

Interim report for Bactiguard Holding AB (publ)

Corporate registration number 556822-1187

An eventful quarter, yet earnings were weaker than last year

Second quarter (April-June 2019)

- Revenues amounted to SEK 34.1 (52.4) million. The decrease is explained by revenues of SEK 15.8 million related to the agreement with Well Lead for China in the second quarter 2018. License revenues related to the same agreement amounted to SEK 1.0 million this quarter.
- BIP sales amounted to SEK 3.2 (14.9) million, where the decrease is essentially attributable to China where no products have been delivered so far this year.
- EBITDA¹ amounted to SEK 5.7 (9.1) million, with an EBITDA margin¹ of 17% (17%).
- Operating profit amounted to SEK -4.8 (0.1) million.
- Net profit/loss amounted to SEK -5.6 (-0.9) million, or SEK -0.17 (-0.03) per share.
- Operating cash flow¹ for the quarter amounted to SEK -0.5 (9.7) million, or SEK -0.02 (-0.29) per share.

First half year (January-June 2019)

- Revenues amounted to SEK 69.2 (85.3) million. The decrease is explained by revenues of SEK 15.8 million related to the agreement with Well Lead for China. License revenues related to the same agreement amounted to SEK 2.1 million for first half year of 2019.
- BIP sales amounted to SEK 6.3 (22.2) million.
- EBITDA amounted to SEK 12.9 (10.9) million, with an EBITDA margin of 19% (13%).
- Operating profit amounted to SEK -8.2 (-6.8) million.
- Net profit/loss for the period amounted to SEK -9.0 (-8.9) million, or SEK -0.27 (-0.27) per share.
- Operating cash flow¹ for the period amounted to SEK -9.6 (-4.0) million, or SEK -0.29 (-0.12) per share. Payment of a SEK 11.5 million one-off compensation affected cash flow, but not earnings in the period.

Key events during the second quarter

- Professor Anna Martling and Thomas von Koch new Board members
- Daniel Lund, new Senior Vice President Operations
- Grant received for developing vascular stents
- New partnership for Switzerland
- Bactiguard enters Canada
- CFO Cecilia Edström appointed deputy CEO
- New clinical evidence for long-term use

Key figures ^{1,2}	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full Year 2018
Revenues ³ , SEKm	34,1	52,4	69,2	85,3	163,2
EBITDA, SEKm	5,7	9,1	12,9	10,9	22,2
EBITDA margin, %	17%	17%	19%	13%	14%
Operating profit, SEKm	-4,8	0,1	-8,2	-6,8	-12,0
Net profit/loss for the period ³ , SEKm	-5,6	-0,9	-9,0	-8,9	-14,9
Earnings per share ³ , SEK	-0,17	-0,03	-0,27	-0,27	-0,45
Operating cash flow, SEKm	-0,5	9,7	-9,6	-4,0	-4,9
Operating cash flow per share, SEK	-0,02	0,29	-0,29	-0,12	-0,15
Equity ratio ¹ , %	56%	62%	56%	62%	63%
Net debt ¹ , SEKm	239,2	156,2	239,2	156,2	155,8

¹ Definition and reconciliation of performance measures see page 15-16

² Including effects of new accounting principle regarding Leasing, IFRS 16, from January 2019. Comparison figures has not been recalculated. See tables on page 19 for performance measures excluding the effects of IFRS 16.

³ Defined according to IFRS

Comments by the CEO

An eventful quarter, yet earnings were weaker than last year

The second quarter of 2019 was eventful. We increased our market coverage, secured funding for a very interesting research and development project, broadened the clinical evidence and strengthened executive management. Revenues and earnings were weaker than last year, but one must bear in mind that the second quarter 2018 was very strong. At that time, we entered a strategic partnership for China which generated new licensing revenues and a major increase in sales of BIP products. In total, these revenues were close to SEK 16 million, which we have not seen the equivalent of so far this year. Therefore, sales were significantly lower, but profitability was nevertheless decent, with an EBITDA margin of 17 percent.

Lower **BIP sales** were due to that no new products were delivered to China and that the other markets did not generate enough growth to offset this loss of revenue. However, activities in the Chinese market have increased. Well Lead's team of Bactiguard salespeople has been expanded and trained regularly to develop their sales skills, while at the same time the sales approach has been systemized. Well Lead has also appointed regional distributors and retailers to improve market coverage. Sales to end customers are gradually increasing, paving the way for new deliveries in the second half of the year.

In India, sales work is ongoing on a broad front and the number of hospitals and clinics testing our products is increasing. Initially, the size of each end-customer order is quite modest, but these test orders are important to achieve wider use. The collaboration we initiated earlier this year with the All India Institute of Medical Sciences (AIIMS) in Jodhpur is continuing and it will be interesting to follow the progress. The aim is to develop the infection-preventive care both in Jodhpur and at other AIIMS hospitals. The large clinical study that has been going on for a couple of years will be useful also for this purpose. The study is finalized, and the preliminary results look very promising, but it is only when the study is published that we will be able to use it widely.

