

Interim report for Bactiguard Holding AB (publ)

Corporate registration number 556822-1187

Bactiguard's strongest quarter to date

Third quarter (July-September 2019)

- Revenues amounted to SEK 67.0 (35.7) million, whereof new license revenues from the agreement with Zimmer Biomet accounted for SEK 29.4 million and most of the increase.
- BIP sales amounted to SEK 8.7 (3.9) million, an increase of 120% essentially attributable to China, but India also had good growth.
- EBITDA¹ amounted to SEK 36.5 (7.9) million, with an EBITDA margin¹ of 54% (22%). The sharp improvement in earnings and margin was primarily driven by the new license revenue.
- Operating profit² amounted to SEK 25.9 (-0.2) million.
- Net profit/loss² amounted to SEK 23.7 (-0.5) million, or SEK 0.71 (-0.02) per share.
- Operating cash flow¹ for the quarter amounted to SEK 22.0 (4.1) million, or SEK 0.66 (0.12) per share.

Nine-month period (January-September 2019)

- Revenues amounted to SEK 136.2 (121.0) million. The increase was mainly driven by new license revenues from both Zimmer Biomet and Well Lead.
- BIP sales amounted to SEK 14.9 (26.1) million.
- EBITDA amounted to SEK 49.4 (18.8) million, with an EBITDA margin of 36% (16%).
- Operating profit amounted to SEK 17.8 (-6.9) million.
- Net profit/loss for the period amounted to SEK 14.7 (-9.4) million, or SEK 0.44 (-0.28) per share.
- Operating cash flow for the period amounted to SEK 12.5 (0.1) million, or SEK 0.37 (0.00) per share.

Key events during the third quarter

- Bactiguard signs global license agreement with Zimmer Biomet
- New major order from China
- Bactiguard's central venous catheters approved in Mexico
- New Chief Medical and Technology Officer
- Bactiguard's urinary catheters approved for reimbursement in the Dutch market

Key events after the end of the quarter

- Nomination committee appointed

Key figures ^{1,3}	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full Year 2018
Revenues ² , SEKm	67,0	35,7	136,2	121,0	163,2
EBITDA, SEKm	36,5	7,9	49,4	18,8	22,2
EBITDA margin, %	54%	22%	36%	16%	14%
Operating profit, SEKm	25,9	-0,2	17,8	-6,9	-12,0
Net profit/loss for the period ³ , SEKm	23,7	-0,5	14,7	-9,4	-14,9
Earnings per share ³ , SEK	0,71	-0,02	0,44	-0,28	-0,45
Operating cash flow, SEKm	22,0	4,1	12,5	0,1	-4,9
Operating cash flow per share, SEK	0,66	0,12	0,37	0,00	-0,15
Equity ratio ¹ , %	59%	63%	59%	63%	63%
Net debt ¹ , SEKm	217,2	151,9	217,2	151,9	155,8

¹ Definition and reconciliation of performance measures see page 17-18

² Defined according to IFRS

³ Including effects of new accounting principle regarding Leasing, IFRS 16, from January 2019. Comparison figures has not been recalculated. See tables on page 21 for performance measures excluding the effects of IFRS 16.

Comments by the CEO

Bactiguard's strongest quarter to date

The new license agreement with Zimmer Biomet contributed to that we delivered the strongest quarter to date for Bactiguard as a listed company. The partnership with one of the three largest orthopedic companies in the world confirms the strength of Bactiguard's technology in a global perspective and a new medical application for long-term use. The financial impact of the agreement also shows that our growth strategy works.

Total revenues for the quarter nearly doubled, generating an EBITDA margin of 54 percent, a net profit of close to SEK 24 million and an operating cash flow of SEK 22 million. Despite a weaker start of the year, EBITDA margin was 36 percent and net profit close to SEK 15 million, which I see as a token of strength.

Licensing business

Revenues from Becton, Dickinson & Company (BD) were slightly lower this quarter, but year to date, accumulated sales were in line with last year and the underlying business is stable.

The licensing deal with Zimmer Biomet, one of the world's largest orthopedic companies with global sales of close to USD 8 billion in 2018, generated new license revenues of USD 3 million in the quarter. As we reach certain milestones in the US regulatory process, the agreement can generate additional revenue of USD 2 million in total. When the products reach the market, Bactiguard will receive royalty revenue based on Zimmer Biomet's sales. In the regulatory process, the technical file and clinical evidence of the trauma implant that was CE-marked at the end of 2018 will be used as a reference, which will facilitate and shorten the process. It is also clear that this CE mark has been of great importance in the negotiation with Zimmer Biomet as it shows that the technology meets the EU requirements for patient safety, among other things.

The products marketed by Vigilenz Medical Devices, our licensing partner for trauma implants in Southeast Asia, have now reached the market in Malaysia and will gradually start to generate both new clinical evidence and recurring license revenues for Bactiguard.

The preparatory work with Well Lead to register our entire portfolio of products in China has almost been concluded. Thereafter, the regulatory process begins, and we expect it will take another couple of years before locally produced BIP products are approved for sale in China.

