

Transformation of Bactiguard into a license focused business with the vision to become the global standard of care

Third quarter 2023 (July – September)

- Total revenues amounted to SEK 49.5 (66.2) million, a decrease of 25 %. Net sales amounted to SEK 45.5 (58.7) million. Adjusted for the currency effect, net sales decreased by 23 %.
- Operating loss amounted to SEK 21.6 (11.0) million, an increase of SEK 10.6 million.
- EBITDA amounted to SEK -9.5 (2.5) million.
- Net loss for the period amounted to SEK 24.6 (8.5) million.
- Loss per share, before and after dilution¹, amounted to SEK 0.70 (0.24).
- Cash flow from operating activities amounted to SEK -35.0 (9.9) million, corresponding to SEK -1.00 (0.28) per share.

Key events during the quarter

- Anders Göransson, Global Head of licensing, left Bactiguard.

The period January – September 2023

- Total revenues amounted to SEK 161.8 (181.3) million, a decrease of 11 %. Net sales amounted to SEK 145.3 (162.3) million. Adjusted for the currency effect, net sales decreased by 10 %.
- Operating loss amounted to SEK 108.1 (42.4) million, an increase of SEK 65.8 million, SEK 42 million of the operating loss are due to the Q2 provision.
- EBITDA amounted to SEK -71.8 (-5.3) million, SEK 42 million of which are due to the Q2 provision.
- Net loss for the period amounted to SEK 111.2 (38.7) million.
- Loss per share, before and after dilution¹, amounted to SEK 3.17 (1.10).
- Cash flow from operating activities amounted to SEK -62.4 (-3.9) million, corresponding to SEK -1.78 (-0.11) per share.

Key events after the end of the quarter

- In October, Bactiguard announced a sharpened strategy focused on the licensing business and phasing out of the BIP portfolio.
- Stefan Grass, Chief Medical Officer, announced that he is leaving Bactiguard.
- A study by Bactiguard, KTH and Karolinska Institutet, was published in Scientific Reports.
- New financial targets, to be delivered by year-end 2028, were published; Net sales SEK 1000 million, EBITDA SEK 500 million and 10 application areas in license partnerships.

Key figures	2023	2022	2023	2022	2022	2022/23
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full year	RTM
Revenues ¹ ,SEKm	49.5	66.2	161.8	181.3	253.5	234.0
Operating profit/loss ¹ ,SEKm	-21.6	-11.0	-108.1	-42.4	-55.7	-121.4
EBITDA ² ,SEKm	-9.5	2.5	-71.8	-5.3	-6.4	-72.9
EBITDA margin ² ,%	-19.3	3.8	-44.4	-2.9	-2.5	-31.2
Net profit/loss for the period ¹ ,SEKm	-24.6	-8.5	-111.2	-38.7	-52.9	-125.3
Earnings per share ¹ ,SEK	-0.70	-0.24	-3.17	-1.10	-1.51	-3.58
Cash flow from operating activities ¹ ,SEKm	-35.0	9.9	-62.4	-3.9	3.1	-55.5
Cash flow from operating activities, per share ² ,SEK	-1.00	0.28	-1.78	-0.11	0.09	-1.58
Equity ratio ² ,%	54.8	61.9	54.8	61.9	61.4	54.8
Net debt ² ,SEKm	111.5	36.9	111.5	36.9	41.0	111.5

¹ Defined according to IFRS.

² Alternative performance measure. For definition and reconciliation, see pages 17-18.



CEO statement

Transformation of Bactiguard into a license focused business with the vision to become the global standard of care

Revenues for the third quarter 2023 came in at SEK 49,5 million, a decrease of 25 percent compared to Q3 2022. EBITDA for the quarter amounted to SEK -9.5 million (Q3 2022: SEK 2.5 million). Total costs were lower than Q3 last year and amounted to SEK 71.1 million (Q3 2022 SEK 77.1 million).

Biggest strategic shift in Bactiguard's history

As reported on October 5, Bactiguard has sharpened its strategy to fully focus on the licensing business and put all efforts and our core strengths to enable leading global medtech companies bring medical devices with Bactiguard's unique coating technology to the market. This is the biggest strategic shift in our history and will fundamentally reshape the company, from production to a knowledge specialist organization. I feel confident that this will unleash the potential for our infection prevention technology and simultaneously increase global patient reach. And importantly, lead Bactiguard to profitability.

The transformation process is making good progress. The licensing organization is being strengthened, and we have intense and promising discussions with potential outsourcing partners, both with current and new license partners, while simultaneously terminating the production of the BIP portfolio of coated medical devices. Our main priority is to ensure a smooth transition and minimize supply disruptions for our distributors. We are also investing in the R&D and coating development organizational structure by strengthening these crucial competencies. To further institutionalize our processes, we have launched the Bactiguard Billy Södervall Academy in Markaryd to formalize knowledge sharing and initiate a technology certification, effective both within Bactiguard and with license partners.

We anticipate that once the BIP production and the BIP sales organization are phased out and the products are outsourced to a partner, a loss will quickly turn into a profit. As communicated, the financial impact of the new license focused strategy will, over time, negatively affect the BIP revenues by SEK 25 million while the yearly savings for Bactiguard are anticipated to be more than SEK 25 million.

Slow revenue generation, as anticipated

As communicated in the Q2 report, the licensing revenues for Q3 are severely impacted by the adjusted levels of our license partner Beckton Dickinson (BD), one of the largest global medical technology companies. As stated in Q2, we expect the BD levels to soon be back on pre-covid volumes and we foresee more normalized licensing revenues already in Q4 2023. The licensing revenues amounted to SEK 20.8 million (51 percent below Q3 2022).

The roll-out of ZNN Bactiguard continues across clinics in Europe, and in Japan it is ready for commercial launch during the first half of 2024. The FDA process on Zimmer Biomet's broader orthopedics portfolio is making progress, albeit at a slower pace than we had hoped for. Even though it is frustrating that the process takes time, thorough preparation will facilitate future registrations of the entire product portfolio. It is our best guess that Zimmer Biomet will obtain approval from the FDA in early 2026.

