

Year-end report for Bactiguard Holding AB (publ)

Corporate registration number 556822-1187

A strong fourth quarter led to all time high in 2019

Fourth quarter (October-December 2019)

- Revenues amounted to SEK 61.6 (42.1) million, an increase of 46% mainly driven by higher BIP sales but also higher license revenues from BD.
- BIP sales amounted to SEK 25.3 (14.4) million. The increase of 75% is essentially a result of positive development in China and the Middle East, but all regions delivered growth.
- EBITDA¹ amounted to SEK 12.2 (3.3) million, with an EBITDA margin¹ of 20% (8%).
- Operating profit² amounted to SEK 1.7 (-5.1) million.
- Net profit/loss² amounted to SEK 1.6 (-5.5) million, or SEK 0.05 (-0.17) per share.
- Operating cash flow¹ for the quarter amounted to SEK 35.5 (-5.0) million, or SEK 1.00 (-0.15) per share.

Full year (January-December 2019)

- Revenues amounted to SEK 197.8 (163.2) million. The increase of 21% was primarily driven by new license revenues from Zimmer Biomet, which generated SEK 29.4 million. The license revenues from BD also increased during the year, due to somewhat higher volumes and a stronger dollar exchange rate.
- BIP sales amounted to SEK 40.2 (40.6) million.
- EBITDA amounted to SEK 61.6 (22.2) million, with an EBITDA margin of 31% (14%).
- Operating profit amounted to SEK 19.5 (-12.0) million.
- Net profit/loss for the period amounted to SEK 16.3 (-14.9) million, or SEK 0.49 (-0.45) per share.
- Operating cash flow for the period amounted to SEK 49.6 (-4.9) million, or SEK 1.38 (-0.15) per share.

Key events during the fourth quarter

- New major order from China
- Nomination committee appointed

Key events after the end of the quarter

- Acquisition of Vigilenz
- Christian Kinch resigns as CEO and is proposed as new Chairman of the Board. Cecilia Edström appointed new CEO.

Key figures ^{1,3}	Oct-Dec	Oct-Dec	Full year	Full Year
	2019	2018	2019	2018
Revenues ² , SEKm	61,6	42,1	197,8	163,2
EBITDA, SEKm	12,2	3,3	61,6	22,2
EBITDA margin, %	20%	8%	31%	14%
Operating profit, SEKm	1,7	-5,1	19,5	-12,0
Net profit/loss for the period ³ , SEKm	1,6	-5,5	16,3	-14,9
Earnings per share ³ , SEK	0,05	-0,17	0,49	-0,45
Operating cash flow, SEKm	35,5	-5,0	49,6	-4,9
Operating cash flow per share, SEK	1,07	-0,15	1,49	-0,15
Equity ratio ¹ , %	60%	63%	60%	63%
Net debt ¹ , SEKm	185,0	155,8	185,0	155,8

¹ Alternative performance measure. For definition and reconciliation, 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

A strong fourth quarter led to all time high in 2019

A strong development in fourth quarter earnings, combined with the licensing deal with Zimmer Biomet led to the highest full-year result in Bactiguard's history. The financial effects of both increased BIP sales and new license revenues clearly show that our growth strategy works.

Total revenues increased by close to 50 percent in the quarter, generating an EBITDA margin of 20 percent and a positive net result. Operating cash flow was record-high as a result of the payment of the license fee by Zimmer Biomet. In 2019, we had growth of just over 20 percent and generated revenues of close to SEK 200 million, with an EBITDA margin of over 30 percent. It is also the first year that we report a positive net result and it makes me both proud and happy.

Licensing business

Revenues from Becton, Dickinson & Company (BD) were higher this quarter and we have seen an accumulated increase for the year as a whole. This is both due to somewhat higher volumes and a favorable dollar exchange rate.

The licensing deal with Zimmer Biomet, one of the world's largest orthopedic companies, did not generate any new license revenue in the quarter. However, cash flow was positively affected by the initial license fee of USD 3 million. As we reach certain milestones in the regulatory process in the United States, the agreement can generate additional revenue of USD 2 million in total. When the products are approved and reach the market Bactiguard will receive royalty based on Zimmer Biomet's sales. The pace of the collaboration is very high, and it is obvious that this is a priority project for both parties.