BIP portfolio

After a weak start of the year, BIP sales more than doubled in the third quarter. Nevertheless, we have not yet reached the same accumulated level as last year. China plays a major role in this comparison. Last year, we delivered large volumes of products to our new partner Well Lead in conjunction with the signing of a new license and distribution agreement. In the third quarter of this year, we received the first Chinese order outside the initial agreement. This was an important milestone as it shows that end-customer sales are picking up. Well Lead continues to establish regional distributors for broader market coverage and the transfer of existing customers from our former distributor is ongoing, but it has taken longer than expected. At the same time, we are strengthening our local organization to support Well Lead in its marketing efforts.

In India, too, we are beginning to see greater activity in the market as our partner has strengthened its sales organization and increased activities towards both private and public hospitals. The Middle East is also developing positively, and we have finally started launching in Egypt after major delays in the regulatory and administrative process. In Europe, the markets where we have been present for a long time are developing very well, while it is taking time to increase our footprint in new markets. We have relatively recently changed partners in Germany and this year also in Italy. At the same time, we have established new partnerships for Switzerland, the Czech Republic and Slovakia. I estimate that it takes at least take one to one and a half years for a new collaboration to start delivering clear results, so we need to be patient with a somewhat lumpy sales development.

We have recently strengthened the medical competence in management with Stefan Grass, physician and researcher with specialist expertise in anaesthesia and intensive care. He is genuinely development-oriented, with extensive clinical experience of the product portfolio Bactiguard offers and the complications healthcare related infections lead to, both for patients and healthcare providers, and we already see that he has a lot to contribute.

It is with pride that I sum up a quarter with strong earnings and profitability, confirming that our growth strategy works. I am convinced that the license agreement with Zimmer Biomet will pave the way for new applications and at the same time contribute to increased sales of our own product portfolio of catheters for infection prevention. As we build new clinical evidence for implants, the technology will become more and more interesting for new medical applications and long-term use.

Christian Kinch, CEO

Key events during the third quarter

Bactiguard signs global license agreement with Zimmer Biomet

Bactiguard has signed an exclusive, global licensing agreement for orthopedic trauma implants with Zimmer Biomet. The agreement includes an upfront license fee of USD 3 million that was paid at signing and additional contingent payments of USD 2 million, based on U.S regulatory clearance and royalties on net sales following commercialization.

The partnership with Zimmer Biomet has the potential to significantly expand Bactiguard's licensing business and increase license revenues, both in the near term and in a longer perspective. The agreement also confirms the value of Bactiguard's technology in a new application and global context. Orthopedic trauma implants with Bactiguard's infection preventive technology were CE marked in December 2018 and will be used as a reference in the process of obtaining regulatory clearance, which is expected to be completed in 2020.

New major order from China

In September, Bactiguard received a new order from Well Lead Medical (Well Lead) in China. This is the third order from Well Lead and the first generated outside the initial agreement. The order generated revenues in the third quarter of approximately SEK 4.8 million.

Bactiguard's central venous catheters approved in Mexico

The Ministry of Health in Mexico announced in September that the product approval of Bactiguard's central venous catheters (BIP CVC) for infection prevention is complete. This opens new opportunities for Bactiguard to offer effective infection prevention for the most vulnerable patients in the second largest market in Latin America.

Bactiguard recruits experienced Chief Medical and Technology Officer

Stefan Grass, who has many years of clinical experience as a physician and researcher, combined with senior positions in the pharmaceutical industry, has been recruited to a newly established, global role as Chief Medical and Technology Officer. Stefan Grass holds a medical degree from Karolinska Institutet and specialist expertise in anesthesia and intensive care. He also has a PhD in neurophysiology, focusing on pain from Karolinska University Hospital and has been active at the cardiothoracic department, among others. Since 2011, Stefan Grass has been a member of the Nordic management team for CSL Behring with responsibility for Medical Affairs and Market Access. In the role of Chief Medical and Technology Officer, Stefan Grass will report to the CEO and be part of Bactiguard's Executive Management team. Stefan Grass took up the position in October.

Bactiguard's urinary catheters approved for reimbursement in the Dutch market

Bactiguard's indwelling urinary catheters (Foleys) were approved for reimbursement in the Netherlands in September, this means that home care providers can provide patients with Bactiguard's infection prevention products and improve their quality of life. This means that Bactiguard's partner in the Netherlands, Mediplast, can offer Bactiguard's products to a larger group of patients.

Key events after the end of the quarter

Nomination Committee appointed for the Annual General meeting 2020




The members of the Nomination Committee for the Annual General Meeting of Bactiguard Holding AB (publ), to be held on Tuesday 28 April 2020 at 14.00 hours at the company's head office in Botkyrka, have now been appointed. The Nomination Committee for the 2020 Annual General Meeting in Bactiguard Holding AB (publ) will consist of the following members: Jan Ståhlberg (Chairman of the Board of Directors); Helena Borglund, appointed by KK Invest AB and Chairman in the Nomination Committee; Thomas von Koch, appointed by Bactiguard B.V.; Mats J Andersson, appointed by Nordea Fonder; Per Colleen, appointed by Fjärde AP Fonden.

Consolidated revenues and earnings

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
 <p>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.</p>	 <p>BIP ETT is the company's endotracheal tube, which uses the Bactiguard coating to reduce the risk of patients contracting ventilator-associated pneumonia.</p>	 <p>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.</p>

License revenues

License revenues are attributable to sales of products under license with the Bactiguard technology for infection prevention. License revenues consist of initial fees related to the rights to use the Bactiguard technology for products within a specific application area and geographical territory. License revenues also include Royalty, a variable remuneration from license customers when the products reach the market and generate sales revenues.