Our collaboration with Zimmer Biomet is excellent and as part of their global strategy "Let's talk about infections", they showcased Bactiguard's coating technology at the European Bone and Joint Infection Society conference in Switzerland mid-October where the theme was the challenges with infections within orthopedic implantology, and more specifically the dangers of biofilm. Adding to that the growing global concerns over antibiotic resistance, our technology is an unprecedented non-antibiotic-releasing alternative to avoid implant related infections. The orthopedics therapeutic area has an underlying market size of roughly USD 40 billion of which Zimmer Biomet has a market share between 10 and 30 percent, hence the potential in our collaboration is great – from a mission, impact, and profitability perspective.

As with any development project, there is uncertainty whether the development project with Dentsply Sirona will turn into a full-blown license agreement, but we will have more clarity before the year end. We have robust clinical evidence supporting the efficacy of our coating technology, and we are confident about our ability to prevent infections also in the dental area.



BPP reported total revenues of SEK 24.6 million for Q3, an increase by 51 percent compared to Q3 2022. Even though the BIP portfolio of coated medical devices had strong Q3 sales of SEK 7.0 million (Q3 2022 SEK 3.8 million), the long-term profitability issues remain. When it comes to sales within Wound Management, revenues amounted to SEK 17.6 million, which was in line with expectations with a growth of 40 percent compared to Q3 2022.

New Executive Management team

As of today, the Executive Management team will include, in addition to the CEO, Bactiguard's CFO, COO (with an overall responsibility for the licensing business), CTO and Head of Communications & Investor Relations. The compilation reflects the competencies Bactiguard needs to drive a successful execution of the new strategy in collaboration with the rest of the team of experts at Bactiguard.

In addition, Stefan Grass, Chief Medical Officer, and deputy CEO, has decided to leave Bactiguard. Stefan has made valuable contributions strengthening our clinical evidence base during his tenure, and we would like to thank him for his time with us and wish him all the best for the future. Simultaneously, we are pleased to inform you that Pankaj Malhotra has been appointed Chief Medical Officer. Pankaj is an MD and will be part of the licensing team and report to the COO.

Outlook – new vision to become the global standard of care

The updated financial targets, as announced yesterday evening, reflect what the Board of Directors and Executive Management team consider to be reasonable mid-term expectations of Bactiguard given our new strategic direction. But they also reflect what we believe in terms of the potential for Bactiguard's coating technology. We are launching a new vision, to become the global standard of care for medical device related infections. This will be achieved by us joining forces with license partners with a common mission to redefine healthcare and improve health worldwide. Our new strategy in a nutshell.

Q3 was another disappointing quarter but our aspirations for the future are bold. We are now putting a fundamental transformation in motion and foreseeing positive dynamic effects following the focused efforts. Bactiguard's coating technology has a great potential to capture one of the most unmet needs of global health care – it is a safe and simple way to avoid biofilm formation resulting in infections on medical devices. We have a clear strategy to fulfill our commitment to championing a healthier world by preventing infections and turning losses into profits during 2024.

Thomas von Koch
CEO

Business model

Bactiguard’s vision is to prevent infections, increase patient safety and save lives. The basis for our business model is a unique technology for infection prevention, which we offer to other manufacturers of medical devices through licensing agreements. We also offer our own product portfolio of catheters with Bactiguard’s coating technology and wound care products.

License business

Bactiguard licenses the patented coating technology to medical technology global companies that apply it to their products and sell them under their own brand. License revenues include upfront fees related to the right to use Bactiguard's coating technology for products in a specific application area and geographical region. Licensees gain access to Bactiguard's process know-how, while the coating – the concentrate of noble metals – is a trade secret.

- Recurring license revenue (formerly called license revenue) involves the sale of the concentrate, royalty (that is a variable payment that is earned once the products are sold on the market).
- Non-recurring license revenue (formerly called new license revenue) includes mainly initial license fees, milestones, and product development fees.

License partner	Applications area	Geography**
Becton Dickinson and Company (BD, former C.R. Bard)	Urinary catheter (Foley)	US, Japan, UK, Ireland, Canada and Australia
Zimmer Biomet	Trauma implants	Global excluding South-East Asia, China, India and South Korea
Zimmer Biomet	Broader orthopaedics portfolio	Global excluding South-East Asia, China, India and South Korea
Dentsply Sirona*	Part of Dental	Global
Well Lead Medical	Urinary catheters, ETT and CVC	China
Smartwise Sweden AB	Advanced vascular injection catheters	Global

* Development agreement with option on license agreements. Black: With approved products in these markets, Green: rights

Bactiguard product portfolio (BPP previously referred to as BIP)

Bactiguard’s leading offer for infection prevention

Current license partnerships

Bactiguard's coating technology is licensed to partners in strategic therapeutic areas

Bactiguard Product Portfolio

Bactiguard Infection Protection Medical devices

Bactiguard Wound Care

Sutures and dressings

Bactiguard has a broad portfolio of products that protect against and prevent infections. The portfolio includes the Bactiguard infection protection products for the urinary, blood and respiratory tracts (BIP products) as well as our Bactiguard Wound Care product line with wound wash, gel, dressings, and sutures.

Development in the third quarter

Revenue

SEKm	2023	2022
	Jul-Sep	Jul-Sep
Recurring license revenues	18.0	36.9
Nonrecurring license revenues	2.8	5.5
BPP revenues	24.6	16.3
Net sales	45.5	58.7
Other revenues	4.0	7.5
Total revenues	49.5	66.2

Total revenue for the third quarter amounted to SEK 49.5 (66.2) million, a decrease of SEK 16.7 million, or 25 percent. Adjusted for the positive currency effect of SEK 2.6 million, revenue decreased by 29 percent. Net sales amounted to SEK 45.5 (58.7) million, corresponding to a decrease of 23 percent. Adjusted for the positive currency effect of SEK 0.6 million, net sales decreased by 24 percent.