To us, the importance of this cooperation is far greater than the financial potential. We now have license agreements with two of the world's largest medical device companies - BD and Zimmer Biomet. This confirms the strength of Bactiguard's technology, both in a global perspective and for different types of medical applications, for short-term as well as long-term use, and paves the way for new licensing deals.

The preparatory work of registering our entire portfolio of products in China has now been completed and the focus is on training Well Lead's staff. In 2020, the regulatory process will begin, 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, there has been a strong development in BIP sales. By record sales in the fourth quarter, we achieved the same level of sales as last year. China plays a major role in this context. In 2019, we delivered the same volume of products to our partner Well Lead as we did in 2018, when we signed a new license and distribution agreement that generated record volumes.

China has in a relatively short time become our largest market for BIP products. The rapid spread of the Corona virus is a concern, both from a Chinese and world economic perspective. At the same time, there is a greater need for health care and infection prevention, as virus-infected patients are often affected by subsequent infections caused by bacteria. Our partner, one of the world's largest manufacturers of catheters, focuses on converting a large portion of its own sales and the overall market in China to Bactiguard's infection prevention technology and this will benefit us in the longer term.

We have also seen strong development in the Middle East this year, the region where we have been established the longest and sales to end customers are growing steadily. We have changed some of our distributors in recent years and this has led to positive developments. We have also established new partnerships in Europe. Our experience shows that it takes at least one to one and a half years for a new collaboration to start giving visible results, so we must be patient that sales are still somewhat lumpy.

Given the large volumes delivered during the second half of 2019, we expect a much calmer beginning of 2020.

The strengthening of the management team with Stefan Grass as Chief Medical Officer has accelerated our work of publishing and reaching the market with our clinical studies. In particular, I have the large Indian study of our urinary catheters and the Malaysian study of orthopedic trauma implants in mind. They have both been completed and we hope to get them published in 2020. This will give us even stronger clinical

evidences for a wider use of Bactiguard's products. We are strengthening the organization through new recruitments in sales and project management of licensing to be prepared for increasing demand.

With pride and joy, I sum up the strongest year in Bactiguard's history. The development of the licensing business and the sale of our own products throughout the world confirm that our growth strategy is working.

In that perspective, the acquisition of Vigilenz makes perfect sense and will contribute to faster growth. Together, we will have a much stronger offer for infection prevention and be able to access the global market for advanced wound care, with a potential of over 5 billion USD. We will also gain significant revenue and cost synergies by combining our distribution networks, product development teams, staff functions and production facilities. We are pleased that Professor Choudhury will remain in the company and become a shareholder in Bactiguard, as we see great potential in joint development of new products and licensing applications that enhance patient safety.

A recently published study in The Lancet shows that sepsis is now the most common cause of death in the world. The need for infection prevention is therefore greater than ever and Bactiguard has an increasingly important role to play. I am therefore convinced that we will enter into exciting new licensing deals and increase sales of our own product portfolio to increase patient safety and save more lives.

I have been the CEO of Bactiguard for almost sixteen years. During that time, we have grown from a company with a handful of employees to a listed company with business in approx. 40 countries and nearly 200 employees, following the acquisition of Vigilenz. Everything has its time and every time has its leadership. I now feel it is time to hand over the management responsibility and focus on my role as owner.

Cecilia Edström and I have worked closely for six years and together we have developed the company both commercially and structurally and at the same time turned the profitability around. I am confident that she is the right person to assume the CEO role in the new phase that lies ahead of us. It is with great pleasure I hand over the leadership responsibility to her. I would also like to extend a warm thank you to all our employees who, with their work and dedication, enabled the positive development for Bactiguard.

Christian Kinch, CEO

Key events during the fourth quarter

New major order from China

Bactiguard received another order in December from Well Lead Medical (Well Lead) in China. This is the fourth order from Well Lead and the second generated outside the initial agreement. The order generated revenue in the fourth quarter of approximately SEK 16.5 million.

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.