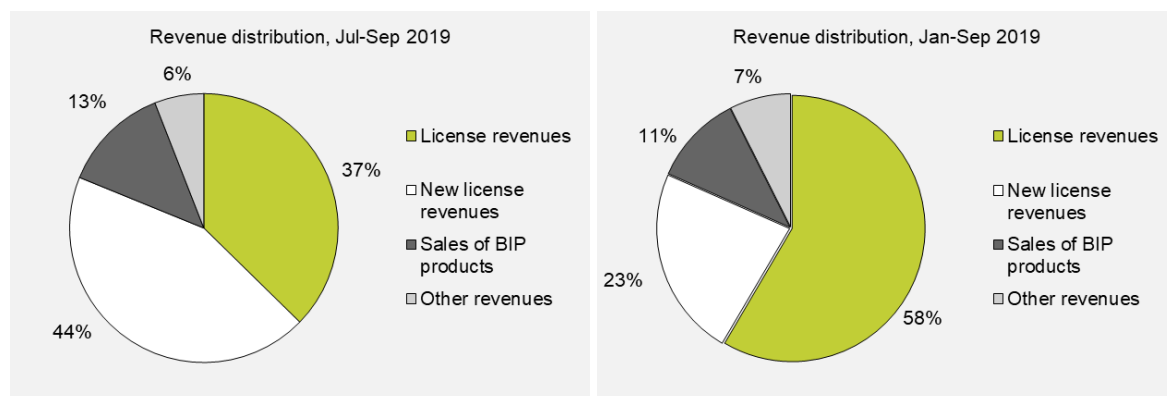
The term "new license revenues" includes the initial fees, while royalty is included in license revenues.

License partner	Application area	Territory
Becton Dickinson and Company (former C.R .Bard)	Foley catheters	The USA, Japan, the UK, Ireland, Canada and Australia
Vigilenz Medical Devices	Orthopaedic trauma implants	ASEAN region
Smartwise Sweden AB	Advanced vascular injection catheters	Global
Well Lead Medical	Foley catheters, ETT and CVC	China
Zimmer Biomet	Orthopaedic trauma implants	Global, exclusive ASEAN region

Other revenues

Other revenues mainly comprise of foreign exchange differences and other operating income.

Revenue distribution



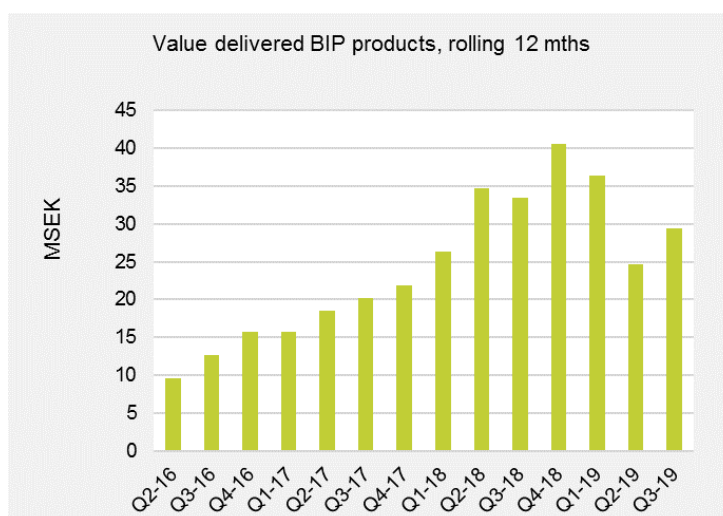
Developments during the third quarter

Consolidated revenues for the third quarter amounted to SEK 67.0 (35.7) million. The increase was mainly driven by new license revenue from the agreement with Zimmer Biomet regarding orthopedic trauma implants. The agreement was signed at the end of the third quarter and generated new license revenue of SEK 29.4 million (USD 3 million). Through the license agreement, Zimmer Biomet has the right to use Bactiguard's coating technology and sell coated orthopedic trauma implants globally, apart from a few markets in Southeast Asia where Bactiguard already has an agreement with Vigilenz Medical Devices. The initial fee of USD 3 million represents the first part of a total USD 5 million license fee. The remaining USD 2 million is contingent on regulatory approval in the United States and will only be paid if specific milestones are reached. The corresponding quarter previous year included new license revenues of SEK 3.1 million from the agreement with Well Lead in China.

License revenue from BD amounted to SEK 25.0 (27.0) million. A stronger dollar exchange rate partly offset lower delivered volumes in the quarter. Underlying revenue was lower than the corresponding quarter of last year, but over the entire nine-month period, they were at the same level. The underlying business with BD is stable, but volumes vary between quarters without following any clear seasonal pattern.

Sales of BIP products were strong during the quarter and amounted to SEK 8.7 (3.9) million, an increase of 120%. A new order from China accounted for most of the increase, but India and Latin America also contributed to the growth.

Growth in BIP sales is still irregular and deliveries to China still account for a large part of total BIP sales, which means that revenues vary between quarters even though the underlying trend is positive.



Other revenues were SEK 2.4 million higher in the quarter than the corresponding period last year, explained by increased exchange rate effects related to balance sheet items.

