

Weak quarter but the need for infection prevention greater than ever

Third quarter (July-September 2020)

- Revenues amounted to SEK 34,1 (67,2) million a decreased by 49% (adjusted for currency -46%) due to Covid-19 effects on both license and BIP revenues. In addition, no new license revenue was generated within the quarter while the third quarter previous year included SEK 29,4 million in new license revenue from Zimmer Biomet.
- EBITDA amounted to SEK -3,1 (36,5) million with an EBITDA-margin of -9% (54%).
- Operating profit amounted to SEK -14,3 (25,9) million.
- Net profit/loss amounted to SEK -16,1 (23,7) million. Earnings per share amounted to SEK -0,48 (0,71) per share.
- Cash flow from operating activities for the quarter amounted to SEK -3,3 (23,9) million or SEK -0,10 (0,72) per share.

Key events during the third quarter

- Interim approval of ETT in Canada
- Petra Kaur Ljungman was recruited to the role as Chief Marketing and Communications Officer and starts her position in January 2021.

Key events after the end of the quarter

- Bactiguard maintains clear growth strategy and updates financial targets

Nine-month period (January-September 2020)

- Revenues amounted to SEK 130,5 (134,1) million and decreased by 3% (adjusted for currency -1%).
- EBITDA amounted to SEK 21,8 (49,4) million with an EBITDA-margin of 17% (37%).
- Operating profit amounted to SEK -11,2 (17,8) million.
- Net profit/loss amounted to SEK -27,6 (14,7) million, whereof SEK -10,9 million refers to an IFRS related adjustment from the set-off issue¹. Earnings per share amounted to SEK -0,82 (0,44) per share.
- Cash flow from operating activities amounted to SEK -3,2 (17,1) million or SEK -0,10 (0,51) per share.

Covid-19 effects

- During the third quarter, Covid-19 had a negative impact on our operations. License revenues from BD and sales of BIP products were negatively affected by reduced general hospital utilization and postponed planned interventions. Healthcare has gradually begun to reopen in most regions to deal with the healthcare debt that has occurred, including in the US. Since we are now facing a second wave of infection the development in the near future is difficult to assess. At the same time, we are convinced that our broad portfolio of infection prevention products and the proactive measure we implement will bridge this temporary decline.

| Key figures | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full Year 2019 | RTM 2020 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|-------------|
| Revenues ² , SEKm | 34,1 | 67,2 | 130,5 | 134,1 | 193,9 | 190,3 |
| EBITDA ³ , SEKm | -3,1 | 36,5 | 21,8 | 49,4 | 61,6 | 34,0 |
| EBITDA margin ³ , % | -9% | 54% | 17% | 37% | 32% | 18% |
| Operating profit ² , SEKm | -14,3 | 25,9 | -11,2 | 17,8 | 19,5 | -9,5 |
| Net profit/loss for the period ² , SEKm | -16,1 | 23,7 | -27,6 | 14,7 | 16,3 | -26,0 |
| Adjusted net profit/loss for the period ³ , SEKm | -16,1 | 23,7 | -16,7 | 14,7 | 16,3 | -15,1 |
| Earnings per share ² , SEK | -0,48 | 0,71 | -0,82 | 0,44 | 0,49 | -0,78 |
| Adjusted earnings per share ³ , SEK | -0,48 | 0,71 | -0,50 | 0,44 | 0,49 | -0,45 |
| Cash flow from operating activities ² , SEKm | -3,3 | 23,9 | -3,2 | 17,1 | 54,0 | 33,6 |
| Cash flow from operating activities per share ² , SEK | -0,10 | 0,72 | -0,10 | 0,51 | 1,62 | 1,00 |
| Equity ratio ³ , % | 56% | 59% | 56% | 59% | 60% | 56% |
| Net debt ³ , SEKm | 250,1 | 217,2 | 250,1 | 217,2 | 185,0 | 250,1 |

¹ The part of the purchase price for the acquisition of Vigilenz that consisted of shares is considered, for accounting purposes, as a financial instrument and the forward effect is thus reported as a financial item in the income statement and has affected net profit/loss with SEK -10,9 million in the period Jan-Sept 2020. The adjustment is only affecting accounting and has no effect on cash flow.

² Defined according to IFRS

³ Alternative performance measure. For definition and reconciliation, see page 19-20

Comments by the CEO

Weak quarter but the need for infection prevention greater than ever

The third quarter was the weakest in several years for Bactiguard and as CEO I am not satisfied. There are external factors that have influenced the development. Covid-19 has led to a reduction in regular healthcare and elective surgeries, which has affected both us and our licensing partners as the demand for consumables has been very low. At the same time, the global healthcare backlog is accelerating and the need for infection prevention is greater than ever. Bactiguard's products save lives and we can for sure do better than in the third quarter. We should have shifted gear much faster and therefore we are refocusing our sales strategy, and during a transition period, the sales organization will report directly to me.

License business

License revenues from Becton, Dickinson & Company (BD) have been stable for many years, but BD's sales are not immune to Covid-19 either. This has resulted in lower license revenues for Bactiguard. Based on stronger order intake from BD at the end of the third and beginning of the fourth quarter, we estimate that revenues will return to more normal levels during the fourth quarter.

