

## Interim report for Q3 2018

### Stable development following a very strong second quarter

Following a very strong second quarter, the third quarter was a bit calmer, which is natural. Total revenues were somewhat higher than last year primarily due to increased license revenues from our largest partner BD, while BIP sales were lower. It is therefore reassuring that, so far this year, BIP sales have risen by as much as 80 percent. Even though the third quarter was not as strong as the second, developments so far this year are very positive.

#### Third quarter (July-September 2018)

- Revenues amounted to SEK 35.7 (34.8) million, an increase of 3%.
- BIP sales amounted to SEK 3.9 (5.2) million, a decrease of 24%, which is explained by the fact that this quarter did not contain any deliveries to China, which the corresponding quarter in 2017 did.
- EBITDA amounted to SEK 7.9 (8.4) million, with an EBITDA margin of 22% (24%).
- Operating profit amounted to SEK -0.2 (-0.3) million.
- Net profit/loss for the quarter amounted to SEK -0.5 (-0.4) million, or SEK -0.02 (-0.01) per share.
- Operating cash flow for the quarter amounted to SEK 4.1 (5.2) million, or SEK 0.12 (0.15) per share.

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#### Nine-month period (January-September 2018)

- Revenues amounted to SEK 121.0 (112.3) million, an increase of 8% driven by higher BIP sales, while new license revenues were lower than previous year.
- BIP sales amounted SEK 26.1 (14.5) million, an increase of 80%. Increased sales volumes to China and India and a change in product mix explain the increase.
- EBITDA for the period amounted to SEK 18.8 (25.6) million, with an EBITDA margin of 16% (23%). The decrease is attributable to higher license revenues from the deal with Smartwise last year and one-off costs of SEK 11.5 million for early termination of the distribution agreement for China 2018.
- Operating profit amounted to SEK -6.9 (-0.7) million, a decrease explained by the above.
- Net profit/loss for the period amounted to SEK -9.4 (-2.3) million, or SEK -0.28 (-0.07) per share.
- Operating cash flow for the period amounted to SEK 0.1 (5.7) million, or SEK 0.0 (0.17) per share.

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#### Key events during the third quarter

- New distribution agreement for Germany
- First CVC tender won in Sweden
- Another Foley tender won in Sweden
- Launch of line extensions to BIP Foley Catheter
- Broadened shareholder base

#### Key events after the end of the third quarter

- Partners with Mediplast in Scandinavia
- Product approval in Egypt
- Nomination Committee appointed



## Comments by the CEO

### Stable development following a very strong second quarter

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EBITDA amounted to almost SEK 8 million in the quarter, with a margin of 22%. It is good, although slightly lower than last year, mainly due to proactive investments in sales and marketing. For the first nine months, we report an EBITDA of close to 19 million and a margin of 16%, despite the cost of just over SEK 11 million to terminate our previous distribution agreement in China. Excluding these one-off costs, the EBITDA result and margin are at par with 2017.

Net profit is still negative, which is explained by the annual depreciation of nearly SEK 25 million we make on our technology. It doesn't affect cash flow and the real value rises as we increase sales and develop new license deals.

An important part of our strategy is to develop new **licensing applications**. Last year we concluded an agreement with Smartwise Sweden AB regarding advanced vascular injection catheters intended for, among other things, cancer treatment. This year we have signed an agreement with Well Lead, one of the world's largest manufacturers of catheters, to broaden our offer in the Chinese market. At the same time, we are actively working with the CE marking of orthopedic trauma implants with Bactiguard's coating. This process has been going on for more than a year and we are approaching the end. We see great opportunities in improving the quality of life for severely injured patients, while opening opportunities for us to enter into new licensing agreements in this area with significant market potential.

Our cooperation with Well Lead for China is developing well. The process of seeking regulatory approval for central venous catheters and endotracheal tubes, locally produced in China with Bactiguard's infection preventive technology, is ongoing at high intensity. So far, it has gone faster than expected and we have generated a further SEK 3 million of revenues in the quarter, totaling SEK 8 million this year, of approximately SEK 10 million in total initial license revenue from Well Lead. Once the products are approved, sales will generate recurring license revenue, so in the long term, the value of the partnership is significantly greater than the initial revenue.

**BIP sales** are developing well although still vary between quarters. This is primarily because sales to end customers take place through distributors who place orders to meet demand for several months. Therefore, to see clear trends, we need to focus on longer periods of time.

During the first nine months of this year, sales to China more than doubled. We now have full focus on shifting the responsibility for existing customers from our former distributor to our new partner. Simultaneously, Well Lead has developed plans for penetrating the top-rated hospitals in three to four regions and continues to train their staff.

In Sweden, developments are positive. In the past year, we have won important tenders in all major and several smaller regions. The tenders won for urinary catheters now cover 70 percent of Sweden's population and region Skåne's procurement of central venous catheters more than 10 percent of the population. Against this background, it is a natural step to go from direct sales with two own sales reps, to a cooperation with Medioplast, who with a much larger sales force in the Swedish market can cover hospitals more effectively. The cooperation also means that we will be able to launch the BIP portfolio in Norway and Denmark, markets that we have not yet approached.

In India, sales have multiplied this year, from a low level 2017. This is due to that the entire product portfolio is now approved, which opens new opportunities for our partners to approach hospitals, especially intensive care units. Therefore, we are investing in seminars and training of staff at the major hospitals in the largest metropolitan areas.

In Europe and the Middle East, sales so far this year are at about the same level as in 2017. Therefore, it is important that we move our positions forward. Activities in the German market, together with our partner Asid Bonz, are gradually increasing during the autumn in this important market. Just recently, we also received



notification that our urinary catheters are approved in Egypt, which opens a significant potential in this giant market, so we are looking forward to developments in all regions.

Finally, I want to take this opportunity to welcome Nordea Funds and the Fourth AP Fund as major shareholders. This is positive for Bactiguard and their representatives will join the nomination committee that prepares decisions for the 2019 annual general meeting.

Christian Kinch, CEO

*This information is information that Bactiguard Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below 2018-11-06, at. 08.00.*

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**About Bactiguard**

Bactiguard is a Swedish medical device company with a mission to save lives. To achieve this mission we develop and supply infection prevention 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 technology prevents bacterial adhesion and biofilm formation on medical devices. Bactiguard offers the technology through licence agreements and our BIP (Bactiguard Infection Protection) portfolio of products. Through our licence partner BD, urinary catheters with Bactiguard's coating are market leading in the USA and Japan. Bactiguard's own product portfolio of urinary catheters, endotracheal tubes and central venous catheters prevent some of the most common infections, which appear in the urinary tract, the blood stream and the respiratory tract.

Bactiguard is in a strong expansion phase in the European markets, China, India and the Middle East as well by establishing license agreements in new therapeutic areas. The company has about 70 employees around the world. Its headquarters and one of two production facilities are located in Stockholm, the other one in Malaysia. Bactiguard is listed on Nasdaq Stockholm.

Read more about how Bactiguard saves lives at [www.bactiguard.com](http://www.bactiguard.com)