EBITDA for the third quarter amounted to SEK 36.5 (7.9) million, corresponding to an EBITDA margin of 54% (22%). The improvement in earnings and margin compared with the corresponding quarter of last year was mainly driven by the new license agreement with Zimmer. In addition, sales growth in our own portfolio also contributed positively to the EBITDA development.

Personnel costs decreased by SEK 1.1 million compared with the third quarter last year. This is mainly due to that own personnel have temporarily been replaced by consultants. Other external costs have increased by SEK 2.3 million, which, in addition to increased consultancy costs, is due to higher costs for clinical studies and some smaller provisions for anticipated customer losses.

The application of new accounting principles for leasing in accordance with IFRS 16 increased EBITDA by SEK 2.6 million in the quarter. Adjusted for this transition effect to IFRS 16, EBITDA was SEK 33.9 million and the EBITDA margin was 51%.

The Group's operating profit for the third quarter of 2019 amounted to SEK 25.9 (-0.2) million. Depreciation, which does not affect cash flow, affected operating profit by SEK -10.6 (-8.1) million, of which depreciation of Bactiguard's technology amounted to MSEK -6.0 (-6.0) and depreciation of leasing assets -2.6 (-0.4) MSEK. The increase in depreciation on leasing assets is also an effect of the application of IFRS 16.

Financial items amounted to SEK -3.6 (-1.6) million and mainly consist of negative results from forward hedging in USD, as well as interest on the bank loan.

Tax for the period amounted to SEK 1.4 (1.2) million during the third quarter. Reported income tax refers to changes in deferred tax attributable to temporary differences related to the Group's intangible assets.

Developments during the nine-month period

Consolidated revenues amounted to SEK 136.2 (121.0) million, an increase of approximately 13% compared to the corresponding period last year. The increase is largely due to new license revenues being higher this year. These license revenues amounted to SEK 31.5 million, of which SEK 29.4 million from the agreement with Zimmer Biomet and SEK 2.1 million from Well Lead. Last year, the agreement with Well Lead for China generated new license revenues of SEK 8.3 million during the period January to September.

License revenues from BD have also increased to SEK 79.6 (73.9) million. Volumes are in line with previous year and a stronger dollar exchange rate has had a favorable impact on license revenues in Swedish kronor.

Sales of BIP products amounted to SEK 14.9 (26.1) million. The decrease is due to a weaker start of the year and lower sales to China during the first nine months of this year compared to last year.

Total operating expenses for the period were lower than last year and amounted to SEK -118.4 (-128.0) million. This is mainly because 2018 included one-off costs of SEK 11.5 million for termination of the contract with the former distributor for China. This year's lower BIP sales also means lower costs for raw materials and consumables. Costs for external analysis and tests, clinical studies and consultants have increased, which is explained by increased activity in both the licensing business and for our BIP products.

EBITDA for January-September amounted to SEK 49.4 (18.8) million, corresponding to an EBITDA margin of 36% (16%). The improvement in profit and margin was primarily driven by higher license revenues than previous year. Adjusted for the transition effect to IFRS 16, EBITDA was SEK 41.9 million and the EBITDA margin was 31%.

Operating profit for the nine-month period amounted to SEK 17.8 (-6.9) million. Depreciation, which does not affect cash flow, affected operating profit by SEK -31.6 (-25.8) million, of which depreciation of the Bactiguard technology amounted to SEK -17.9 (-17.9) million and depreciation of leasing assets SEK -7.7 (-1.3) million.

Financial items amounted to SEK -7.2 (-7.1) million. Forward hedging of USD during the year has had a negative impact on net financial items of SEK -2.2 (-3.7) million, in addition to interest expenses for leasing of SEK -2.3 (-0.5) million and for bank loans of SEK -3.2 (-3.4) million.

Cash flow and financial position

Cash flow from operating activities for the period January to September was SEK 42.8 (12.3) million. The change in working capital of SEK -25.6 (-8.7) million, which is essentially related to that the license revenue of 29.4 MSEK from Zimmer Biomet was included in accounts receivable at the end of September. This receivable was paid after the end of the quarter. Working capital was also affected by improvements in accounts receivable and the one-off payment of SEK 11.5 million to the former distributor in China, which was accounted for as cost in 2018 but paid in early 2019.

Cash flow from investing activities amounted to SEK -4.7 (-3.5) million from January to September, most of which is attributable to capitalized development expenditures.

The effect of applying IFRS 16 "Leasing" means that operating cash flow was positively affected by higher EBITDA, with a corresponding negative effect on cash flow from financing activities due to increased amortization of leasing liability of SEK -5.5 (-1.1) million for the period January to September.

Operating cash flow for the period January to September was SEK 12.5 (0.1) million. Cash flow from financing activities was SEK -8.1 (-3.6) million for the period January to September, of which SEK -7.5 (-2.5) million related to amortisation of the bank loan. Total cash flow for the period January to September amounted to SEK 4.4 (-3.5) million.

Consolidated equity on the 30 September 2019 amounted to SEK 384.9 (376.4) million and net debt to SEK 217.2 (151.9) million. Applying IFRS 16 "Leasing" from January 2019 led to a significant increase in net debt, as a result of increased leasing liability. The leasing liability is interest-bearing and amounts to SEK 80.8 million of the net debt as of September 30, 2019, compared with SEK 12.8 million as of September 30, 2018. In addition to the leasing liability, the Group has a bank loan of SEK 135 million with a maturity of three years until December 2020. Out of the granted overdraft facility of SEK 30 million, SEK 8.8 (0) million was utilized as of September 30, 2019.