In Europe, we have invested time and resources in developing the German market. Increasing sales to the elderly and home care segment is a priority and we have good experience from, among other things, the Polish market. In Switzerland, we have established a new partnership, with a distributor specialized in intensive care. We prioritize entering into agreements with the right partners in a couple of additional markets and then begin to reach a good market coverage in Europe.

An entirely new market we have recently decided to enter is Canada, a country similar to Europe with a large proportion of publicly funded care. Our partner has extensive regulatory experience and shares the investment with us. We expect MDSAP product approval within a couple of years. This is strategically interesting and not only provides access to the Canadian market but also opens the possibility to launch the BIP portfolio in other countries such as Australia and Japan and is in line with future regulatory requirements in Brazil.

License revenues from Becton, Dickinson & Company (BD) were higher than the year before this quarter as well, but we do not want to overstate it. Volumes vary between quarters without following any clear seasonal pattern. The preparatory work with Well Lead to register our entire portfolio of products in China is now in the final phase and we received new license revenues of just over SEK 1 million in the quarter. We anticipate that it will take another couple of years before locally produced BIP products are approved for sale in China.

Increasing sales of our own product portfolio is strategically important, both to grow and improve profitability, but also to establish new licensing deals. The clinical evidence and experience from the use of our BIP products is very important in the sales dialogue with potential licensing partners. We are therefore working systematically to broaden the use in the markets where we already have presence and to establish ourselves in a few remaining large European markets. At the same time, we are reviewing our own sales organization to optimize resources and ensure profitability.

We are working hard to establish new licensing deals, with focus on orthopedic trauma implants. In December 2018, the CE mark for orthopedic trauma implants was received and during the second quarter of this year the products were approved for sale in Malaysia. This means that sales can start during the third quarter and, with a quarterly delay, generate license revenue to Bactiguard. It also means that our partner Vigilenz can start registration in the other markets in the ASEAN region where they have the licensing rights. At the same time, we can negotiate with other counterparties regarding the major global markets.

We have strengthened the medical competence of the Board with Anna Martling, Professor of Surgery, active at Karolinska University Hospital and a member of the management of Karolinska Institute. We have also seen a need to strengthen the medical competence in the management team and have recently recruited a physician with broad experience from both healthcare and business as "Chief Medical and Technology Officer". He will contribute to developing the medical and commercial strategy, both within licensing and for our own product portfolio.

There is no doubt that the need for infection prevention is growing as microbial resistance increases and, in this perspective, Bactiguard's position is unique with a technology that is both efficient and patient-safe.

Christian Kinch, CEO

Key events during the second quarter

Professor Anna Martling and Thomas von Koch new Board members

At the Annual General Meeting in May 2019, Professor Anna Martling and Thomas von Koch were elected as new Board members in Bactiguard Holding AB (publ). Anna Martling is Professor of Surgery and Dean of Campus North at Karolinska Institute and at the same time Senior Consultant Surgeon in cancer at the Karolinska University Hospital in Stockholm. Anna Martling has a PhD from Karolinska Institute and broad experience of both clinical work and research, especially in cancer diseases. Anna Martling's research has received multiple awards, among others from the Royal Academy of Sciences and the Swedish Surgical Society. Since 2019, Anna Martling is a member of the Faculty Board at Karolinska Institute. Thomas von Koch is one of two founders and principal owners of Bactiguard and was chairman of the Board in the period 2005 to early 2014.

New Senior Vice President Operations

Daniel Lund with many years' experience in quality, production and supply chain management from the pharmaceutical industry, including AstraZeneca and Pfizer, has been recruited to a new role as Senior Vice President Operations. At the same time, Jonas Östregård assumes responsibility for Marketing as Senior Vice President Sales & Marketing. Both Daniel and Jonas are members of the management team and report to the CEO.

Bactiguard receives research grant for developing vascular stents

In collaboration with researchers at Karolinska Institute, Bactiguard has been awarded a research grant of SEK 1.5 million for the development of noble metal-coated stents. Stents are used when blood vessels in the heart of nervous system need to be widened to allow the blood to pass freely. The purpose of the project is to reduce the risk of thrombosis in connection with interventions in the bloodstream. The grant makes it possible to carry out advanced experiments to study both efficacy and safety of the method.

New partnership for Switzerland

Bactiguard has entered a new partnership with Euromed Swiss AG (Euromed), a leading, specialized Swiss distributor of medical devices. Euromed has a strong focus on innovative technology and specializes in, among other things, vascular applications, where they work close to the intensive care units. Euromed will be distributing the entire Bactiguard product portfolio for infection prevention in Switzerland.