Key events after the end of the quarter

Bactiguard makes its first acquisition by acquiring Vigilenz

Bactiguard deepens the partnership that was initiated in 2015 by acquiring Vigilenz Medical Devices and Vigilenz Medical Supplies (together Vigilenz) in Malaysia. The acquisition strengthens Bactiguard's position in infection control and wound management, as well as innovation and product development capability and capacity. The consideration consists of a cash payment of USD 4.5 million payable at closing and, subject to approval by the annual general meeting of shareholders (AGM), 241 512 new class B-shares in Bactiguard, equivalent to a value of USD 2 million. The cash portion will be financed through bank facilities provided by Skandinaviska Enskilda Banken (SEB), with a term of three years. At the same time, the term of Bactiguard's current bank facility with SEB will be extended and have the same tenor.

In 2019, Vigilenz had a preliminary, consolidated pro forma turnover of approximately MYR 18 million (approx. SEK 42 million), EBITDA of MYR 2.6 million (approx. SEK 6 million) and an EBITDA-margin of 14 percent.

As a result of the acquisition, joint revenues are expected to grow faster than on a stand-alone basis, as the product portfolios are complementary and can be offered throughout both companies' footprint. In a three to five year perspective, Bactiguard also expects cost synergies of SEK 5-10 million.

Christian Kinch resigns as CEO and is proposed as new Chairman of the Board. Cecilia Edström appointed new CEO.

Christian Kinch today announced to the Board that he will resign as CEO of Bactiguard Holding AB (publ) after close to 16 years. The Board has appointed CFO and Deputy CEO Cecilia Edström as new CEO of Bactiguard and Stefan Grass (CMO) as Deputy CEO. Until a permanent CFO has been recruited, Financial manager Lina Arverud will hold the position as acting CFO.

Prior to the Board's decision, the Nomination Committee held an extraordinary meeting and decided to propose that Christian Kinch is elected new Chairman of the Board at the Annual General Meeting on April 28, 2020. The current Chairman of the Board Jan Ståhlberg has announced that he will be available for re-election as a Board member. The Nomination Committee proposes Jan Ståhlberg as Deputy Chairman of the Board.

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 with the Bactiguard technology for infection prevention under license. 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.

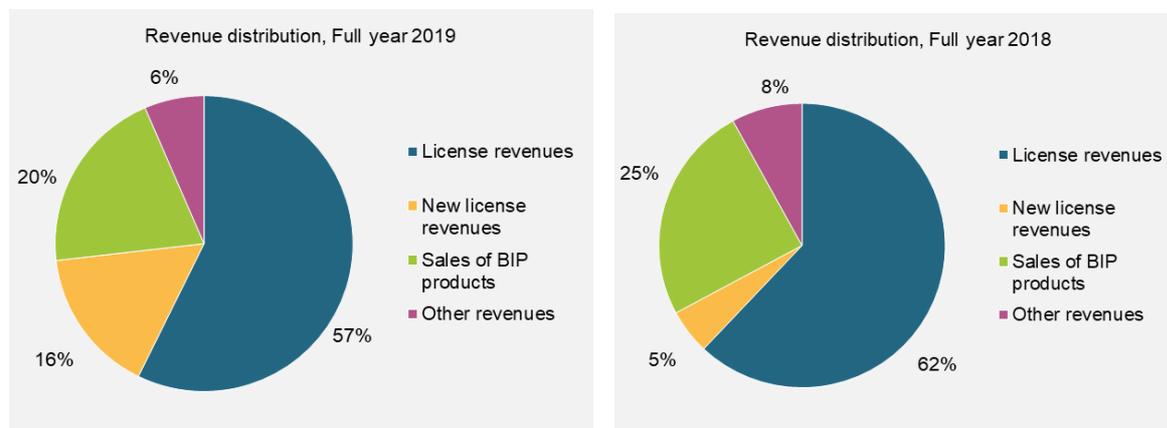
The term "new license revenues" includes the initial fees, while royalty is included in license revenues.

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.