Recurring license revenue amounted to SEK 18.0 (36.9) million, a decrease of 51 percent, with and without currency effect. Revenues from BD amounted to SEK 9.2 (34.8) million, which is a decrease of 74 percent compared with the same quarter 2022. The revenue decrease was due to the inventory adjustment BD is making both on concentrate and on coated catheters – this has caused their demand for concentrate to decrease. The revenue from BD consists of two parts: one part is concentrate and one is royalty on net sales to the end-customer. The concentrate part is normally the larger part. The royalty part is more stable. We expect the concentrate volumes to stabilize on a pre-covid level when BD has reached the new inventory levels. Other recurring licensing revenues are primarily related to the minimum royalty for 2022, for the Zimmer Biomet agreement signed in 2019, but also to standard royalty and revenue from the contractual manufacturing that Bactiguard carries out for Zimmer Biomet. In total they amounted to SEK 8.8 (2.1) million.

Non-recurring license revenues for the third quarter amounted to SEK 2.8 (5.5) million. The revenue is primarily related to development projects attributable to the collaboration with Zimmer Biomet, which were signed in 2022.

BPP sales for the third quarter amounted to SEK 24.6 (16.3) million, an increase of SEK 8.3 million, corresponding to an increase of 51 percent. Adjusted for currency effects of SEK 0.4 million, sales increased by 49 percent. Sales of Wound Management show continued strong growth on all targeted markets. The BIP portfolio also had a good quarter and strong growth.

Other revenue amounted to SEK 4.0 (7.5) million, of which SEK 2.0 (5.9) million pertained to currency effects.

Results

Costs for raw materials and consumables for the third quarter amounted to SEK -10.5 (-13.2) million. Other external costs amounted to SEK -21.6 (-20.0) million, an increase of SEK 1.6 million, corresponding to a cost increase of 8 percent. The increase is mainly attributable to increased market activities and customer interactions but are also impacted by the company's more conservative view on the recoverability of overdue customer invoices. Costs for personnel amounted to SEK -25.0 (-24.2) million. Other operating expenses are related to currency exchange losses/gains, which amounted to SEK -3.2 (-7.8) million.

The operating loss amounted to SEK 21.6 (11.0) million. EBITDA for the third quarter amounted to SEK -9.5 (2.5) million and the EBITDA margin was -19.3 percent (3.8).

Depreciation impacted operating loss by SEK -12.1 (-13.5) million. Amortization of intangible assets amounted to SEK -8.2 (-9.9) million, attributable primarily to amortization of SEK -6.4 (-6.4) million related to Bactiguard's technology. Depreciation of fixed assets amounted to SEK -3.8 (-3.6) million, primarily attributable to depreciation on leasing of SEK -2.8 (-2.7) million.



Financial items amounted to SEK -4.4 (0.4) million, where SEK 0.0 (0.0) million pertained to interest income and SEK -3.9 (-2.3) million pertained to interest expenses. The remaining amount of SEK -0.5 (2.6) million pertained to other financial expenses.

Tax for the period amounted to SEK 1.4 (2.1) million, of which a change in deferred tax amounted to SEK 1.4 (2.0) million attributable to the intangible assets and leases, which is calculated at the Swedish tax rate of 20.6 percent.

Income tax in foreign subsidiaries is calculated on the basis of a tax rate of 24.0 percent.

Net loss for the third quarter of 2023 amounted to SEK 24.6 (8.5) million.

Development during the period January - September

Revenue

SEKm	2023	2022	2022	2022/23
	Jan-Sep	Jan-Sep	Full year	RTM
Recurring license revenues	74.8	99.6	139.4	114.6
Nonrecurring license revenues	10.2	15.5	22.0	16.7
BPP revenues	60.3	47.2	62.2	75.2
Net sales	145.3	162.3	223.6	206.6
Other revenues	16.5	19.0	29.9	27.4
Total revenues	161.8	181.3	253.5	234.0

The Group's revenues for the period January – September 2023 amounted to SEK 161.8 (181.3) million, a decrease of SEK 19.5 million, corresponding to 11 percent. Net sales amounted to SEK 145.3 (162.3) million, and hence decreased with SEK 17.0 million which correspond to 10 percent. Adjusted for the positive currency effect of SEK 7.0 million, net sales decreased by 15 percent.

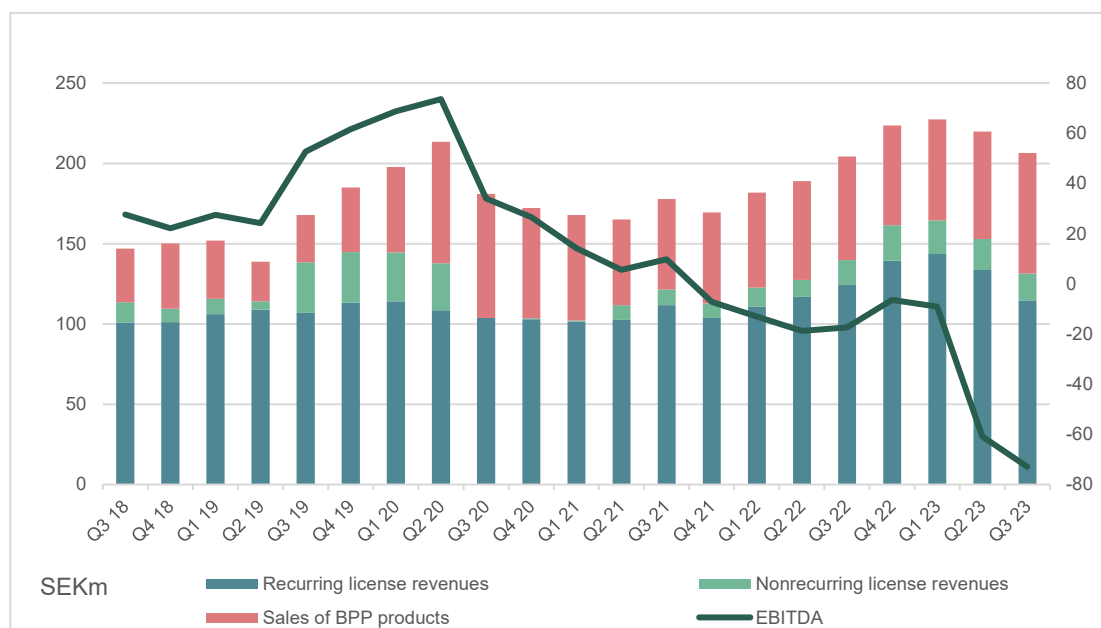
Recurring license revenue for the period amounted to SEK 74.8 (99.6) million. After taking the currency effects of SEK 4.0 million into account the revenue decreased with 29 percent. Revenues to BD for the same period amounted to SEK 64.0 (95.0) million, which correspond to a decrease of SEK 31.0 million or with 33 percent. Currency effects has impacted the BD revenue positively by SEK 4.0 million and stripped of this effect the revenue decreased with 37 percent. Concentrate revenues from BD in 2022 have been higher due to BD restoring safety stock to higher levels than before. We are now seeing a decrease in sales of concentrates as BD adjusts down its stocks to a normal level, both of coated catheters and concentrates. We expect volumes to stabilize at a pre-covid level once they reach the new inventory levels. Royalty revenues are in line with last year. Revenue from contract manufacturing and royalty for Zimmer Biomet amounted to SEK 10.8 (4.6) million.