Bactiguard enters Canada

Bactiguard has partnered with HANSAMed Limited (HANSAMed) in Canada. HANSAMed has significant regulatory competence and a desire to grow in the market by adding value in the form of infection control. The collaboration is based on an exclusive distribution agreement for the entire Bactiguard infection prevention BIP portfolio in Canada, with products for the urinary tract, blood stream and respiratory tract. Bactiguard and HANSAMed will both invest in the cooperation, whereby HANSAMed will finance the product registration costs, which are estimated at some CAD 80.000. Following a successful registration process, Bactiguard will supply products at an equivalent value of approximately SEK 550.000 to HANSAMed.

Securing MDSAP approval will not only give access to the Canadian market and its 37 million inhabitants, but also open up the possibility of entering countries such as Australia and Japan. MDSAP will also be in line with future regulatory requirements in Brazil.

CFO Cecilia Edström appointed deputy CEO

The Board of Directors has appointed Chief Financial Officer (CFO) Cecilia Edström deputy CEO of Bactiguard, in addition to her current responsibilities. Cecilia was born in 1966 and holds a degree in business economics from the Stockholm School of Economics. She started her career in corporate finance at Skandinaviska Enskilda Banken and was thereafter recruited to Scania ahead of the company's IPO. At Scania, she was responsible for investor and corporate relations, business development, strategy and communication for a total of thirteen years in the company. In connection with Volkswagen's acquisition, she left Scania and became Head of Group Communication at Telia Sonera. Cecilia was recruited to Bactiguard ahead of the IPO in 2014 and has had several roles in the company since then. This means that she has acquired a broad and deep knowledge of Bactiguard's business.

At the end of the second quarter Cecilia Edström, owned 243 264 B-shares in Bactiguard.

New Swedish study shows that long-term use of Bactiguard coated Foley catheters reduce infections



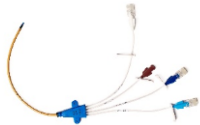
Recently our first clinical case study on one patient conducted at the Central Hospital in Karlstad, Sweden, was published. It shows that long-term use of Bactiguard coated Foley (BIP Foley) reduced catheter associated urinary tract infections (CAUTIs) and greatly improved the patient's quality of life.

Consolidated revenues and earnings

Bactiguard has two revenue streams, sales of BIP products and license revenues.

Sales of BIP products

Bactiguard's BIP (Bactiguard Infection Protection) product portfolio currently includes sales of the BIP Foley, BIP ETT and BIP CVC products.

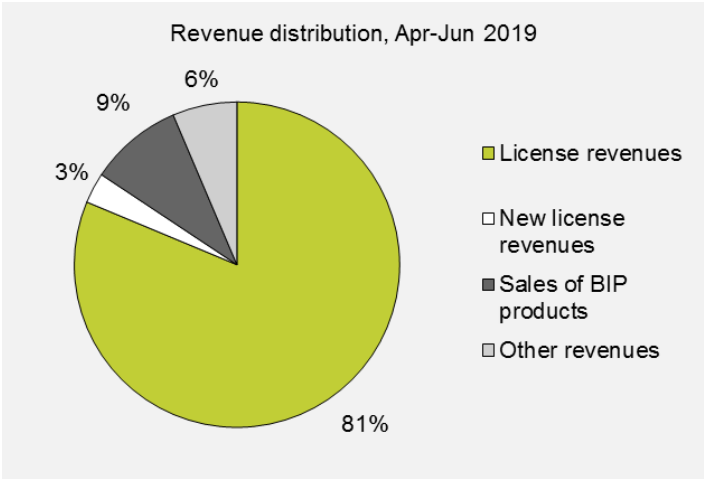
BIP Foley Catheter	BIP ETT	BIP CVC
 <p>BIP Foley Catheter is the company's urinary catheter, which uses the Bactiguard coating to reduce the risk of patients contracting catheter-associated infections of the urinary tract.</p>	 <p>BIP ETT is the company's endotracheal tube, which uses the Bactiguard coating to reduce the risk of patients contracting ventilator-associated pneumonia.</p>	 <p>BIP CVC is the company's central venous catheter, which uses the Bactiguard coating to reduce the risk of patients contracting catheter-associated blood infections.</p>

License revenues

License revenues are attributable to sales of products under license, which currently includes the Group's licensing agreement with Becton Dickinson and Company ("BD", formerly C.R. Bard) regarding Foley catheters for the USA, Japan, the UK, Ireland, Canada and Australia, a license agreement with Vigilenz Medical Devices for orthopaedic trauma implants, covering the ASEAN region, a global license agreement with Smartwise Sweden AB (Smartwise) for advanced vascular injection catheters as well as a license agreement with Well Lead Medical ("Well Lead") for the Chinese market covering all products in Bactiguard's portfolio, all with the Bactiguard technology for infection prevention.

Other revenue

Other revenue mainly comprises foreign exchange differences and other operating income.