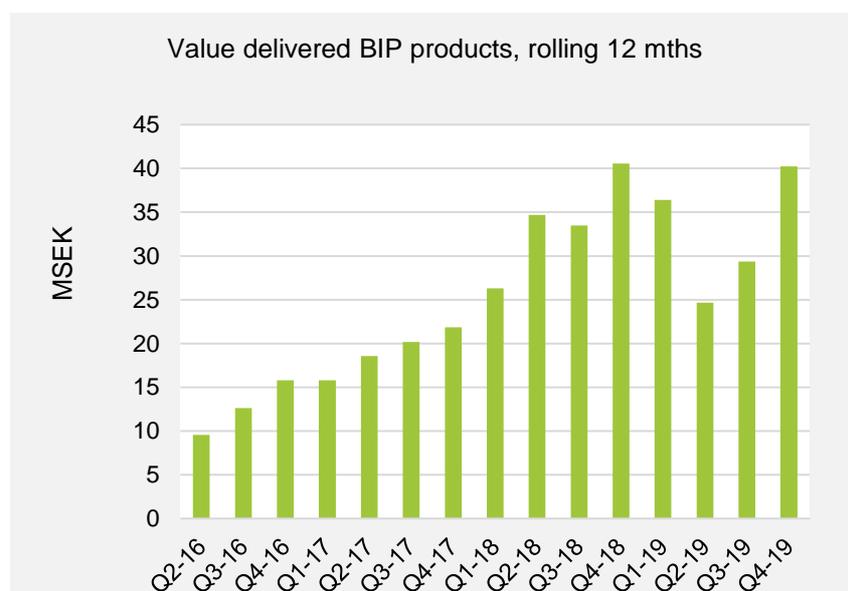
Revenue distribution



Developments during the fourth quarter

License revenue from BD amounted to SEK 33.7 (27.3) million. Both a volume increase and a stronger dollar exchange rate contributed to the increase of SEK 6.4 million compared with the corresponding quarter last year. The underlying business with BD is stable, but volumes vary between quarters without following any clear seasonal pattern.

Sales of BIP products generated record revenues, amounted to SEK 25.3 (14.4) million and 41% of total revenues. Sales to China and the Middle East reached a record level for the quarter. A major order from China with a value of SEK 16.5 million accounted for more than half of total sales, compared with SEK 10.4 million for China in the fourth quarter of 2018. In the Middle East, sales were also very strong during the quarter, with sales increasing to end customers generating recurring orders from existing distributors.



The increase in revenue had a positive impact on operating profit, and EBITDA for the fourth quarter amounted to SEK 12.2 (3.3) million, corresponding to an EBITDA margin of 20% (8%).

Other external expenses amounted to SEK -13.4 (-15.5) million. The fourth quarter of last year was affected by a write-down of accounts receivable of SEK -4.3 million. Apart from this, other external expenses increased by approximately SEK 2.2 million in the fourth quarter of 2019 compared with the corresponding

period last year. Personnel costs amounted to -17.6 (-14.4). The increase in other external costs and personnel costs is mainly explained by an increased investment in sales and marketing.

The application of new accounting principles for leasing in accordance with IFRS 16 increased EBITDA by SEK 2.4 million during the quarter. Adjusted for this transition effect to IFRS 16, EBITDA was SEK 9.8 million and the EBITDA margin was 16%.

The Group's operating profit for the fourth quarter of 2019 amounted to SEK 1.7 (-5.1) million. Depreciation, which does not affect cash flow, affected operating profit by SEK -10.5 (-8.4) million, of which depreciation on Bactiguard technology amounted to SEK -6.0 (-6.0) million and depreciation on leasing assets SEK -2.7 (-0.4) million. The increase in depreciation on leased assets is also an effect of the application of IFRS 16.

Financial items amounted to SEK -2.0 (-1.5) million and are largely comprised of interest expenses on bank loans and interest expenses for leasing.

Tax for the period amounted to SEK 1.8 (1.1) million during the fourth quarter. Reported income tax refers to changes in deferred tax attributable to temporary differences regarding the Group's intangible assets.

Developments during the full year

Consolidated revenues for the full year 2019 amounted to SEK 197.8 (163.2) million, an increase of 21%. BD's license revenue remained stable during 2019 with somewhat higher volumes at the end of the year. A stronger dollar exchange rate has had a favorable impact on license revenue in SEK. Total license revenue from BD amounted to SEK 113.3 (101.2) million.

New license revenue contributed significantly to revenue development and totaled SEK 31.5 (8.3) million. During the year, a new licensing deal was established with Zimmer Biomet in the US, regarding orthopedic trauma implants, which generated revenue of SEK 29.4 million. Through the licensing 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 when specific milestones are reached.