On 30 September 2019, total assets of the Group amounted to SEK 657.2 (600.1) million. The largest asset items on the balance sheet are goodwill of SEK 226.3 million and the Bactiguard technology, which amounted to SEK 171.1 million at the end of the period. The Bactiguard technology is depreciated by approximately SEK 24 million annually over a period of 15 years.

Other disclosures

The share and share capital

Trade in the Bactiguard share takes place at Nasdaq Stockholm under the ticker symbol "BACTI". The last price paid for the listed B share on 30 September 2019 was SEK 51, and the market capitalization amounted to SEK 1 698 million.

The share capital of Bactiguard on 30 September 2019 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 September 2019 amounted to 33,302,373 shares and 69,302,373 votes.

Ownership

On 30 September 2019 Bactiguard had 2,440 shareholders.

Shareholders	No. of A shares	No. of B shares	Total number	% of capital	% of votes
CHRISTIAN KINCH AND COMPANY	2 000 000	4 125 977	6 125 977	18,4%	34,8%
THOMAS VON KOCH AND COMPANY	2 000 000	4 125 878	6 125 878	18,4%	34,8%
FJÄRDE AP FONDEN		3 248 354	3 248 354	9,8%	4,7%
NORDEA INVESTMENT FUNDS		3 158 095	3 158 095	9,5%	4,6%
STÅHLBERG, JAN		2 983 177	2 983 177	9,0%	4,3%
HANDELSBANKEN INVESTMENT FUNDS		1 573 518	1 573 518	4,7%	2,3%
FÖRSÄKRINGSBOLAGET, AVANZA PENSION		1 204 162	1 204 162	3,6%	1,7%
LANCELOT ASSET MANAGEMENT AB		890 000	890 000	2,7%	1,3%
CANCERFONDEN		544 858	544 858	1,6%	0,8%
SWEDBANK FÖRSÄKRING		515 241	515 241	1,5%	0,7%
Total, major shareholders	4 000 000	22 369 260	26 369 260	79,2%	90,0%
Total, others		6 933 113	6 933 113	20,8%	10,0%
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 in the first quarter amounted to 59 (66), of which 36 (40) 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 2018, in addition to what is explained below.

As of January 1, 2019, the Group applies IFRS 16 Leases. In 2018 the Group's leases and service agreements were compiled and analyzed. As a result, 12 operating leases were identified for offices, company cars and office equipment, which now have been reclassified as financial leases in accordance with IFRS 16. Above all, the lease agreement for the company's headquarters and production facility in Botkyrka generates a significant portion of the effect on the company's earnings and financial position. Bactiguard has a financial leasing agreement for a production plant, which used to be recognised in accordance with IAS 17 Leases, but which now is reclassified in accordance with IFRS 16. The value of the rights of use and leasing liabilities for this agreement were reclassified to the amounts to which they were recognized in accordance with IAS17. This agreement was previously reported on the line Machinery and other technical plant, but as of 2019 this agreement is reported in the line Leased assets in the statement of financial position.

The Group applied the forward-looking method for transitioning to this new standard, which means that the comparison figures have not been recalculated and that the value of the asset with the right of use is equal to the leasing debt at the transition date. When establishing the right of use and lease liability for current agreements, the most important judgements are whether an agreement is, or contains a leasing agreement, establishing the leasing periods and discount rates. Leases with a term less than 12 months are classified as short-term agreements, and leases where the underlying asset has a replacement value less than TSEK 45 are classified as low-value agreements. None of these types of agreement are included in the rights of use or lease liabilities that have been recognised. The right of use period has been established based on how the extension clauses are expected to be used, considering the company's strategic plans, and historic

information about how the extension options have previously been used. If it is not reasonably certain that there will be an extension, the extension will not be included in the calculation of the lease liability. The company's marginal loan rate at the transition date is used as the discount rate. This has been established per country based on the ten-year government bond rate, the company's credit risk and the currency risk.

At the transition date tangible assets increased with SEK 74 million and interest-bearing liabilities increased by SEK 73 million. The Equity of the group as of January 1, 2019 was not affected by the transition to IFRS 16. A bridge showing the balance sheet changes as of January 1, 2019 and the effect on relevant key figures in the quarter can be found after the financial reports.

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.

Since 2017, Bactiguard has 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 and board member Thomas von Koch. During the period, no transactions with Smartwise Sweden AB took place, but Smartwise Sweden AB's parent company has leased premises from Bactiguard at market terms.

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 51-52 in the Annual Report for 2018.