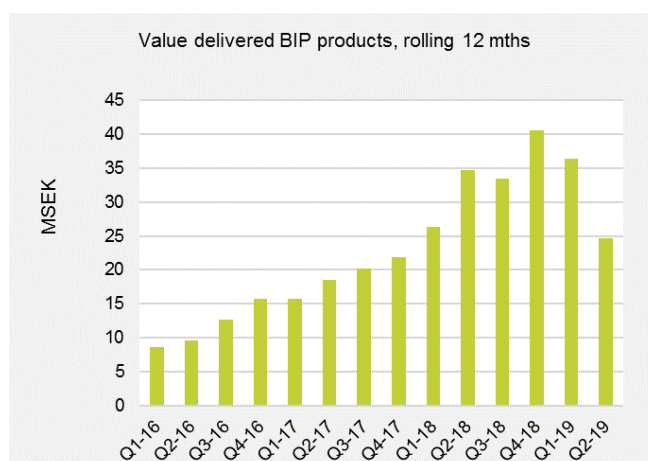


Developments during the second quarter

Consolidated revenues for the second quarter amounted to SEK 34.1 (52.4) million. License revenues from BD amounted to SEK 27.7 (24.9) million. The increase of 11% is a combination of higher volumes and stronger USD. The underlying business is stable, but volumes vary between quarters without following any clear seasonal pattern. The agreement with Well Lead in China generated new license revenue of SEK 1.0 million in the quarter, while the corresponding quarter last year included SEK 5.2 million in new license revenue under the same agreement. The work of registering Bactiguard's product portfolio in China is proceeding according to plan and the initially agreed license fee of approximately SEK 10 million has now been fully accounted for.

Sales of BIP products amounted to SEK 3.2 (14.9) million. So far this year no new products have been delivered to China and the other markets have not generated enough growth to offset the loss of revenue. During the second quarter of 2018, BIP products worth SEK 10.6 million were delivered to China in connection with the signing of the new distribution and licensing agreement with Well Lead. Growth in other markets was somewhat weaker in the quarter, compared with the corresponding quarter last year, but the second quarter of last year was a strong quarter in several markets.

The development in BIP sales is still irregular and has decreased during the first half of the year, over a rolling 12-month period. This is mainly a result of the large delivery to China at the end of June 2018, which so far has no equivalent in 2019.



EBITDA for the second quarter amounted to SEK 5.7 (9.1) million, corresponding to an EBITDA margin of 17% (17%). Total operating costs were lower than the corresponding period last year and amounted to SEK -38.9 (-52.2) million. This is because 2018 included one-off costs of SEK 11.5 million linked to the termination of the contract with the former distributor for China, and that lower BIP sales generated lower costs for raw materials and supplies. Apart from this, operating expenses were in line with the corresponding period last year.

As a consequence of applying new accounting principles for leasing in accordance with IFRS 16, EBITDA increased by SEK 2.4 million in the quarter. Adjusted for this effect, EBITDA was SEK 3.3 million and the EBITDA margin was 10% (17%).

Consolidated operating profit for the second quarter 2019 amounted to SEK -4.8 (0.1) million. Depreciations, which do not have any impact on cash flow, affected operating profit by SEK -10.5 (-8.9) million, whereof depreciations on the Bactiguard technology of SEK -6.0 (-6.0) million and depreciations on leased assets of SEK -2.5 (-0.4) million. The increase in depreciations on leased assets is also an effect of applying IFRS 16.

Financial net amounted to SEK -2.5 (-3.3) million and primarily relates to interest expense on interest bearing debt SEK -1.1 (-1.1) million. The financial net was also affected by interest costs related to applying IFRS 16, and negative exchange rate effects.

Developments during the first half year

Consolidated revenues amounted to SEK 69.2 (85.3) million which is SEK 16.1 million lower than corresponding period last year. The agreement with Well Lead in China generated revenues of SEK 15.8

million during the first half of 2018, while the same agreement generated license revenues of SEK 2.1 million for the first half of this year. Currency effects in current assets has also had a negative impact on revenue during the period. The bulk of the revenues, 79% or SEK 54.6 (46.9) million, was attributable to license revenues from BD, an increase of 16%. The increase is explained by higher royalty payments and a stronger USD compared to the corresponding period last year.

EBITDA for the first half year amounted to SEK 12.9 (10.9) million, corresponding to an EBITDA margin of 19% (13%). Adjusted for the effect from applying IFRS 16, EBITDA amounted to SEK 8.0 (10.9) million and EBITDA-margin 12% (13%).

Consolidated operating profit for the period January to June 2019 amounted to SEK -8.2 (-6.8) million. Depreciations, which do not have any impact on cash flow, affected operating profit by SEK -21.1 (-17.7) million, whereof depreciations on the Bactiguard technology of SEK -11.9 (-11.9) million and depreciations on leased assets of SEK -5.1 (-0.9) million. Financial net amounted to SEK -3.6 (-5.6) million. Forward hedging in USD has affected the financial net positively with SEK 0.2 (-4.0) million, while interest revenue for leasing and currency effects has affected the financial net negatively.