In 2018, a license and distribution agreement was signed with Well Lead in China, which in 2019 generated license revenue of SEK 2.1 (8.3) million. This agreement has generated sales of BIP products to Well Lead of SEK 21.3 million during the year and thus largely contributed to the total sales of BIP products reaching a level in line with previous year SEK 40.2 (40.6) million. During the year we have seen a positive trend in recurring sales to existing markets and distributors, a development that is obvious in the Middle East, which is one of the markets where BIP products were first launched.

Other revenues amounted to SEK 12.8 (13.1) million and consisted of approximately half of the balance sheet-related exchange rate effects. In addition, the post has been influenced by, among other things, grants for development projects

EBITDA for the full year 2019 amounted to SEK 61.6 (22.2) million, corresponding to an EBITDA margin of 31% (14%). The improvement in EBITDA is largely a result of the increase in new license revenue compared with previous year. In addition, higher revenues from BD and sales of BIP products also contributed positively. Adjusted for the transition effect to IFRS 16, EBITDA was SEK 51.7 million and the EBITDA margin was 26%.

Operating profit for the full year amounted to SEK 19.5 (-12.0) million. Depreciation, which does not affect cash flow, affected operating profit by SEK -42.1 (-34.2) million, of which depreciation on Bactiguard technology amounted to SEK -23.8 (-23.8) million and depreciation on leasing assets SEK -10.4 (-1.7) million.

Financial items amounted to SEK -9.2 (-8.7) million. Interest on the bank loan was paid with SEK -4.2 (-4.5) million. In addition, net financial items were affected by interest expenses for leasing SEK -3.1 (-0.6) and forward hedging of USD -1.2 (-3.9).

Reported income tax refers to changes in deferred tax attributable to temporary differences regarding the Group's intangible assets and amounted to SEK 5.9 (5.8) million. Current tax for the year amounted to SEK 0.0 (0.0) million, as only a few foreign subsidiaries report tax for the year. The Swedish companies have a tax loss carryforward that can be used against this year's profit. Therefore, the positive operating profit did

not result in any tax for the year. For the first time, a positive profit after tax of SEK 16.3 (-14.9) million was generated.

Cash flow and financial position

At the beginning of the fourth quarter, payment of the initial license fee of SEK 29.4 million was received from Zimmer Biomet, which generated a strong cash flow. Total cash flow for the quarter amounted to SEK 17.3 (-6.5) million. Operating activities contributed SEK 36.4 (-2.7) million. Investing activities affected cash flow with SEK -1.3 (-2.3) million. Cash flow from financing activities included an amortization of the bank loan of SEK -7.5 million.

For the full year 2019, the positive earnings trend contributed to a significantly improved cash flow from operating activities of SEK 52.7 (17.6) million. Cash flow from working capital was also SEK 1.3 (-16.7) million. Working capital developed positively in 2019 thanks to improvements in accounts receivable and the one-off payment of SEK 11.5 million to the former distributor in China (which was expensed in 2018) in early 2019. Cash flow from investing activities was SEK -4.4 (-5.7) million for the full year. Operating cash flow for the full year 2019 developed strongly and amounted to SEK 49.6 (-4.9) million. Financing activities affected cash flow with SEK -27.8 (-5.0) million, of which SEK -15.0 million was related to amortization of the bank loan.

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 -8.9 (-1.5) million for the full year 2019.

Consolidated equity on the 31 December 2019 amounted to SEK 386.7 (370.8) million and net debt to SEK 185.0 (155.8) 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 81.0 million of the net debt as of December 31, 2019, compared with SEK 12.5 million as of December 31, 2018. In addition to the leasing liability, the Group has a bank loan of SEK 127.5 million with a maturity of three years until December 2020. Out of the granted overdraft facility of SEK 30 million, SEK 0 million was utilized as of December 31, 2019.

In connection with the financing of Vigilenz acquisition, the duration of Bactiguard's existing bank facility has been extended and will have a maturity of three years from February 2020.

On 31 December 2019, total assets of the Group amounted to SEK 641.4 (587.5) million. The largest asset items on the balance sheet are goodwill of SEK 226.3 million and the Bactiguard technology, which amounted to SEK 165.2 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 31 December 2019 was SEK 82.6 SEK, and the market capitalization amounted to SEK 2 751 million.

The share capital of Bactiguard on 31 December 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 31 December 2019 amounted to 33,302,373 shares and 69,302,373 votes.