Non-recurring license revenue for the period January – September was SEK 10.2 (15.5) million, a decrease of SEK 5.2 million, corresponding to 34 percent. Adjusted for a currency effect of SEK 0,7 million revenue decreased by 38 percent. Non-recurring license revenues are primarily related to project revenues and exclusivity revenues for the agreement signed last year with Zimmer Biomet and development revenues for the agreement with Dentsply Sirona, where the decrease compared to last year primarily is attributable to the regulatory revenue that was received last year from Zimmer Biomet.

BPP revenue for the period amounted to 60.3 (47.2) SEK million, an increase of SEK 13.1 million, corresponding to a growth of 28 percent. Adjusted for currency effects of SEK 2.3 million the growth was 23 percent. The revenue increase is primarily attributable to the BIP portfolio and sutures.

Other revenue amounted to SEK 16.5 (19.0) million, of which SEK 9.6 (13.8) million pertained to currency effects. The remaining revenue primarily relates to rent income.

Revenues development, rolling 12 month



The chart shows how revenues for each type of revenue stream have developed over a rolling 12 month period per quarter.

Result

Costs for raw materials and consumables for the period amounted to SEK -49.8 (-34.5) million, an increase of SEK 15.3 million, corresponding to a cost increase of 44 percent. SEK 14.8 million is attributable to the provision the company made in the second quarter for write-downs of inventory- and project-related material purchases. Excluding the adjustment, the cost increase was 4 percent. Other external costs amounted to SEK -75.9 (-62.5) million, an increase of SEK 13.4 million, corresponding to a cost increase of 21 percent, SEK 9.7 million is attributable to the Q2 accrual which was primarily due to a stricter reassessment of the provisions for trade receivables. Other cost increases are mainly explained by market activities and customer interactions in line with the strategic priorities. Costs for Personnel amounted to SEK -98.4 (-72.7) million, an increase of SEK 25.7 million, or 35 percent, of which SEK 17.2 million is attributable to the Q2 accrual which was due to reassessments regarding project costs for the Zimmer Biomet contract signed in 2019 and restructuring costs for rendering the operations more efficient and attaining profitability. Other operating expenses for the period are mainly attributable to exchange rate losses.

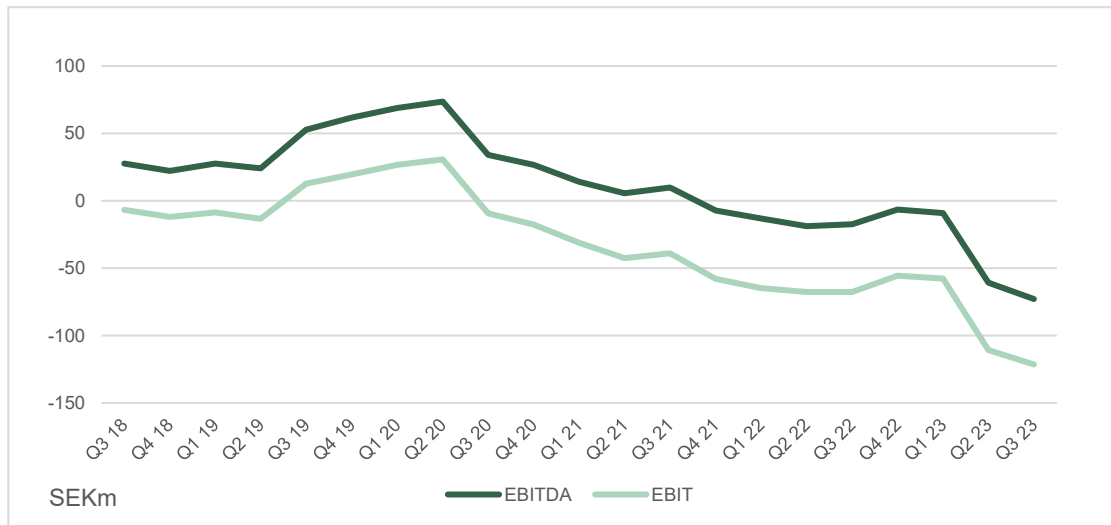
Operating loss for the period January – September amounted to SEK 108.1 (42.4) million. EBITDA for the period January to September was SEK -71.8 (-5.3) million, corresponding to an EBITDA margin of -44.4 percent (-2.9). Depreciation/amortization impacted operating loss by SEK -36.3 (-37.1) million. Amortization of intangible assets amounted to SEK -24.9 (-26.3) million, where the largest item comprised of amortization relating to Bactiguard's technology of SEK -19.1 (-19.1) million. Depreciation of fixed assets amounted to SEK -11.4 (-10.8) million, attributable primarily to depreciation of leases totaling SEK -8.5 (-8.0) million.

Net financial items amounted to SEK -8.0 (-0.9) million, where SEK 0.0 (0.0) million pertained to interest income and SEK -9.9 (-6.1) million pertained to interest expenses. The remaining SEK 1.9 (5.2) million pertained to other financial expenses.

