw materials and consumables	-8 058	-6 530	-13 617	-10 399	-20 262
Other external expenses	-19 292	-10 882	-30 993	-20 968	-42 329
Personnel costs	-14 149	-13 557	-27 145	-26 264	-51 475
Depreciation and amortisation	-8 949	-8 606	-17 677	-17 610	-35 015
Other operating expenses	-1 802	-1 656	-2 660	-2 649	-5 141
	-52 249	-41 231	-92 091	-77 891	-154 221
Operating profit/loss	123	-4 765	-6 760	-399	-582
<i>Profit/loss from financial items</i>					
Financial income	2 775	326	3 957	467	1 378
Financial expenses	-6 038	-2 713	-9 524	-4 494	-9 088
	-3 263	-2 387	-5 567	-4 027	-7 710
Profit before tax	-3 140	-7 151	-12 327	-4 426	-8 292
Taxes for the period	2 237	1 176	3 449	2 532	5 042
Net profit/loss for the period	-903	-5 976	-8 878	-1 894	-3 251
Attributable to:					
Shareholders of the parent	-903	-5 976	-8 878	-1 894	-3 251
Earnings per share, SEK*	-0,03	-0,18	-0,27	-0,06	-0,10

Condensed consolidated statement of comprehensive income

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Net profit/loss for the period	-903	-5 976	-8 878	-1 894	-3 251
<i>Other comprehensive income:</i>					
<u>Items that will be reclassified to profit or loss for the year</u>					
Translation differences	-186	166	-632	200	28
Other comprehensive income, after tax	-186	166	-632	200	28
Total comprehensive income for the period	-1 089	-5 810	-9 510	-1 694	-3 223
Attributable to:					
Shareholders of the parent	-1 089	-5 810	-9 510	-1 694	-3 223
Total earnings per share, SEK*	-0,03	-0,17	-0,29	-0,05	-0,10
Number of shares at the end of period ('000)	33 302	33 302	33 302	33 302	33 302
Weighted average number of shares ('000)	33 302	33 302	33 302	33 302	33 302
* no dilution effect					

Condensed consolidated statement of financial position

Amounts in TSEK	2018-06-30	2017-06-30	2017-12-31
ASSETS			
Non-current assets			
Goodwill	226 292	226 292	226 292
Technology	200 902	224 708	212 805
Brands	25 572	25 572	25 572
Customer relationships	9 958	11 138	10 548
Capitalised development expenditure	19 560	17 486	18 568
Patents	551	770	571
Intangible assets	482 834	505 965	494 355
Improvements, leasehold	11 479	14 582	13 031
Machinery and other technical plant	18 088	19 135	19 580
Equipment, tools and installations	2 665	3 236	3 107
Property, plant and equipment	32 233	36 953	35 717
Long-term receivables	193	16 612	17 263
Investments in associates	-	1 228	-
Financial assets	193	17 840	17 263
Total non-current assets	515 260	560 758	547 336
Current assets			
Inventory	13 436	14 252	13 608
Accounts receivable	57 523	37 601	39 596
Other current receivables	17 311	13 161	13 300
Cash and cash equivalents	5 731	14 905	11 550
Total current assets	94 001	79 918	78 054
TOTAL ASSETS	609 261	640 676	625 390
Equity attributable to shareholders of the parent			
Share capital	833	833	833
Other equity	375 831	387 801	386 273
Total equity	376 663	388 634	387 105
Non-current liabilities			
Advance payments from customers	-	18 705	17 263
Debt to shareholders	-	50 000	-
Deferred tax liability	21 794	27 753	25 243
Liabilities to credit institutions	136 235	-	142 500
Other long-term liabilities	11 716	13 908	12 476
Total non-current liabilities	169 745	110 366	197 482
Current liabilities			
Liabilities to credit institutions	12 500	100 000	7 500
Accounts payable	8 737	5 870	4 832
Other current liabilities	18 170	5 879	6 855
Accrued expenses and deferred income	23 445	29 928	21 616
Total current liabilities	62 852	141 677	40 803
Total liabilities	232 597	252 042	238 285
TOTAL EQUITY AND LIABILITIES	609 261	640 676	625 390