Cash flow and financial position

Total cash flow for the period January to June amounted to SEK -0.3 (-6.0) million. Cash flow from operating activities contributed positively with SEK 8.1 (6.7) million but was negatively affected by cash flow from changes in working capital of SEK -15.1 (-8.5) million. The one-off compensation of SEK 11.5 million to the former distributor in China was accounted for as a cost last year but was paid in the beginning of 2019 which had a major impact on the cash flow in the first half year.

Cash flow from investing activities amounted to SEK -2.9 (-2.2) million for the first half year, of which the largest part is related to capitalized development expenditures.

The effect of applying IFRS 16 "Leasing" means that the operating cash flow was positively affected by a higher EBITDA, with a corresponding negative effect on cash flow from financing activities due to amortization of leasing liabilities of SEK -4.5 (-0.8) million for the period January to June.

Above this, an amortization of the bank loan of SEK 7.5 million was made in the period. The negative operating cash flow from operations and amortization has been partially financed by increased utilization of the overdraft facility.

The consolidated equity on 30 June 2019 amounted to SEK 361,5 (376.7) million and net debt amounted to SEK 239.2 (156,2) million. Applying IFRS 16 "Leasing" from January 2019 led to a significant increase in net debt, as a result of increased leasing liabilities. These leasing liabilities are interest-bearing and amounted to SEK 81.5 million on 30 June 2019, to be compared with 13.2 MSEK on 30 June 2018. Above the leasing liabilities, the group has a bank loan of SEK 135 million, with a maturity of three years until December 2020. Out of a granted overdraft facility of SEK 30 million, SEK 25.2 (1.2) million was utilized as of 30 June 2019.

On 30 June 2019, the total assets of the Group amounted to SEK 645.6 (609.3) million. The largest asset items on the balance sheet are goodwill of SEK 226.3 million and the Bactiguard technology which amounted to SEK 177.1 million at the end of the period. The Bactiguard technology is depreciated by approximately SEK 24 million annually over a period of 15 years.

Other disclosures

The share and share capital

Trade in the Bactiguard share takes place at Nasdaq Stockholm under the ticker symbol "BACTI". The last price paid for the listed B share on 30 June 2019 was SEK 45.60, and the market capitalization amounted to SEK 1 519 million.

The share capital of Bactiguard on 30 June 2019 amounted to SEK 0.8 million divided into 29,302,373 B shares, each with one vote (29,302,373 votes) and 4,000,000 A shares, each with ten votes (40,000,000 votes). The total number of shares and votes in Bactiguard on 30 June 2019 amounted to 33,302,373 shares and 69,302,373 votes.

Ownership

On 30 June 2019 Bactiguard had 2,510 shareholders.

Shareholders	No. of A shares	No. of B shares	Total number	% of capital	% of votes
CHRISTIAN KINCH AND COMPANY	2 000 000	4 125 977	6 125 977	18,4%	34,8%
THOMAS VON KOCH AND COMPANY	2 000 000	4 125 878	6 125 878	18,4%	34,8%
FJÄRDE AP FONDEN		3 248 354	3 248 354	9,8%	4,7%
NORDEA INVESTMENT FUNDS		3 158 095	3 158 095	9,5%	4,6%
STÅHLBERG, JAN		2 983 177	2 983 177	9,0%	4,3%
HANDELSBANKEN INVESTMENT FUNDS		1 600 000	1 600 000	4,8%	2,3%
FÖRSÄKRINGSBOLAGET, AVANZA PENSION		1 214 360	1 214 360	3,6%	1,8%
LANCELOT ASSET MANAGEMENT AB		785 000	785 000	2,4%	1,1%
SWEDBANK FÖRSÄKRING		516 091	516 091	1,6%	0,7%
FRÖAFALL INVEST AB		502 000	502 000	1,5%	0,7%
Total, major shareholders	4 000 000	22 258 932	26 258 932	78,9%	89,8%
Total, others		7 043 441	7 043 441	21,2%	10,2%
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 60 (67), 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 to determine which of these must be classified as leases in accordance with IFRS 16. 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 at the amounts that were reported on the day immediately before the application of this new standard.

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 termination and 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.

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 has not proposed no dividend for the 2019 annual general meeting.