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	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
<i>Revenues</i>					
License revenues	54 355	30 143	111 101	82 258	109 536
Sales of BIP products	8 650	3 939	14 947	26 135	40 561
Other revenues	3 980	1 610	10 125	12 630	13 063
	66 985	35 691	136 173	121 023	163 160
Raw materials and consumables	-6 770	-4 633	-14 848	-18 250	-25 717
Other external expenses	-12 188	-9 917	-31 107	-40 909	-56 429
Personnel costs	-11 188	-12 279	-39 459	-39 424	-53 838
Depreciation and amortisation	-10 563	-8 074	-31 647	-25 750	-34 194
Other operating expenses	-367	-957	-1 340	-3 617	-5 022
	-41 077	-35 859	-118 401	-127 950	-175 201
Operating profit/loss	25 908	-167	17 772	-6 927	-12 040
<i>Profit/loss from financial items</i>					
Financial income	887	430	1 454	3 602	3 698
Financial expenses	-4 482	-2 001	-8 625	-10 740	-12 353
	-3 595	-1 571	-7 171	-7 137	-8 654
Profit before tax	22 313	-1 738	10 601	-14 064	-20 695
Taxes for the period	1 402	1 212	4 096	4 661	5 764
Net profit/loss for the period	23 716	-526	14 697	-9 404	-14 931
Attributable to:					
Shareholders of the parent	23 716	-526	14 697	-9 404	-14 931
Earnings per share, SEK*	0,71	-0,02	0,44	-0,28	-0,45

Condensed consolidated statement of comprehensive income

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net profit/loss for the period	23 716	-526	14 697	-9 404	-14 931
<i>Other comprehensive income:</i>					
<u>Items that will be reclassified to profit or loss for the year</u>					
Translation differences	-292	243	-578	-389	-421
Other comprehensive income, after tax	-292	243	-578	-389	-421
Total comprehensive income for the period	23 424	-283	14 120	-9 794	-15 352
Attributable to:					
Shareholders of the parent	23 424	-283	14 120	-9 794	-15 352
Total earnings per share, SEK*	0,70	-0,01	0,42	-0,29	-0,46
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	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Non-current assets			
Goodwill	226 292	226 292	226 292
Technology	171 143	194 950	188 998
Brands	25 572	25 572	25 572
Customer relationships	8 483	9 663	9 368
Capitalised development expenditure	21 615	20 298	21 494
Patents	400	477	414
Intangible assets	453 504	477 252	472 137
Improvements, leasehold	9 941	11 083	10 896
Leased assets	79 921	-	11 931
Machinery and other technical plant	4 698	17 370	4 830
Equipment, tools and installations	1 358	2 377	2 133
Property, plant and equipment	95 918	30 830	29 790
Long-term receivables	477	173	477
Financial assets	477	173	477
Total non-current assets	549 899	508 255	502 405
Current assets			
Inventory	17 908	14 394	14 266
Accounts receivable	60 648	52 059	54 492
Other current receivables <i>Note 2</i>	22 171	16 968	14 421
Cash and cash equivalents	6 601	8 407	1 893
Total current assets	107 328	91 828	85 072
TOTAL ASSETS	657 227	600 084	587 477
Equity attributable to shareholders of the parent			
Share capital	833	833	833
Other equity	384 128	375 548	369 989
Total equity	384 960	376 380	370 821
Non-current liabilities			
Deferred tax liability	15 374	20 582	19 471
Liabilities to credit institutions	123 650	135 000	130 805
Liabilities leasing agreements	71 540	11 330	10 938
Total non-current liabilities	210 564	166 911	161 214
Current liabilities			
Liabilities to credit institutions	19 400	12 500	14 400
Accounts payable	8 552	4 686	7 051
Liabilities leasing agreements	9 228	1 519	1 538
Other current liabilities <i>Note 2</i>	4 576	15 171	14 183
Accrued expenses and deferred income	19 947	22 915	18 271
Total current liabilities	61 703	56 792	55 442
Total liabilities	272 267	223 703	216 655
TOTAL EQUITY AND LIABILITIES	657 227	600 084	587 477

Condensed consolidated statement of changes in equity

Amounts in TSEK	Equity attributable to shareholders of the parent				
	Share capital	Other capital contributions	Translation reserve	Retained earnings including net profit for the period	Total equity
Opening balance, 1 January 2018	833	675 690	116	-290 465	386 173
Profit/loss for the period				-9 404	-9 404
<i>Other comprehensive income:</i>					
Translation differences			-389		-389
Total comprehensive income after tax	-	-	-389	-9 404	-9 793
Transactions with shareholders					
Total transactions with shareholders	-	-	-	-	-
Closing balance, 30 September 2018	833	675 690	-273	-299 869	376 380
Opening balance, 1 January 2019	833	675 690	-305	-305 376	370 841
Profit/loss for the period				14 697	14 697
<i>Other comprehensive income:</i>					
Translation differences			-578		-578
Total comprehensive income after tax	-	-	-578	14 697	14 120
Transactions with shareholders					
Total transactions with shareholders	-	-	-	-	-
Closing balance, 30 September 2019	833	675 690	-883	-290 679	384 960