Condensed consolidated statement of changes in equity

Amounts in TSEK	Equity attributable to shareholders of the parent				Total equity
	Share capital	Other capital contributions	Translation reserve	Retained earnings including net profit for the period	
Opening balance, 1 January 2017	833	675 690	88	-286 283	390 328
Profit/loss for the period	-	-	-	-1 894	-1 894
<i>Other comprehensive income:</i>					
Translation differences	-	-	200	-	200
Total comprehensive income after tax	0	0	200	-1 894	-1 694
Transactions with shareholders					
Total transactions with shareholders	0	0	0	0	0
Closing balance, 30 June 2017	833	675 690	288	-288 177	388 634
Adjustments 1 July - 31 December 2017					
Profit/loss for the period	-	-	-	-1 357	-1 357
<i>Other comprehensive income:</i>					
Translation differences	-	-	-172	-	-172
Closing balance, 31 December 2017	833	675 690	116	-289 533	387 105
Adjustment opening balance 1 January 2018, change in accounting principle, IFRS 9	-	-	-	-932	-932
Adjusted opening balance, 1 January 2018	833	675 690	116	-290 465	386 173
Profit/loss for the period	-	-	-	-8 878	-8 878
<i>Other comprehensive income:</i>					
Translation differences	-	-	-632	-	-632
Total comprehensive income after tax	0	0	-632	-8 878	-9 510
Transactions with shareholders					
Total transactions with shareholders	0	0	0	0	0
Closing balance, 30 June 2018	833	675 690	-516	-299 343	376 663

Condensed consolidated statement of cash flows

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Cash flow from operating activities					
Net profit/loss for the period	-903	-5 976	-8 878	-1 894	-3 251
Adjustments for depreciation and amortisation and other non-cash items	6 994	7 295	15 614	14 888	31 791
	6 091	1 319	6 737	12 994	28 540
Cash flow from changes in working capital					
Increase/decrease inventory	-1 352	1 178	497	819	1 565
Increase/decrease accounts receivable	6 186	813	205	-10 118	-12 476
Increase/decrease other current receivables	-85	161	-4 283	-274	1 231
Increase/decrease accounts payable	3 197	1 238	3 894	997	-56
Increase/decrease other current liabilities	-3 461	-1 610	-8 824	-2 801	-12 687
	4 484	1 780	-8 512	-11 377	-22 424
Cash flow from investing activities					
Investments in intangible assets	-630	-1 293	-1 902	-1 753	-3 661
Investments in property, plant and equipment	-234	-	-338	-14	-2 571
	-864	-1 293	-2 240	-1 767	-6 233
Operating cash flow	9 711	1 806	-4 016	-150	-117
Cash flow from financing activities					
Amortisation of financial lease	-400	-	-760	-	-1 398
Utilized bank overdraft	-7 186	-	1 235	-	-
Amortisation of loan	-2 500	-	-2 500	-	-150 000
Debt incurred	-	-	-	-	150 000
Up-front fee loan	-	-	-	-	-1 800
	-10 086	0	-2 025	0	-3 198
Cash flow for the period	-375	1 806	-6 041	-150	-3 315
Cash and cash equivalents at start of period	6 022	13 682	11 550	15 645	15 645
Exchange difference in cash and cash equivalents	84	-583	222	-590	-780
Cash and cash equivalents at end of period	5 731	14 905	5 731	14 905	11 550

Condensed parent company income statement

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Revenues	2 077	1 804	3 741	3 437	6 464
Operating expenses	-2 884	-2 602	-5 417	-5 135	-9 941
Operating profit/loss	-807	-798	-1 676	-1 698	-3 477
Net financial items	-510	-537	-1 008	-1 125	-2 245
Profit/loss after financial items	-1 317	-1 334	-2 684	-2 823	-5 722
Tax for the period	-	-	-	-	-
Net profit/loss for the period	-1 317	-1 334	-2 684	-2 823	-5 722

Condensed parent company statement of comprehensive income

The parent company has no items in 2018 or 2017 recognized in other comprehensive income. Net profit/loss for the period for the parent company thereby also constitutes the comprehensive income for the period. The parent company therefore presents no separate statement of comprehensive income.