Ownership

On 31 December 2019 Bactiguard had 3,240 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%
STÅHLBERG, JAN		3 290 532	3 290 532	9,9%	4,7%
FJÄRDE AP FONDEN		3 248 354	3 248 354	9,7%	4,7%
NORDEA INVESTMENT FUNDS		3 183 095	3 183 095	9,6%	4,6%
HANDELSBANKEN INVESTMENT FUNDS		1 630 000	1 630 000	4,9%	2,3%
FÖRSÄKRINGSBOLAGET, AVANZA PENSION		1 051 312	1 051 312	3,2%	1,5%
LANCELOT ASSET MANAGEMENT AB		775 000	775 000	2,3%	1,1%
FRÖAFALL INVEST AB		502 000	502 000	1,5%	0,7%
SWEDBANK FÖRSÄKRING		447 863	447 863	1,3%	0,6%
Total, major shareholders	4 000 000	22 380 011	26 380 011	79,2%	90,0%
Total, others		6 922 362	6 922 362	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. The Board proposes no dividend for 2019.

Condensed consolidated income statement

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
<i>Revenues</i>	<i>Note 1</i>			
License revenues	33 650	27 278	144 751	109 536
Sales of BIP products	25 289	14 427	40 236	40 561
Other revenues	2 699	433	12 824	13 063
	61 639	42 137	197 811	163 160
Raw materials and consumables	-17 214	-7 467	-32 062	-25 717
Other external expenses	-13 443	-15 520	-44 550	-56 429
Personnel costs	-17 584	-14 414	-57 043	-53 838
Depreciation and amortisation	-10 481	-8 444	-42 128	-34 194
Other operating expenses	-1 176	-1 405	-2 516	-5 022
	-59 899	-47 251	-178 300	-175 201
Operating profit/loss	1 739	-5 113	19 511	-12 040
<i>Profit/loss from financial items</i>				
Financial income	1 458	150	151	3 698
Financial expenses	-3 444	-1 667	-9 309	-12 353
	-1 986	-1 517	-9 158	-8 654
Profit before tax	-247	-6 630	10 353	-20 695
Taxes for the period	1 806	1 103	5 903	5 764
Net profit/loss for the period	1 560	-5 527	16 256	-14 931
Attributable to:				
Shareholders of the parent	1 560	-5 527	16 256	-14 931
Earnings per share, SEK*	0,05	-0,17	0,49	-0,45

Condensed consolidated statement of comprehensive income

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Net profit/loss for the period	1 560	-5 527	16 256	-14 931
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified to profit or loss for the year</u>				
Translation differences	172	-32	-406	-421
Other comprehensive income, after tax	172	-32	-406	-421
Total comprehensive income for the period	1 731	-5 559	15 850	-15 352
Attributable to:				
Shareholders of the parent	1 731	-5 559	15 850	-15 352
Total earnings per share, SEK*	0,05	-0,17	0,48	-0,46
Number of shares at the end of period ('000)	33 302	33 302	33 302	33 302
Weighted average number of shares ('000)	33 302	33 302	33 302	33 302
* no dilution effect				

