

Interim report for Q2 2018

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

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

Second quarter (April-June 2018)

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

First half year (January-June 2018)

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

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

Key events after the end of the second quarter

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

Comments by the CEO

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

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

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

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

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

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

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

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



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

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

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

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

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

Christian Kinch, CEO

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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