Condensed consolidated statement of cash flows

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Cash flow from operating activities					
Net profit/loss for the period	23 716	-526	14 697	-9 404	-14 931
Adjustments for depreciation and amortisation and other non-cash items	10 591	6 044	28 058	21 658	32 487
	34 307	5 518	42 755	12 254	17 556
Cash flow from changes in working capital					
Increase/decrease inventory	1 146	-1 069	-3 319	-572	-427
Increase/decrease accounts receivable	-14 304	5 733	-6 274	5 938	-1 162
Increase/decrease other current receivables	-2 175	182	-8 018	-4 102	-2 884
Increase/decrease accounts payable	331	-4 044	1 499	-151	2 213
Increase/decrease other current liabilities	4 545	-955	-9 511	-9 780	-14 431
	-10 457	-154	-25 623	-8 666	-16 691
Cash flow from investing activities					
Investments in intangible assets	-140	-1 153	-2 366	-3 055	-5 020
Investments in property, plant and equipment	-1 665	-85	-2 309	-423	-725
	-1 804	-1 238	-4 675	-3 478	-5 745
Operating cash flow	22 046	4 126	12 457	110	-4 881
Cash flow from financing activities					
Amortisation of lease	-2 336	-333	-6 832	-1 093	-1 466
Change in lease debt	1 369	-	1 369	-	-
Change in bank overdraft	-16 378	-1 235	4 895	-	3 905
Amortisation of loan	-	-	-7 500	-2 500	-7 500
	-17 345	-1 569	-8 068	-3 593	-5 061
Cash flow for the period	4 701	2 557	4 389	-3 483	-9 942
Cash and cash equivalents at start of period	1 586	5 731	1 893	11 550	11 550
Exchange difference in cash and cash equivalents	314	119	319	340	285
Cash and cash equivalents at end of period	6 601	8 407	6 601	8 407	1 893

Condensed parent company income statement

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Revenues	566	1 536	4 284	5 277	6 967
Operating expenses	-1 187	-2 440	-6 808	-7 857	-10 440
Operating profit/loss	-621	-904	-2 524	-2 580	-3 474
Net financial items	-347	-510	-1 076	-1 517	-2 049
Profit/loss after financial items	-969	-1 413	-3 601	-4 097	-5 523
Tax for the period	-	-	-	-	-
Net profit/loss for the period	-969	-1 413	-3 601	-4 097	-5 523

The parent company presents no separate statement of comprehensive income, since the company has no items in 2019 or 2018 recognized in other comprehensive income. Net profit/loss for the period for the parent company thereby also constitutes the comprehensive income for the period.

Condensed parent company balance sheet

Amounts in TSEK	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Non-current assets			
Financial assets	593 489	612 989	607 489
Total non-current assets	593 489	612 989	607 489
Current assets	1 200	3 816	994
Total current assets	1 200	3 816	994
TOTAL ASSETS	594 689	616 806	608 484
EQUITY & LIABILITIES			
Total equity	453 685	458 712	457 286
Non-current liabilities			
Liabilities to credit institutions	114 850	135 000	126 900
Total non-current liabilities	114 850	135 000	126 900
Current liabilities	26 154	23 094	24 298
Total current liabilities	26 154	23 094	24 298
Total liabilities	141 004	158 094	151 198
TOTAL EQUITY AND LIABILITIES	594 689	616 806	608 484

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 the technology has been 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	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Operating profit/loss	25 908	-167	17 772	-6 927	-12 040
Depreciation and amortisation	<u>10 563</u>	<u>8 074</u>	<u>31 647</u>	<u>25 750</u>	<u>34 194</u>
EBITDA	36 471	7 906	49 419	18 823	22 154

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	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
EBITDA	36 471	7 906	49 419	18 823	22 154
Revenue	<u>66 985</u>	<u>35 691</u>	<u>136 173</u>	<u>121 023</u>	<u>163 160</u>
EBITDA-margin	54%	22%	36%	16%	14%

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.

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Liabilities to credit institutions	143 050	147 500	143 050	147 500	145 205
Long-term liabilities leasing	71 540	11 330	71 540	11 330	10 938
<u>Short-term liabilities leasing</u>	<u>9 228</u>	<u>1 519</u>	<u>9 228</u>	<u>1 519</u>	<u>1 538</u>
Interest-bearing liabilities	223 818	160 349	223 818	160 349	157 681
Cash and cash equivalents	<u>-6 601</u>	<u>-8 407</u>	<u>-6 601</u>	<u>-8 407</u>	<u>-1 893</u>
Net debt	217 217	151 942	217 217	151 942	155 787

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	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Equity	384 960	376 380	384 960	376 380	370 821
Balance sheet total	<u>657 227</u>	<u>600 084</u>	<u>657 227</u>	<u>600 084</u>	<u>587 477</u>
Equity ratio	59%	63%	59%	63%	63%

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. Operating cash flow per share is operating cash flow in relation to the weighted average number of outstanding ordinary shares during the period. Key ratios regarding operating cash flow are presented as they are used by analysts and other stakeholders to evaluate the company.

Profit/loss from financial items

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

Note 1 Revenue distribution

Amounts in TSEK	Total Group	Total Group	Total Group	Total Group	Total Group
	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Type of product/service					
License	54 355	30 143	111 101	82 258	109 536
<u>BIP-products</u>	<u>8 650</u>	<u>3 939</u>	<u>14 947</u>	<u>26 135</u>	<u>40 561</u>
Total	63 005	34 081	126 048	108 393	150 097
Time for revenue recognition					
Performance commitment is met at a certain time	63 005	30 974	123 930	100 076	141 781
<u>Performance commitment is met during a period of time</u>	-	<u>3 108</u>	<u>2 118</u>	<u>8 317</u>	<u>8 317</u>
Total	63 005	34 081	126 048	108 393	150 097

Note 2 Financial assets and liabilities measured at fair value

The table below shows the breakdown of financial assets and financial liabilities recognized at fair value in the consolidated balance sheet.