Condensed consolidated income statement

Amounts in TSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
<i>Revenues</i>					
License revenues	28 734	30 142	56 746	52 116	109 536
Sales of BIP products	3 154	14 901	6 297	22 195	40 561
Other revenues	2 184	7 330	6 145	11 020	13 063
	34 072	52 373	69 188	85 332	163 160
Raw materials and consumables	-3 318	-8 058	-8 078	-13 617	-25 717
Other external expenses	-9 553	-19 292	-18 950	-30 993	-56 429
Personnel costs	-14 735	-14 149	-28 271	-27 145	-53 838
Depreciation and amortisation	-10 521	-8 949	-21 083	-17 677	-34 194
Other operating expenses	-731	-1 802	-973	-2 660	-5 022
	-38 857	-52 249	-77 355	-92 091	-175 201
Operating profit/loss	-4 785	123	-8 167	-6 760	-12 040
<i>Profit/loss from financial items</i>					
Financial income	216	2 775	1 146	3 957	3 698
Financial expenses	-2 672	-6 038	-4 722	-9 524	-12 353
	-2 456	-3 263	-3 576	-5 567	-8 654
Profit before tax	-7 242	-3 140	-11 744	-12 327	-20 695
Taxes for the period	1 615	2 237	2 694	3 449	5 764
Net profit/loss for the period	-5 627	-903	-9 050	-8 878	-14 931
Attributable to:					
Shareholders of the parent	-5 627	-903	-9 050	-8 878	-14 931
Earnings per share, SEK*	-0,17	-0,03	-0,27	-0,27	-0,45

Condensed consolidated statement of comprehensive income

Amounts in TSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Net profit/loss for the period	-5 627	-903	-9 050	-8 878	-14 931
<i>Other comprehensive income:</i>					
<u>Items that will be reclassified to profit or loss for the year</u>					
Translation differences	96	-186	-286	-632	-421
Other comprehensive income, after tax	96	-186	-286	-632	-421
Total comprehensive income for the period	-5 531	-1 089	-9 336	-9 510	-15 352
Attributable to:					
Shareholders of the parent	-5 531	-1 089	-9 336	-9 510	-15 352
Total earnings per share, SEK*	-0,17	-0,03	-0,28	-0,29	-0,46
Number of shares at the end of period ('000)	33 302	33 302	33 302	33 302	33 302
Weighted average number of shares ('000)	33 302	33 302	33 302	33 302	33 302

* no dilution effect

Condensed consolidated statement of financial position

Amounts in TSEK	2019-06-30	2018-06-30	2018-12-31
ASSETS			
Non-current assets			
Goodwill	226 292	226 292	226 292
Technology	177 095	200 902	188 998
Brands	25 572	25 572	25 572
Customer relationships	8 778	9 958	9 368
Capitalised development expenditure	22 120	19 560	21 494
Patents	450	551	414
Intangible assets	460 307	482 834	472 137
Improvements, leasehold	10 346	11 479	10 896
Leased assets	80 954	-	11 931
Machinery and other technical plant	4 724	18 088	4 830
Equipment, tools and installations	1 656	2 665	2 133
Property, plant and equipment	97 680	32 233	29 790
Long-term receivables	477	193	477
Financial assets	477	193	477
Total non-current assets	558 463	515 260	502 405
Current assets			
Inventory	18 899	13 436	14 266
Accounts receivable	46 974	57 523	54 492
Other current receivables <i>Note 2</i>	19 685	17 311	14 421
Cash and cash equivalents	1 586	5 731	1 893
Total current assets	87 144	94 001	85 072
TOTAL ASSETS	645 607	609 261	587 477
Equity attributable to shareholders of the parent			
Share capital	833	833	833
Other equity	360 673	375 831	369 989
Total equity	361 506	376 663	370 821
Non-current liabilities			
Deferred tax liability	16 777	21 794	19 471
Liabilities to credit institutions	139 878	136 235	130 805
Liabilities leasing agreements	72 470	11 716	10 938
Total non-current liabilities	229 125	169 745	161 214
Current liabilities			
Liabilities to credit institutions	19 400	12 500	14 400
Accounts payable	8 219	8 737	7 051
Liabilities leasing agreements	9 025	-	1 538
Other current liabilities <i>Note 2</i>	1 973	18 170	14 183
Accrued expenses and deferred income	16 358	23 445	18 271
Total current liabilities	54 975	62 852	55 442
Total liabilities	284 101	232 597	216 655
TOTAL EQUITY AND LIABILITIES	645 607	609 261	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	-	-	-	-8 878	-8 878
<i>Other comprehensive income:</i>					
Translation differences	-	-	-632	-	-632
Total comprehensive income after tax	0	0	-632	-8 878	-9 510
Transactions with shareholders					
Total transactions with shareholders	0	0	0	0	0
Closing balance, 30 June 2018	833	675 690	-516	-299 343	376 663
Opening balance, 1 January 2019	833	675 690	-305	-305 376	370 841
Profit/loss for the period	-	-	-	-9 050	-9 050
<i>Other comprehensive income:</i>					
Translation differences	-	-	-286	-	-286
Total comprehensive income after tax	0	0	-286	-9 050	-9 336
Transactions with shareholders					
Total transactions with shareholders	0	0	0	0	0
Closing balance, 30 June 2019	833	675 690	-591	-314 426	361 506