Tax for the period amounted to SEK 5.0 (4.6) million. Of the tax for the period, SEK 4.8 (5.4) million refers to a change in deferred tax attributable to the intangible assets and leasing agreements, which is calculated at the Swedish tax rate of 20.6 percent. Income tax in foreign subsidiaries is calculated on the basis of a tax rate of 24.0 percent.

Net profit/loss for the period amounted to SEK 111.2 (38.7) million.

Operating profit/loss, rolling 12 month



The diagram shows how the result has developed during a rolling 12 month period per quarter.

The positive development of EBITDA in 2019 and the beginning of 2020 was an effect of good revenue development attributable to new license agreements, growth in BPP sales and the acquisition of Vigilenz. During the pandemic, earnings were negatively impacted as regular healthcare activities decreased in favor of covid-19 efforts, which also affected the focus and prioritization of potential license partners.

In 2022 Bactiguard had a strong revenue growth while investments in business development, regulatory expertise and delivery capacity increased in accordance with the focused growth strategy presented in the first quarter of 2022. This had a negative impact on earnings for 2022. The accrual made in the second quarter of 2023 together with the investments in the organization, primarily in license and coating development, very focused on the US, and the reduced revenues from BD imply that profitability has not yet been reached.

Financial targets

The company's financial targets were updated in October 2023 and relates to growth and profitability, to be delivered by year-end 2028.

Growth

Net sales in excess of SEK 1,000 million.

Profitability

EBITDA of SEK 500 million.

Other

10 application areas in license partnership with products in the market

The updated financial targets are anticipated to be achieved following a capacity- and competence-building within Bactiguard's licensing business and with the assumption that the license business and partnerships evolve accordingly. The transformation of Bactiguard will impact the income statement over the coming nine months, but profitability is expected to be achieved during 2024.

Cash flow

Cash flow from operating activities for the quarter amounted to SEK -35.0 (9.9) million and for the period January to September to SEK -62.4 (-3.9) million. Cash flow from changes in working capital was SEK -18.1 (4.4) million for the quarter and SEK 5.4 (7.9) million for the period January - September. Cash flow from investing activities amounted to SEK -0.7 (-6.8) million for the quarter and SEK -2.6 (-7.0) million for the period January – September. Cash flow from financing activities for the quarter amounted to SEK -3.0 (-2.7) million and for the period January to September to SEK -8.0 (-9.0) million.

Cash flow for the quarter amounted to SEK -38.7 (0.3) million and SEK -73.0 (-20.0) million for the period January - September. Cash and cash equivalents at the end of the period of September 30 2023 amounted to SEK 124.4 (204.8) million.

Financial position

Equity on September 30 2023 amounted to SEK 384 (511) million and net debt to SEK 112 (37) million.

The parent company has a credit facility with SEB with a term until December 2024. The total outstanding amount on September 30 2023 amounted to SEK 171 (171) million. As of September 30 2023, the overdraft facility from SEB of SEK 30 million was unutilized. Foreign subsidiaries have credit facilities amounting to SEK 9.2 (9.5) million as of September 30 2023. Total assets amounted to SEK 700 (826) million on September 30 2023.

Other information

The share and share capital

Bactiguard's B share is listed on Nasdaq Stockholm with the short name "BACTI". The closing price paid for the B share was SEK 64.9 (94.0) on 30 September 2023 and the market capitalization amounted to SEK 2,215 (3,294) million.

The share capital in Bactiguard on September 30 2023 amounted to SEK 0.9 (0.9) million divided into 31,043,885 Class B shares with one vote each (31,043,885 votes) and 4,000,000 Class A shares with ten votes each (40,000,000 votes). The total number of shares and votes in Bactiguard on September 30 2023 was 35,043,885 shares and 71,043,885 votes.

Ownership

Shareholders	No. of A shares	No. of B shares	Total number	% of capital	% of votes
Thomas von Koch and company	2,000,000	4,604,182	6,604,182	18.9	34.6
Christian Kinch with family and company	2,000,000	4,180,064	6,180,064	17.6	34.0
Jan Ståhlberg		3,605,150	3,605,150	10.3	5.1
Nordea Investment Funds		3,469,987	3,469,987	9.9	4.9
Fjärde AP-fonden		3,370,992	3,370,992	9.6	4.8
Handelsbanken Fonder		1,955,235	1,955,235	5.6	2.8
AMF - försäkring och fonder		1,706,340	1,706,340	4.9	2.4
SEB Life International Assurance (of which 1 442 436 relates to capital insurance for companies controlled by Thomas von Koch)		1,528,536	1,528,536	4.4	2.1
Avanza Pension		1,024,848	1,024,848	2.9	1.4
The Bank of New York Mellon SA/NV, W8IMY		524,664	524,664	1.5	0.7
Total, major shareholders	4,000,000	25,969,998	29,969,998	85.6	92.8
Total, others		5,073,887	5,073,887	14.4	7.2
Total number of shares	4,000,000	31,043,885	35,043,885	100.0	100.0

* Part of Thomas von Kochs holdings can be found in SEB Life, see table above, note that these do not have voting rights.

Per September 30 2023 Bactiguard had 3,627 (3,633) shareholders.

Employees

Full-time positions in the Group during the period January – September counted to 219 (194) FTE of which 134 (114) were women. As of the end of September, the number of full-time employed individuals was 220.

Key events during the quarter

Anders Göransson, Global Head of licensing, left Bactiguard in Q3 2023.

Key events after the end of the quarter

In October, Bactiguard informs of a sharpened strategy, fully focused on the licensing business. Because of the clarified strategy, the BIP-portfolio will be phased out.

Stefan Grass, Chief Medical Officer, announced that he is leaving Bactiguard.

A study by Bactiguard, KTH and Karolinska Institutet, on the efficacy of Bactiguard's coating technology to reduce thrombo-inflammatory reactions and acute stent thrombosis is published in Scientific Reports.

New financial targets have been published; Net sales in excess of SEK 1 000 million, EBITDA of SEK 500 million and 10 application areas in license partnerships with products in the market by year-end 2028.

Accounting and valuation principles

The consolidated financial statements are prepared in accordance with the 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.