Distribution of how fair value is determined is based on three levels;

Level 1: according to prices quoted on an active market for the same instrument.

Level 2: based on directly or indirectly observable market data not included in level 1.

Level 3: based on input data that is not observable on the market.

For description of how real values have been calculated, see annual report 2018, note 4. Fair value of financial assets and liabilities is estimated to be substantially consistent with book values. The group holds derivative instruments for foreign exchange contracts which are recognized at fair value through profit or loss, considering the current exchange rate on the foreign exchange market and the remaining maturity of respective instruments.

Amounts in TSEK	2019-09-30	2018-09-30	2018-12-31
	Derivatives (level 2)	Derivatives (level 2)	Derivatives (level 2)
Assets			
Other current receivables	-	-	20
Liabilities			
Other current liabilities	1 912	993	-

Bridge transition to IFRS 16

Amounts in TSEK	Closing Balance 31 December 2018	Conversion to IFRS 16	Adjusted balance 1 January 2019
ASSETS			
Intangible assets	472 137	-	472 137
Improvements, leasehold	10 896		10 896
Machinery and other technical plant	16 761	-11 931	4 830
Leased assets		86 019	86 019
Equipment, tools and installations	2 133		2 133
Property, plant and equipment	29 790	74 088	103 879
Financial assets	477	0	477
Total non-current assets	502 405	74 088	576 493
Current assets	85 072	-674	84 398
TOTAL ASSETS	587 477	73 415	660 891
EQUITY AND LIABILITIES			
Total equity	370 821	-	370 821
Non-current liabilities			
Deferred tax liability	19 471		19 471
Liabilities to credit institutions	130 805		130 805
Other long-term liabilities	10 938	-10 938	0
Liabilities leasing agreements		77 003	77 003
Total non-current liabilities	161 214	66 065	227 278
Current liabilities			
Liabilities to credit institutions	14 400		14 400
Accounts payable	7 051		7 051
Liabilities leasing agreements		8 888	8 888
Other current liabilities	15 721	-1 538	14 183
Accrued expenses and deferred income	18 271		18 271
Total current liabilities	55 442	7 350	62 792
Total liabilities	216 655	73 415	290 070
TOTAL EQUITY AND LIABILITIES	587 477	73 415	660 891

Because of applying IFRS 16 "Leasing" as of January 1, 2019, some of Bactiguard's key figures are affected. Key ratios adjusted for effect from IFRS 16 "Leasing" are presented on the next page.

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
EBITDA	36 471	7 906	49 419	18 823	22 154
<u>Adjustment IFRS 16 Leasing</u>	<u>-2 590</u>	-	<u>-7 480</u>	-	-
EBITDA excluding effect from IFRS 16	33 882	7 906	41 939	18 823	22 154
EBITDA margin excluding effect from IFRS 16	51%	22%	31%	16%	14%

Operating profit

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Operating profit	25 908	-167	17 772	-6 927	-12 040
<u>Adjustment IFRS 16 Leasing</u>	<u>-368</u>	-	<u>-1 046</u>	-	-
Operating profit excluding effect from IFRS 16	25 540	-167	16 727	-6 927	-12 040

Net profit/loss for the period

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net profit/loss for the period	23 716	-526	14 697	-9 404	-14 931
<u>Adjustment IFRS 16 Leasing</u>	<u>281</u>	-	<u>858</u>	-	-
Net profit/loss for the period excluding effect from IFRS 16	23 997	-526	15 556	-9 404	-14 931

Operating cash flow

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Operating cash flow	22 046	4 126	12 457	110	-4 881
<u>Adjustment IFRS 16 Leasing</u>	<u>-325</u>	-	<u>-3 961</u>	-	-
Operating cash flow excluding effect from IFRS 16	21 721	4 126	8 496	110	-4 881

Net debt

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net debt	217 217	151 942	217 217	151 942	155 787
<u>Adjustment IFRS 16 Leasing</u>	<u>-69 438</u>	-	<u>-69 438</u>	-	-
Net debt excluding effect from IFRS 16	147 779	151 942	147 779	151 942	155 787

Equity ratio

Amounts in TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Equity ratio	59%	63%	59%	63%	63%
<u>Adjustment IFRS 16 Leasing</u>	<u>6%</u>	-	<u>6%</u>	-	-
Equity ratio excluding effect from IFRS 16	65%	63%	65%	63%	63%

Forthcoming disclosures of information

5 February 2020	Year-end report 2019
30 March 2020	Annual report 2019
28 April 2020	Annual General Meeting
13 May 2020	Interim report 1 Jan - 31 Mar 2020
13 August 2020	Interim report 1 April - 30 June 2020
5 November 2020	Interim report 1 July - 30 Sept 2020

Contacts

For additional information, please contact:

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Cecilia Edström, CFO and deputy CEO: +46 72 226 23 28

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, 7 November 2019

Jan Ståhlberg

Chairman

Mia Arnhult

Board member

Thomas von Koch

Board member

Anna Martling

Board member

Christian Kinch

CEO and Board member

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 BD 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 2019-11-07, at. 07.30.

Review report

Introduction

We have reviewed the interim report for Bactiguard Holding AB (publ) for the period 1 January 2019 – 30 September 2019. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm, 7 November 2019

DELOITTE AB

Therese Kjellberg

Authorized Public Accountant