Condensed consolidated statement of cash flows

Amounts in TSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Cash flow from operating activities					
Net profit/loss for the period	-5 627	-903	-9 049	-8 878	-14 931
Adjustments for depreciation and amortisation and other non-cash items	9 446	6 994	17 467	15 614	32 487
	3 819	6 091	8 418	6 737	17 556
Cash flow from changes in working capital					
Increase/decrease inventory	-2 347	-1 352	-4 465	497	-427
Increase/decrease accounts receivable	648	6 186	8 030	205	-1 162
Increase/decrease other current receivables	-129	-85	-5 843	-4 283	-2 884
Increase/decrease accounts payable	-2 976	3 197	1 168	3 894	2 213
Increase/decrease other current liabilities	743	-3 461	-14 027	-8 824	-14 431
	-4 062	4 484	-15 137	-8 512	-16 691
Cash flow from investing activities					
Investments in intangible assets	-152	-630	-2 226	-1 902	-5 020
Investments in property, plant and equipment	-130	-234	-644	-338	-725
	-282	-864	-2 871	-2 240	-5 745
Operating cash flow	-525	9 711	-9 590	-4 016	-4 881
Cash flow from financing activities					
Amortisation of financial lease	-2 249	-400	-4 496	-760	-1 466
Change in bank overdraft	8 552	-7 186	21 274	1 235	3 905
Amortisation of loan	-7 500	-2 500	-7 500	-2 500	-7 500
	-1 197	-10 086	9 278	-2 025	-5 061
Cash flow for the period	-1 722	-375	-312	-6 041	-9 942
Cash and cash equivalents at start of period	3 612	6 022	1 893	11 550	11 550
Exchange difference in cash and cash equivalents	-304	84	4	222	285
Cash and cash equivalents at end of period	1 586	5 731	1 586	5 731	1 893

Condensed parent company income statement

Belopp i Tkr	apr-jun 2019	apr-jun 2018	jan-jun 2019	jan-jun 2018	helår 2018
Intäkter	1 892	2 077	3 718	3 741	6 967
	1 892	2 077	3 718	3 741	6 967
Rörelsens kostnader	-2 943	-2 884	-5 621	-5 417	-10 440
	-2 943	-2 884	-5 621	-5 417	-10 440
Rörelseresultat	-1 051	-807	-1 903	-1 676	-3 474
Finansnetto	-328	-510	-729	-1 008	-2 049
Resultat efter finansiella poster	-1 379	-1 317	-2 632	-2 684	-5 523
Periodens skatt	-	-	-	-	-
Periodens resultat	-1 379	-1 317	-2 632	-2 684	-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	2019-06-30	2018-06-30	2018-12-31
ASSETS			
Non-current assets			
Financial assets	595 989	615 989	607 489
Total non-current assets	595 989	615 989	607 489
Current assets	880	2 747	994
Total current assets	880	2 747	994
TOTAL ASSETS	596 869	618 736	608 484
EQUITY & LIABILITIES			
Total equity	454 653	460 125	457 286
Non-current liabilities			
Liabilities to credit institutions	114 700	135 000	126 900
Total non-current liabilities	114 700	135 000	126 900
Current liabilities	27 516	23 611	24 298
Total current liabilities	27 516	23 611	24 298
TOTAL EQUITY AND LIABILITIES	596 869	618 736	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	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Operating profit/loss	-4 785	123	-8 167	-6 760	-12 040
Depreciation and amortisation	<u>10 521</u>	<u>8 949</u>	<u>21 083</u>	<u>17 677</u>	<u>34 194</u>
EBITDA	5 735	9 072	12 916	10 917	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	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
EBITDA	5 735	9 072	12 916	10 917	22 154
Revenue	<u>34 072</u>	<u>52 373</u>	<u>69 188</u>	<u>85 332</u>	<u>163 160</u>
EBITDA-margin	17%	17%	19%	13%	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	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Liabilities to credit institutions	159 278	148 735	159 278	148 735	145 205
Long-term liabilities leasing	72 470	11 716	72 470	11 716	10 938
<u>Short-term liabilities leasing</u>	<u>9 025</u>	<u>1 501</u>	<u>9 025</u>	<u>1 501</u>	<u>1 538</u>
Interest-bearing liabilities	240 774	161 952	240 774	161 952	157 681
Cash and cash equivalents	-1 586	5 731	-1 586	5 731	-1 893
Net debt	239 188	156 222	239 188	156 222	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	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Equity	361 506	376 663	361 506	376 663	370 821
Balance sheet total	<u>645 607</u>	<u>609 261</u>	<u>645 607</u>	<u>609 261</u>	<u>587 477</u>
Equity ratio	56%	62%	56%	62%	63%

Earnings per share

Profit attributable to holders of ordinary shares in the Parent Company divided by the weighted average number of outstanding ordinary shares during the period, in accordance with IFRS.

Operating cash flow

Cash flow from operating activities after investments and changes in working capital. Direct reconciliation against financial report possible. Operating cash flow per share is operating cash flow in relation to the weighted average number of outstanding ordinary shares during the period. Key ratios regarding operating cash flow are presented as they are used by analysts and other stakeholders to evaluate the company.