The collaboration with Zimmer Biomet continues with high intensity and this is very encouraging. At present, we are focusing on using the fast track to the European market that opened when the new European regulatory framework (MDR), which was to enter into force in May this year, was postponed by a year. This means that we can use the CE mark for orthopaedic trauma implants we already have to reach the European market at the beginning of next year. The process of registering the implants on the US market is ongoing in parallel, but slightly behind Europe in time.

We are confident in the strength of the Bactiguard technology for various types of medical applications, both for short-term and long-term use. We have several interesting licensing projects ongoing and see new, exciting business opportunities. The strategy of establishing one or two new licensing deals per year remains unchanged, with focus on orthopaedic and dental implants and different types of vascular products – e.g. dialysis catheters. Vascular stents are another interesting area and animal studies are already in progress at the Karolinska Institute. The purpose of the studies is to verify that Bactiguard's technology not only reduces the risk of infections, but also prevents thrombosis and thus reduces the need for drugs. Although the commercial negotiations in current projects are a bit slower than usual due to budget constraints following Covid-19, we are convinced that the projects and studies we are currently involved in will pave the way for new licensing deals.

BIP portfolio

Sales of BIP products increased somewhat in the quarter, but not at all in line with our ambitions. The consumption of consumables in healthcare has been very low in all regions, a consequence of the focus on treating Covid-19 patients and general healthcare being put on hold.

Media reports that the number of elective surgeries in the US has decreased by sixty to eighty percent and in Stockholm a fifty percent reduction is reported. At the same time, twenty-five percent fewer cancer cases have been diagnosed in the Stockholm region, and this does not

mean that we have become healthier, but that we are pushing an accelerating healthcare backlog ahead of us.

Many countries continue to impose far-reaching restrictions, making access to hospitals and day-to-day sales difficult. The fact that physical meetings cannot take place in the same way as usual means that we and our distributors must develop our digital presence and communication at a faster pace. An example of new opportunities is that the Indian government has established an e-commerce platform for medical devices. We have already registered Bactiguard's central venous catheters and are now waiting for the urinary catheters and endotracheal tubes to be listed and more accessible for care. Another example is that we conduct training of healthcare professionals and participate in panel discussions with key opinion leaders digitally to strengthen the brand.

The global launch of Hydrocyn aqua is well under way, but tender processes and local regulations mean that it will take some time before sales seriously take off. The strength of Hydrocyn is that it is proven effective against the virus that causes Covid-19 and against most bacteria, viruses and fungi that lead to infections. At the same time, it is tissue-friendly and contributes to faster wound healing, making it useful for general wound care, dental, baby and animal care, to name a few areas. Hydrocyn does not sting or is flammable, which makes it superior to alcohol-based alternatives.

Sales must accelerate faster, and we need to educate the market about the benefits of our products. To lead these activities in the Nordic region, we have recruited a new sales manager. His mission is to approach healthcare providers, pharmacy chains, the corporate and consumer markets. We have also recruited a sales manager for South East Asia and signed distribution agreements for Hydrocyn in several markets in the Middle East and India, and the registration process is in progress.

We increase the pressure in our own sales organization to make Bactiguard more visible and influential. Our products should be the obvious choice for infection prevention and established as a standard of care. To strengthen our communication and marketing, we are expanding our management with Petra Kaur Ljungman, who has successfully developed several companies' brand and digital strategies. At the same time, we have initiated the recruitment of a new global sales director and adapt the regional sales teams to local conditions. During the recruitment process, I have temporarily taken over the responsibility for leading the sales organization.

The need for infection prevention is increasing

Covid-19 affects us all and we now see a second wave of the pandemic in society, which makes near term developments difficult to assess. But what is becoming increasingly clear is that the need for infection prevention has never been greater. Although the current situation is tough, the pandemic has made Bactiguard even more relevant.

Our job is to convince the market that Bactiguard's technology and products can help reduce the risk of infections and serious complications, shorten treatment periods and slow down the trend of a growing healthcare backlog. We focus on activities that increase awareness of our brand, accelerate sales and reduce costs. We are adding new resources to the management team, strengthening our sales team, utilizing our global capacity and developing our digital presence.

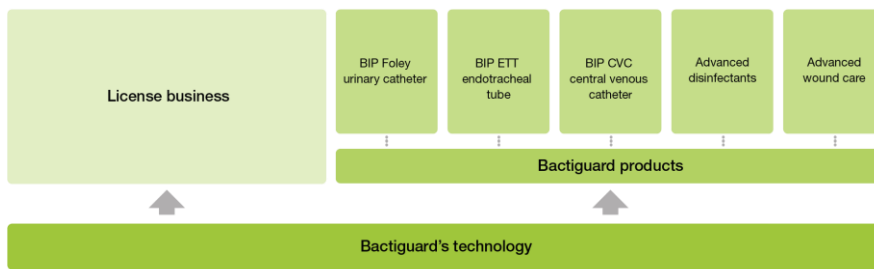
As CEO of Bactiguard, I do not back away from the challenges we are facing, but I have a hard time seeing a better mission than infection prevention in these times. We are confident in the strength of the Bactiguard technology for various types of medical applications, both for short-term and long-term use.