Condensed consolidated statement of financial position

Amounts in TSEK	2019-12-31	2018-12-31
ASSETS		
Non-current assets		
Goodwill	226 292	226 292
Technology	165 192	188 998
Brands	25 572	25 572
Customer relationships	8 188	9 368
Capitalised development expenditure	21 555	21 494
Patents	355	414
Intangible assets	447 153	472 137
Improvements, leasehold	9 536	10 896
Leased assets	79 266	11 931
Machinery and other technical plant	4 410	4 830
Equipment, tools and installations	1 886	2 133
Property, plant and equipment	95 099	29 790
Long-term receivables	1 837	477
Financial assets	1 837	477
Total non-current assets	544 090	502 405
Current assets		
Inventory	14 351	14 266
Accounts receivable	45 414	54 492
Other current receivables <i>Note 2</i>	14 634	14 421
Cash and cash equivalents	22 878	1 893
Total current assets	97 277	85 072
TOTAL ASSETS	641 367	587 477
Equity attributable to shareholders of the parent		
Share capital	833	833
Other equity	385 859	369 989
Total equity	386 691	370 821
Non-current liabilities		
Deferred tax liability	13 553	19 471
Liabilities to credit institutions	102 500	130 805
Liabilities leasing agreements	71 760	10 938
Total non-current liabilities	187 813	161 214
Current liabilities		
Liabilities to credit institutions	24 400	14 400
Accounts payable	8 588	7 051
Liabilities leasing agreements	9 223	1 538
Other current liabilities <i>Note 2</i>	2 528	14 183
Accrued expenses and deferred income	22 122	18 271
Total current liabilities	66 862	55 442
Total liabilities	254 675	216 655
TOTAL EQUITY AND LIABILITIES	641 367	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				-14 931	-14 931
<i>Other comprehensive income:</i>					
Translation differences			-421		-421
Total comprehensive income after tax	-	-	-421	-14 931	-15 352
Transactions with shareholders					
Total transactions with shareholders	-	-	-	-	-
Closing balance, 31 December 2018	833	675 690	-305	-305 396	370 821
Opening balance, 1 January 2019	833	675 690	-305	-305 396	370 841
<i>Adjustment of previous year's equity</i>				20	
Profit/loss for the period				16 256	16 256
<i>Other comprehensive income:</i>					
Translation differences			-406		-406
Total comprehensive income after tax	-	-	-406	16 276	15 850
Transactions with shareholders					
Total transactions with shareholders	-	-	-	-	-
Closing balance, 31 December 2019	833	675 690	-711	-289 120	386 691

Condensed consolidated statement of cash flows

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Cash flow from operating activities				
Net profit/loss for the period	1 559	-5 527	16 256	-14 931
Adjustments for depreciation and amortisation and other non-cash items	8 366	10 829	36 424	32 487
	9 925	5 302	52 680	17 556
Cash flow from changes in working capital				
Increase/decrease inventory	3 469	145	150	-427
Increase/decrease accounts receivable	14 489	-7 100	8 215	-1 162
Increase/decrease other current receivables	7 134	1 218	-884	-2 884
Increase/decrease accounts payable	37	2 364	1 536	2 213
Increase/decrease other current liabilities	1 797	-4 652	-7 715	-14 431
	26 925	-8 025	1 302	-16 691
Cash flow from investing activities				
Investments in intangible assets	-516	-1 965	-2 882	-5 020
Investments in property, plant and equipment	-790	-302	-1 541	-725
	-1 306	-2 267	-4 423	-5 745
Operating cash flow	35 544	-4 990	49 559	-4 881
Cash flow from financing activities				
Amortisation of lease	-1 899	-373	-8 921	-1 466
Change in bank overdraft	-8 800	3 905	-3 905	3 905
Amortisation of loan	-7 500	-5 000	-15 000	-7 500
	-18 199	-1 468	-27 826	-5 061
Cash flow for the period	17 345	-6 459	21 733	-9 942
Cash and cash equivalents at start of period	6 601	8 407	1 893	11 550
Exchange difference in cash and cash equivalents	-1 067	-55	-748	285
Cash and cash equivalents at end of period	22 879	1 893	22 878	1 893