Condensed parent company balance sheet

Amounts in TSEK	2018-06-30	2017-06-30	2017-12-31
ASSETS			
Non-current assets			
Financial assets	615 989	598 089	622 989
Total non-current assets	615 989	598 089	622 989
Current assets			
Receivables from group companies	-	19 421	-
Prepayments and accrued income	1 713	192	1 962
Other current receivables	4	-	4
Cash and cash equivalents	1 030	473	374
Total current assets	2 747	20 086	2 340
TOTAL ASSETS	618 736	618 175	625 329
EQUITY & LIABILITIES			
Total equity	460 125	465 708	462 809
Non-current liabilities			
Liabilities to shareholders	-	50 000	-
Liabilities to credit institutions	135 000	-	142 500
Total non-current liabilities	135 000	50 000	142 500
Current liabilities			
Liabilities to group companies	8 837	-	9 775
Liabilities to credit institutions	12 500	100 000	7 500
Other liabilities	2 274	2 467	2 746
Total current liabilities	23 611	102 467	20 020
Total liabilities	158 611	152 467	162 520
TOTAL EQUITY AND LIABILITIES	618 736	618 175	625 329

Note 1 Revenue distribution

1 January 2018 - 30 June 2018

Amounts in TSEK	Total Group	
	Apr-Jun 2018	Jan-Jun 2018
Type of product/service		
License	30 142	52 116
<u>BIP-products</u>	<u>14 901</u>	<u>22 195</u>
Total	45 043	74 311
Time for revenue recognition		
Performance commitment is met at a certain time	45 043	74 311
<u>Performance commitment is met during a period of time</u>	<u>0</u>	<u>0</u>
Total	45 043	74 311

Performance Measures

The company presents certain performance measures in the interim report that are not defined in accordance with IFRS (so-called alternative key ratios according to ESMA guidelines). The Company believes that these measures provide useful supplementary information to investors and the company's management as they allow for the evaluation of the company's performance. Since not all companies calculate the measures in the same way, these are not always comparable to measures used by other companies. These performance measures should therefore not be considered a substitute for measures as defined under IFRS.

Definitions and tables below describe how the performance measures are calculated. The measures are alternative in accordance with ESMA's guidelines unless otherwise stated.

EBITDA

Shows the company's earnings capacity from ongoing operations irrespective of capital structure and tax situation. The key figure is used to facilitate comparisons with other companies in the same industry. The company considers this key figure to be the most relevant performance measure of the business because the company has a large asset item in Technology, which generates large depreciation while the value is considered to be significant for the company even after it is fully depreciated. Bactiguard's patented and unique technology can be applied to a wide range of products, both in the BIP portfolio and through license deals.

The company defines EBITDA as operating profit/loss excluding depreciation and amortization of tangible and intangible assets.

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Operating profit/loss	123	-4 765	-6 760	-399	-582
Depreciation and amortisation	<u>8 949</u>	<u>8 606</u>	<u>17 677</u>	<u>17 610</u>	<u>35 015</u>
EBITDA	9 072	3 841	10 917	17 212	34 432

EBITDA-margin

Shows the company's earnings capacity from ongoing operations, irrespective of capital structure and tax situation, in relation to revenues. The key figure is used to facilitate analysis of the company's result in comparison with comparable companies.

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
EBITDA	9 072	3 841	10 917	17 212	34 432
Revenue	<u>52 373</u>	<u>36 466</u>	<u>85 332</u>	<u>77 493</u>	<u>153 639</u>
EBITDA-margin	17%	11%	13%	22%	22%

Net debt

Net debt is a measure used to describe the group's indebtedness and its ability to repay its debt with cash generated from the group's operating activities if the debts matured today. The company considers this key figure interesting for creditors who want to understand the group's debt situation.