Accounting and valuation principles are stated in the annual report for 2022. The accounting principles are unchanged from previous periods, except for a new assessment model of clients' risk classification, where more clients are assessed individually as a consequence of the change.

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's executive management constitutes the Chief Operating decision maker. The company is considered in its entirety to operate within one business segment.

Parent company

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. Bactiguard 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 52–53 and 66–68 in the Annual Report for 2022.

The geopolitical situation and macro trends

In addition to identified risks, the macro situation and its impact is continuously monitored. When the world now opens up after the pandemic, life is expected to return to normal during the year. We still expect minor disruptions also in 2023 due to the pandemic and its effect on global supply. We notice that the pressure on especially raw materials for sutures which has been high during the pandemic has started to decrease.

Bactiguard does not have suppliers in or sales to neither Russia, Belarus, nor Ukraine. However, the global economy is affected by the situation of the war, and we follow developments closely and continuously evaluate the operational and financial effects as the global situation may change and affect the company's financial position.

Bactiguard has a subsidiary in Israel. We are closely following the developments there and our primary focus is to ensure the staff's well-being and security. We make the assessment that the conflict in Israel will have a negligible effect of the group's result and financial position.

The burnings of the Coran which took place in summer have had a negative impact on sales in some Muslim countries, but they have not substantially affected the group's financial position.

Inflation and higher prices on electricity for instance affect the company negatively and it is not always possible to change the price to the customers, all of which can affect the financial position negatively. The high inflation has caused the interest rates to rise, which will negatively impact interest costs. Some countries are now in or close to recession, which can lead to a decreased ability for customers to pay their invoices. The company also has a large exposure to the USD and other currencies, see the Annual Report for 2022.



Group consolidated income statement

Amounts in SEK thousand	Note	2023	2022	2023	2022	2022	2022/23
		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full year	RTM
Revenues	1						
License revenues		20,808	42,423	85,012	115,057	161,403	131,358
BPP revenues		24,648	16,303	60,281	47,229	62,157	75,209
Other revenues		4,029	7,460	16,546	19,035	29,936	27,447
Sum		49,485	66,185	161,839	181,320	253,495	234,014
Change in inventory of finished goods		732	1,633	732	2,999	3,890	1,623
Capitalized expenses for own account		555	-102	555	0	540	1,095
Raw materials and consumables		-10,520	-13,153	-49,837	-34,469	-47,846	-63,214
Other external expenses		-21,562	-20,017	-75,888	-62,516	-83,232	-96,604
Employee benefits expense		-24,973	-24,203	-98,422	-72,716	-105,060	-130,766
Depreciation		-12,063	-13,490	-36,316	-37,059	-49,240	-48,498
Other operating expenses		-3,246	-7,808	-10,805	-19,927	-28,214	-19,092
Sum		-71,077	-77,140	-269,981	-223,687	-309,162	-355,456
Operating profit/loss		-21,592	-10,955	-108,142	-42,365	-55,667	-121,442
Profit/loss from financial items							
Financial income		2,208	3,988	9,931	10,163	11,513	11,281
Financial expenses		-6,585	-3,632	-17,910	-11,051	-15,700	-22,559
Sum		-4,377	356	-7,979	-889	-4,187	-11,278
Profit/loss before tax		-25,969	-10,599	-116,121	-43,256	-59,854	-132,720
Taxes for the period		1,368	2,053	4,957	4,557	6,978	7,378
NET PROFIT/LOSS FOR THE PERIOD		-24,602	-8,546	-111,164	-38,699	-52,875	-125,342
Attributable to:							
The parent company's shareholders		-24,602	-8,546	-111,164	-38,699	-52,875	-125,342
Earnings per share, before and after dilution, SEK		-0.70	-0.24	-3.17	-1.10	-1.51	-3.58

Condensed statement of comprehensive income

Amounts in SEK thousand	Note	2023	2022	2023	2022	2022	2022/23
		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full year	RTM
Net profit/loss for the period		-24,602	-8,546	-111,164	-38,699	-52,875	-125,342
Other comprehensive income:							
Items that will not be reclassified to profit or loss for the year		-	-	-	-	-	-
Items that will be reclassified to profit or loss for the year							
Translation differences		172	5,181	-979	8,483	7,135	-2,327
Other comprehensive income, after tax		172	5,181	-979	8,483	7,135	-2,327
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-24,430	-3,365	-112,143	-30,216	-45,740	-127,669
Attributable to:							
The parent company's shareholders		-24,430	-3,365	-112,143	-30,216	-45,740	-127,669
Number of shares at the end of period ('000)		35,044	35,044	35,044	35,044	35,044	35,044
Weighted average number of shares ('000)		35,044	35,044	35,044	35,044	35,044	35,044

Group condensed statement of financial position

Amounts in SEK thousand		2023-09-30	2022-09-30	2022-12-31
	Note			
ASSETS				
Non-current assets				
Goodwill		249,790	251,076	250,466
Technology		79,861	105,190	98,838
Brand		25,774	26,108	25,875
Customer relationships		5,551	6,905	6,558
Capitalised development expenditure		10,795	14,546	13,568
Patents		1,442	881	1,315
Intangible fixed assets		373,213	404,706	396,620
Leased assets		52,697	58,190	55,480
Buildings		14,650	15,424	15,097
Improvements, leasehold		5,143	5,997	5,732
Machinery and other technical facilities		18,529	17,435	18,027
Equipment, tools and installations		6,156	5,154	5,293
Tangible assets		97,175	102,201	99,629
Long-term receivables		7,976	1,693	3,095
Financial assets		7,976	1,693	3,095
Total non-current assets		478,364	508,601	499,344
Current assets				
Inventories		41,786	43,503	44,367
Accounts receivable		30,928	47,899	47,126
Other current receivables	2	6,152	9,266	7,285
Prepaid expenses and accrued income		18,042	11,665	11,854
Cash and cash equivalents		124,415	204,838	197,727
Total current assets		221,323	317,170	308,359
TOTAL ASSETS		699,687	825,771	807,704
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the parent				
Share capital		876	876	876
Other equity		382,689	510,358	494,832
Total equity		383,565	511,234	495,709
Non-current liabilities				
Deferred tax liability		-	872	-
Liabilities to credit institutions		179,150	179,570	179,265
Liabilities leasing agreements		44,870	51,148	48,519
Provisions		5,257	-	-
Total non-current liabilities		229,277	231,590	227,785
Current liabilities				
Trade payables		17,628	33,778	33,821
Liabilities leasing agreements		11,928	11,043	10,915
Provisions		16,138	-	-
Other current liabilities	2	5,045	9,248	6,422
Accrued expenses and deferred income		36,106	28,877	33,052
Total current liabilities		86,845	82,945	84,210
TOTAL LIABILITIES		316,122	314,535	311,995
TOTAL EQUITY AND LIABILITIES		699,688	825,771	807,704