Condensed parent company income statement

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Revenues	797	1 690	5 081	6 967
	797	1 690	5 081	6 967
Operating expenses	-1 502	-2 584	-8 310	-10 440
	-1 502	-2 584	-8 310	-10 440
Operating profit/loss	-704	-894	-3 229	-3 474
Net financial items	-361	-532	-1 438	-2 049
Profit/loss after financial items	-1 066	-1 426	-4 667	-5 523
Tax for the period	15 255	-	15 255	-
Net profit/loss for the period	14 189	-1 426	10 588	-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	2019-12-31	2018-12-31
ASSETS		
Non-current assets		
Financial assets	592 860	607 489
Deferred tax asset	15 255	-
Total non-current assets	608 114	607 489
Current assets	3 769	994
Total current assets	3 769	994
TOTAL ASSETS	611 883	608 484
EQUITY & LIABILITIES		
Total equity	467 873	457 286
Non-current liabilities		
Liabilities to credit institutions	102 500	126 900
Total non-current liabilities	102 500	126 900
Current liabilities	41 510	24 298
Total current liabilities	41 510	24 298
Total liabilities	144 010	151 198
TOTAL EQUITY AND LIABILITIES	611 883	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	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Operating profit/loss	1 739	-5 113	19 511	-12 040
Depreciation and amortisation	<u>10 481</u>	<u>8 444</u>	<u>42 128</u>	<u>34 194</u>
EBITDA	12 221	3 330	61 640	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	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
EBITDA	12 221	3 331	61 640	22 154
Revenue	<u>61 639</u>	<u>42 137</u>	<u>197 811</u>	<u>163 160</u>
EBITDA-margin	20%	8%	31%	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	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Liabilities to credit institutions	126 900	145 205	126 900	145 205
Long-term liabilities leasing	71 760	10 938	71 760	10 938
<u>Short-term liabilities leasing</u>	<u>9 223</u>	<u>1 538</u>	<u>9 223</u>	<u>1 538</u>
Interest-bearing liabilities	207 884	157 681	207 884	157 681
Cash and cash equivalents	<u>-22 878</u>	<u>-1 893</u>	<u>-22 878</u>	<u>-1 893</u>
Net debt	185 006	155 787	185 006	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	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Equity	386 691	370 821	386 691	370 821
Balance sheet total	<u>641 367</u>	<u>587 477</u>	<u>641 367</u>	<u>587 477</u>
Equity ratio	60%	63%	60%	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
	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Type of product/service				
License	33 650	27 278	144 751	109 536
<u>BIP-products</u>	<u>25 289</u>	<u>14 427</u>	<u>40 236</u>	<u>40 561</u>
Total	58 939	41 705	184 987	150 097
Time for revenue recognition				
Performance commitment is met at a certain time	58 939	41 705	182 869	141 781
<u>Performance commitment is met during a period of time</u>	-	<u>0</u>	<u>2 118</u>	<u>8 317</u>
Total	58 939	41 705	184 987	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	Full year 2019		Full year 2018	
	Derivatives (level 2)	Fair value	Derivatives (level 2)	Fair value
Assets				
Other current receivables	-	-	20	20
Liabilities				
Other current liabilities	248	248	-	-

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.

EBITDA and EBITDA margin

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
EBITDA	12 221	3 331	61 640	22 154
<u>Adjustment IFRS 16 Leasing</u>	<u>-2 425</u>	-	<u>-9 905</u>	-
EBITDA excluding effect from IFRS 16	9 796	3 331	51 735	22 154
EBITDA margin excluding effect from IFRS 16	16%	8%	26%	14%

Operating profit

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Operating profit	1 739	-5 113	19 511	-12 040
<u>Adjustment IFRS 16 Leasing</u>	<u>-133</u>	-	<u>-1 179</u>	-
Operating profit excluding effect from IFRS 16	1 606	-5 113	18 332	-12 040

Net profit/loss for the period

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Net profit/loss for the period	1 560	-5 527	16 256	-14 931
<u>Adjustment IFRS 16 Leasing</u>	<u>299</u>	-	<u>1 157</u>	-
Net profit/loss for the period excluding effect from IFRS 16	1 859	-5 527	17 413	-14 931

Operating cash flow

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Operating cash flow	35 544	-4 990	49 559	-4 881
<u>Adjustment IFRS 16 Leasing</u>	<u>297</u>	-	<u>-3 664</u>	-
Operating cash flow excluding effect from IFRS 16	35 841	-4 990	45 895	-4 881

Net debt

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Net debt	185 006	155 787	185 006	155 787
<u>Adjustment IFRS 16 Leasing</u>	<u>-70 157</u>	-	<u>-70 157</u>	-
Net debt excluding effect from IFRS 16	114 849	155 787	114 849	155 787

Equity ratio

Amounts in TSEK	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Equity ratio	60%	63%	60%	63%
<u>Adjustment IFRS 16 Leasing</u>	8%	-	8%	-
Equity ratio excluding effect from IFRS 16	68%	63%	68%	63%

Forthcoming disclosures of information

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

Annual report and Annual General Meeting

The Annual report for the financial year 2019 will be published at the company's website on 30 March 2020. The Annual General Meeting of Bactiguard Holding AB (publ) will be held on Tuesday, 28 April 2020 at the company's headquarters in Botkyrka.

Contacts

For additional information, please contact:

Christian Kinch, CEO: +46 8 440 58 80

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, 5 February 2020

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 2020-02-05, at. 08.00.