Profit/loss from financial items

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

Note 1 Revenue distribution

Amounts in TSEK	Total Group	Total Group	Total Group	Total Group	Total Group
	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Type of product/service					
License	28 734	30 142	56 746	52 116	109 536
<u>BIP-products</u>	<u>3 154</u>	<u>14 901</u>	<u>6 297</u>	<u>22 195</u>	<u>40 561</u>
Total	31 888	45 043	63 043	74 311	150 097
Time for revenue recognition					
Performance commitment is met at a certain time	30 852	39 834	60 925	69 102	141 781
<u>Performance commitment is met during a period of time</u>	<u>1 036</u>	<u>5 209</u>	<u>2 118</u>	<u>5 209</u>	<u>8 317</u>
Total	31 888	45 043	63 043	74 311	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. As per 31 March 2019 the group had no outstanding foreign exchange contracts.

Amounts in TSEK	Jan-Jun 2019		Jan-Jun 2018		Full year 2018	
	Derivatives (level 2)	Fair value	Derivatives (level 2)	Fair value	Derivatives (level 2)	Fair value
Assets						
Other current receivables	98	98	-	-	20	20
Liabilities						
Other current liabilities	-	-	2 107	2 107	-	-

Bridge transition to IFRS 16

Amounts in TSEK	Closing Balance 31 December	Conversion to IFRS 16	Adjusted balance 1 January 2019
ASSETS			
Intangible assets	472 137	0	472 137
Improvements, leasehold	10 896	0	10 896
Machinery and other technical plant	16 761	-11 931	4 830
Leased assets	0	86 019	86 019
Equipment, tools and installations	2 133	0	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	0	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	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
EBITDA	5 735	9 072	12 916	10 917	22 154
<u>Adjustment IFRS 16 Leasing</u>	<u>-2 438</u>	-	<u>-4 890</u>	-	-
EBITDA excluding effect from IFRS 16	3 298	9 072	8 026	10 917	22 154
EBITDA margin excluding effect from IFRS 16	10%	17%	12%	13%	14%

Operating profit

Amounts in TSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Operating profit	-4 785	123	-8 167	-6 760	-12 040
<u>Adjustment IFRS 16 Leasing</u>	<u>-331</u>	-	<u>-677</u>	-	-
Operating profit excluding effect from IFRS 16	-5 117	123	-8 845	-6 760	-12 040

Net profit/loss for the period

Amounts in TSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Net profit/loss for the period	-5 627	-903	-9 050	-8 878	-14 931
<u>Adjustment IFRS 16 Leasing</u>	<u>290</u>	-	<u>577</u>	-	-
Net profit/loss for the period excluding effect from IFRS 16	-5 338	-903	-8 473	-8 878	-14 931

Operating cash flow

Amounts in TSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Operating cash flow	-525	9 711	-9 590	-4 016	-4 881
<u>Adjustment IFRS 16 Leasing</u>	<u>-2 106</u>	-	<u>-4 213</u>	-	-
Operating cash flow excluding effect from IFRS 16	-2 631	9 711	-13 803	-4 016	-4 881

Net debt

Amounts in TSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Net debt	239 188	156 222	239 188	156 222	155 787
<u>Adjustment IFRS 16 Leasing</u>	<u>-69 779</u>	-	<u>-69 779</u>	-	-
Net debt excluding effect from IFRS 16	169 409	156 222	169 409	156 222	155 787

Equity ratio

Amounts in TSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Equity ratio	56%	62%	56%	62%	63%
<u>Adjustment IFRS 16 Leasing</u>	<u>7%</u>	-	<u>7%</u>	-	-
Equity ratio excluding effect from IFRS 16	63%	62%	63%	62%	63%

Forthcoming disclosures of information

7 November 2019

Interim report, 1 Jul – 30 Sep 2019

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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, 8 August 2019

Jan Ståhlberg

Chairman

Mia Arnhult

Board member

Thomas von Koch

Board member

Anna Martling

Board member

Christian Kinch

CEO and Board member

This interim report is unaudited.

Bactiguard is a Swedish medtech company with a mission to save lives. To achieve this mission, we develop and supply infection protection solutions which reduce the risk of healthcare associated infections and the use of antibiotics. This way, we save significant costs for healthcare and the society at large. The Bactiguard coating prevents healthcare associated infections through reducing bacterial adhesion and formation on medical devices. Bactiguard-coated urinary catheters are market leading in the US and Japan through our license partner BD and the company has also its own product portfolio consisting of urinary catheters, endotracheal tubes and central venous catheters. Bactiguard is in a strong expansion phase focused on the European markets, Middle East, Asia and Latin America. The company has about 70 employees worldwide. Its headquarters and production facility is in Stockholm. Bactiguard is listed on Nasdaq Stockholm. Read more about Bactiguard at www.bactiguard.com.

This information is information that Bactiguard Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above 2019-08-08, at. 08.00.