The company defines net debt as interest-bearing liabilities less cash and cash equivalents at the end of the period.

Interest-bearing liabilities consist of debt to credit institutions and shareholders, as well as interest-bearing part of other long-term and current liabilities.

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Interest-bearing part of other long-term liabilities	11 716	13 908	11 716	13 908	12 476
Non interest-bearing part of other long-term liabilities	-	-	-	-	-
Other long-term liabilities	11 716	13 908	11 716	13 908	12 476

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Interest-bearing part of other current liabilities	1 501	741	1 501	741	1 466
Non interest-bearing part of other current liabilities	<u>16 669</u>	<u>5 138</u>	<u>16 669</u>	<u>5 138</u>	<u>5 389</u>
Other current liabilities	18 170	5 879	18 170	5 879	6 855

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Liabilities to credit institutions	148 735	100 000	148 735	100 000	150 000
Debt to shareholders	-	50 000	-	50 000	-
Interest-bearing part of other long-term liabilities	11 716	13 908	11 716	13 908	12 476
<u>Interest-bearing part of other current liabilities</u>	<u>1 501</u>	<u>741</u>	<u>1 501</u>	<u>741</u>	<u>1 466</u>
Interest-bearing liabilities	161 953	164 649	161 953	164 649	163 942
Cash and cash equivalents	<u>-5 731</u>	<u>-14 905</u>	<u>-5 731</u>	<u>-14 905</u>	<u>-11 550</u>
Net debt	156 222	149 745	156 223	149 744	152 392

Equity ratio

Equity ratio is a measure that the company considers important for creditors who want to understand the company's long-term ability to pay. The company defines equity ratio as equity and untaxed reserves (less deferred tax), in relation to the balance sheet total.

Amounts in TSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Equity	376 663	388 634	376 663	388 634	387 105
Balance sheet total	609 261	640 676	609 261	640 676	625 390
Equity ratio	62%	61%	62%	61%	62%

Earnings per share

Profit attributable to holders of ordinary shares in the Parent Company divided by the weighted average number of outstanding ordinary shares during the period, in accordance with IFRS.

Operating cash flow

Cash flow from operating activities after investments and changes in working capital. Direct reconciliation against financial report possible.

Profit/loss from financial items

Financial income minus financial expenses. Direct reconciliation against financial report possible.

Forthcoming disclosures of information

6 November 2018	Interim report, 1 Jul – 30 Sep 2018
February 2019	Year-end report, 2018

Contacts

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Signatories to the report

The Board of Directors and the CEO certify that the interim report, to the best of their knowledge, provides a fair overview of the parent company's and the group's operations, financial position and results and describes the material risks and uncertainties faced by the parent company and the companies included in the Group.

Stockholm, 8 August 2018

Jan Ståhlberg

Chairman

Mia Arnhult

Board member

Svante Östblom

Board member

Marie Wickman-Chantereau

Board member

Christian Kinch

CEO and Board member

This interim report is unaudited.

Bactiguard is a Swedish medtech company with a mission to save lives. To achieve this mission, we develop and supply infection protection solutions which reduce the risk of healthcare associated infections and the use of antibiotics. This way, we save significant costs for healthcare and the society at large. The Bactiguard coating prevents healthcare associated infections through reducing bacterial adhesion and formation on medical devices. Bactiguard-coated urinary catheters are market leading in the US and Japan through our license partner C.R. Bard and the company has also its own product portfolio consisting of urinary catheters, endotracheal tubes and central venous catheters. Bactiguard is in a strong expansion phase focused on the European markets, Middle East, Asia and Latin America. The company has about 70 employees worldwide. Its headquarters and production facility is in Stockholm. Bactiguard is listed on Nasdaq Stockholm. Read more about Bactiguard at www.bactiguard.com.

This information is information that Bactiguard Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above 2018-08-08, at. 08.00.