Group condensed statement of changes in equity

Amounts in SEK thousand	Equity attributable to shareholders of the parent				
	Share capital	Other contributed capital	Reserves	Retained earnings including net profit for the period	Total equity
Opening balance 2022-01-01	876	930,680	-3,841	-386,265	541,450
<i>Adjustment of equity for previous year</i>					
Net profit/loss for the period				-30,153	-30,153
<i>Other comprehensive income:</i>					
Translation differences			3,302		3,302
Total comprehensive income after tax			3,302	-30,153	-26,851
Closing balance 2022-09-30	876	930,680	-539	-416,418	514,599
Opening balance 2023-01-01	876	930,680	3,294	-439,141	495,709
Net profit/loss for the period				-111,164	-111,164
<i>Other comprehensive income:</i>					
Translation differences			-979		-979
Total comprehensive income after tax			-979	-111,164	-112,143
Closing balance 2023-09-30	876	930,680	2,315	-550,305	383,565

Group condensed statement of cash flows

Amounts in SEK thousand	2023	2022	2023	2022	2022	2022/23
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full year	RTM
Net profit/loss for the period	-24,601	-8,546	-111,164	-38,699	-52,876	-125,342
Adjustments for depreciation and amortisation and other non-cash items	7,680	14,088	43,352	26,942	42,469	58,879
Increase/decrease inventory	-2,219	-4,611	-1,280	-5,746	-7,936	-3,471
Increase/decrease accounts receivable	-1,840	5,039	8,855	-5,530	-2,999	11,387
Increase/decrease other current receivables	-1,578	3,278	-5,604	4,820	4,948	-5,476
Increase/decrease accounts payable	2,110	5,399	-15,470	4,470	4,113	-15,827
Increase/decrease other current liabilities	-14,560	-4,745	18,870	9,841	15,343	24,372
<i>Cash flow from changes in working capital</i>	<i>-18,087</i>	<i>4,360</i>	<i>5,371</i>	<i>7,854</i>	<i>13,469</i>	<i>10,985</i>
Cash flow from operating activities	-35,008	9,902	-62,441	-3,902	3,062	-55,478
Investments in intangible assets	-902	102	-1,420	-	-1,076	-2,496
Investments in tangible assets	194	-6,936	-1,148	-7,019	-9,842	-3,971
Cash flow from investing activities	-708	-6,834	-2,568	-7,019	-10,918	-6,467
Amortisation of lease	-2,796	-2,318	-8,333	-8,005	-12,809	-13,138
Amortisation of loan	288	-163	-	-598	-900	-303
Change in bank overdraft	-258	208	332	923	961	370
Other financing activities	-252	-447	-	-1,352	-1,144	208
Cash flow from financing activities	-3,018	-2,720	-8,001	-9,031	-13,892	-12,863
Cash flow for the period	-38,734	348	-73,010	-19,952	-21,748	-74,808
Cash and cash equivalents at the beginning of the period	163,333	201,197	197,727	217,587	217,587	204,838
Exchange difference in cash and cash equivalents	-186	3,293	-303	7,204	1,888	-5,616
Cash and cash equivalents at end of period	124,415	204,838	124,415	204,838	197,727	124,415

Condensed parent company income statement

Amounts in SEK thousand	2023		2022		2022		2022/23
	Note	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full year	RTM
Revenues		902	-	1,748	-	2,271	4,019
Operating costs		-1,398	-1,379	-5,006	-4,204	-5,655	-6,457
Operating profit/loss		-495	-1,379	-3,257	-4,204	-3,384	-2,437
Net financial items		1,744	549	5,243	1,295	2,534	6,481
Income after financial items		1,249	-830	1,986	-2,909	-850	4,044
Taxes for the period		-	-	-	-	-	-
Net profit/loss for the period		1,249	-830	1,986	-2,909	-850	4,044

The parent company presents no separate statement of comprehensive income since the company has no items in 2023 or 2022 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 SEK thousand	2023-09-30			2022-09-30	2022-12-31
	Note				
ASSETS					
Non-current assets					
Financial assets			897,005	863,051	863,040
Deferred tax asset			15,255	15,255	15,255
Total non-current assets			912,260	878,306	878,295
Current assets			27,481	10,605	16,656
Cash and cash equivalents			3,535	6,151	2,331
Total current assets			31,016	16,756	18,987
TOTAL ASSETS			943,276	895,062	897,282
EQUITY & LIABILITIES					
Total equity			697,275	693,230	695,289
Non-current liabilities					
Liabilities to credit institutions			170,941	170,941	170,941
Total non-current liabilities			170,941	170,941	170,941
Current liabilities			75,060	30,891	31,052
Total current liabilities			75,060	30,891	31,052
TOTAL LIABILITIES			246,001	201,831	201,992
Total equity and liabilities			943,276	895,062	897,282

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.

The 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. Bactiguard considers this performance measure to be the most relevant, since the company's technology is depreciated by large amounts, which does not impact cash flow negatively. Bactiguard's patented, unique technology can be applied to a broad range of products, both in the BPP portfolio and in the licensing business.

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

Amounts in SEK thousand	Note	2023	2022	2023	2022	2022	2022/23
		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full year	RTM
Operating profit/loss		-21,592	-10,955	-108,142	-42,367	-55,667	-121,443
Depreciation		12,063	13,490	36,316	37,059	49,240	48,498
EBITDA		-9,529	2,535	-71,826	-5,308	-6,426	-72,945

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 SEK thousand	Note	2023	2022	2023	2022	2022	2022/23
		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full year	RTM
EBITDA		-9,529	2,535	-71,826	-5,308	-6,426	-72,945
Revenues		49,485	66,185	161,839	181,320	253,495	234,014
EBITDA margin %		-19.3	3.8	-44.4	-2.9	-2.5	-31.2

Cash flow from operating activities per share

Cash flow per share calculated as the sum of cash flow from operating activities and cash flow from investing activities divided by the average number of shares outstanding during the period. The key figure is presented because it is used by analysts and other stakeholders to evaluate the company – it shows operating cash flow per share.

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 minus cash and cash equivalents at the end of the period.

Amounts in SEK thousand	2023	2022	2022
	Jan-Sep	Jan-Sep	Full year
Liabilities to credit institutions	179,150	179,570	179,265
Short-term lease debt	44,870	51,148	48,519
Long-term lease debt	11,928	11,043	10,915
Interest-bearing debt	235,948	241,761	238,699
Cash and cash equivalents	-124,415	-204,838	-197,727
Net debt	111,533	36,923	40,972

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 SEK thousand	2023	2022	2022
	Jan-Sep	Jan-Sep	Full year
Equity	383,565	511,234	495,709
Balance sheet total	699,687	825,771	807,704
Equity ratio, %	54.8	61.9	61.4

Profit/loss from financial items

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

RTM/Rolling twelve month

This performance measure implies the twelve months before and including a certain date.

Note 1 Revenue distribution

Amounts in SEK thousand	Note	2023	2022	2023	2022	2022	2022/23
		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Full year	RTM
Recurring license revenues		17,960	36,903	74,778	99,587	139,443	114,634
Nonrecurring license revenues		2,848	5,520	10,234	15,469	21,960	16,724
BPP revenues		24,649	16,303	60,282	47,229	62,157	75,210
Sum		45,457	58,726	145,294	162,285	223,560	206,568
Time for revenue recognition							
Performance commitment is met at a certain time		42,609	53,206	135,060	146,816	201,600	189,844
Performance commitment is met during a period of time		2,848	5,520	10,234	15,469	21,960	16,724
Sum		45,457	58,726	145,294	162,285	223,560	206,568

Note 2 Financial assets and liabilities 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 2022, note 4. Fair value of financial assets and liabilities is estimated to be substantially consistent with posted 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 SEK thousand	2023	2022	2022	
	Note	2023-09-30	2022-09-30	2022-12-31
		Derivat (nivå 2)	Derivat (nivå 2)	Derivat (nivå 2)
Assets				
Other current receivables		-	-	-
Liabilities				
Other current liabilities		-	3,806	800

Quarterly information

Amounts in SEK thousand	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	RTM 22/23
Recurring license revenues	17,960	19,140	37,678	39,856	36,903	29,099	33,585	114,634
Nonrecurring license revenues	2,848	5,680	1,706	6,490	5,520	7,130	2,820	16,724
BPP revenues	24,649	19,368	16,265	14,928	16,303	15,553	15,373	75,210
Other revenues	4,029	7,006	5,511	10,901	7,460	8,151	3,424	27,447
Total revenue	49,486	51,194	61,159	72,175	66,185	59,932	55,202	234,015
EBITDA	-9,529	-55,681	-6,617	-1,118	2,535	-3,842	-4,002	-72,945
EBITDA margin (%)	-19.3	-108.8	-10.8	-1.5	3.8	-6.4	-7.2	-31.2
EBIT	-21,592	-67,844	-18,707	-13,300	-10,955	-14,843	-16,569	-121,442
Net profit/loss for the period	-24,602	-64,464	-22,098	-14,178	-8,546	-13,674	-16,476	-125,342
Earnings per share, before and after dilution, SEK	-0.70	-1.84	-0.63	-0.40	-0.24	-0.39	-0.47	-3.58
Operating cash flow	-35,008	-19,746	-7,687	6,963	9,902	-1,874	-11,930	-55,478
Operating cash flow per share, SEK	-1.00	-0.56	-0.22	0.20	0.28	-0.05	-0.34	-1.58
Net debt	111,533	75,794	55,356	40,972	36,923	42,394	42,859	111,533
Total shares (pcs)	35,043,885	35,043,885	35,043,885	35,043,885	35,043,885	35,043,885	35,043,885	35,043,885

Forthcoming disclosures of information

February 8 2024	Year-end report 2023 January 1 – December 31 2023
April 11 2024	Annual Report 2023
April 25 2024	Interim report January 1 – March 30 2024
July 16 2024	Half-year report April 1 – June 30 2024
October 24 2024	Interim report July 1 – September 30 2024

Contacts

For additional information, please contact:

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Thomas von Koch, CEO: + 46 8 440 58 80

Signatories of 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, October 27 2023

Christian Kinch
Chairman

Thomas von Koch
Board Member
CEO

Richard Kuntz
Board Member

Anna Martling
Board Member

Magdalena Persson
Board Member

Jan Ståhlberg
Board Member

The quarterly report has been reviewed by the company auditors.

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 on October 27 2023, at 08.00 a.m. CET.

This is a translation of the quarterly report. In the event of any discrepancy, the Swedish version applies.

About Bactiguard

Bactiguard is a global medtech company that develops antibacterial, biocompatible and safe technology and solutions to prevent medical device related infections across five therapeutic areas – orthopedics, urology, intravascular/critical care, dental, and wound care.

Bactiguard's unique technology is based on a thin noble metal coating that prevents bacterial adhesion and biofilm formation on medical devices. Bactiguard's infection prevention solutions make a positive impact by decreasing patient suffering, saving lives and unburden healthcare resources. They also fight against antimicrobial resistance, one of the most serious threats to global health and modern medicine.

Bactiguard operates through license partnerships with leading global medtech companies, such as BD and Zimmer Biomet, enabling them to bring medical devices with the company's unique infection prevention technology to the market. Bactiguard also has a portfolio of wound management products and sutures.

Bactiguard is headquartered in Stockholm and listed on Nasdaq Stockholm.

Read more about Bactiguard: bactiguard.com

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