Therefore, we repeat our long-term financial targets of an average annual growth of 20% and an EBITDA margin of at least 30 percent at the end of the coming five-year period.

Cecilia Edström, CEO

Business model

Bactiguard’s vision and mission are to prevent healthcare associated 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 and through our own product portfolio of consumables for health care.



Bactiguard Infection Protection (BIP)

Bactiguard has a broad portfolio of products that protect against and prevent infections. The portfolio primarily comprises catheters and tubes for the blood stream, urinary and respiratory tracts and wound care products, including sutures, wound wash, dressings and disinfectants.

License revenues

Bactiguard licenses the technology to medical device companies throughout the world that apply the technology to their products and sell them under their own brand. In our license business we receive initial fees related to the right to use our technology for products within a specific application and geographical area.

License revenues also comprise royalties; a variable remuneration when the products reach the market and generate sales revenues. The licensee gains access to Bactiguard’s process expertise, while the coating itself – a concentrate of noble metals – is a trade secret.

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

| License partner | Application area | Territory |
|---|---------------------------------------|---|
| Becton Dickinson and Company (former C.R. Bard) | Urinary catheter (Foley) | The USA, Japan, the UK, Ireland, Canada and Australia |
| Smartwise Sweden AB | Advanced vascular injection catheters | Global |
| Well Lead Medical | Urinary catheters, ETT and CVC | China |
| Zimmer Biomet | Orthopaedic trauma implants | Global agreement excluding ASEAN |

Developments in the third quarter

Revenues

| MSEK | Jul-Sep 2020 | Jul-Sep 2019 |
|-----------------------|-----------------|-----------------|
| License revenues | 20,2 | 25,0 |
| New license revenues | - | 29,4 |
| Sales of BIP products | 10,4 | 8,7 |
| Other revenues | 3,5 | 4,2 |
| Total revenues | 34,1 | 67,2 |

Consolidated revenues for the third quarter amounted to SEK 34,1 (67,2) million. A large part of the decrease is due to the fact that the third quarter last year included a new license revenue of SEK 29,4 million from the agreement with Zimmer Biomet. The third quarter this year did not include any new license revenues.

In addition, license revenues from BD decreased by 19%, to 20,2 (25,0), due to lower volumes and negative currency effects. During the pandemic, regular activity in healthcare has been significantly lower than normal and planned interventions have been postponed to the future, in both the US and other parts of the world. This has affected BD's sales of consumables and thus also Bactiguard's license revenues. The underlying business with BD is stable and is expected to recover as healthcare returns to a more normal level of activity.

Sales of BIP products amounted to SEK 10,4 (8,7) million in the quarter. The integration of Vigilenz's product portfolio contributed positively, but consumption of consumables has been low in most regions during the summer. After a sharp increase in demand during the spring, we have had a rebound due to the fact that many regions have been more or less closed (including India and the Middle East) and the hospitals have had low occupancy.

Financial results

EBITDA for the third quarter amounted to SEK -3,1 (36,5) million, corresponding to an EBITDA margin of -9% (54%). The decrease compared with the corresponding quarter last year is primarily a consequence of the lack of new license revenues and lower license revenues from BD.

Costs for raw material and consumables increased by SEK 3,5 million during the third quarter, partly as an effect of inventory adjustment for obsolescence.

Other external costs were at par with last year. Higher overheads after the acquisition of Vigilenz have increased other external costs, while costs for travel and trade fairs have decreased due to the pandemic.

Personnel costs increased by SEK 3,0 million compared to the third quarter last year. The increase is attributable to personnel costs in the acquired Vigilenz.

Other operating expenses consist of balance sheet-related currency effects that affected the result for the third quarter negatively by SEK -1,2 (-0,4) million.

The Group's operating profit for the third quarter amounted to SEK -14,3 (25,9) million. Depreciation, which does not affect cash flow, affected operating profit by SEK -11,2 (-10,6) million, whereof depreciations on Bactiguard technology amounted to SEK -6,4 (-6,0) million.

Financial items amounted to SEK -3,3 (-3,6) million. Financial costs in the quarter mainly consists of currency effects and interest expenses for bank loans.

Tax for the period amounted to SEK 1,5 (1,4) million during the third quarter. Of this amount, income tax in Malaysia was SEK -0,3 million and the remaining amount refers to changes in deferred tax attributable to the Group's intangible assets.

Development during nine-month period

Revenues

| MSEK | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 | RTM 2020 |
|-----------------------|-----------------|-----------------|-------------------|--------------|
| License revenues | 70,1 | 79,6 | 113,3 | 103,7 |
| New license revenues | 0,0 | 31,5 | 31,5 | 0,0 |
| Sales of BIP products | 52,0 | 14,9 | 40,2 | 77,3 |
| Other revenues | 8,4 | 8,1 | 8,9 | 9,3 |
| Total revenues | 130,5 | 134,1 | 193,9 | 190,3 |

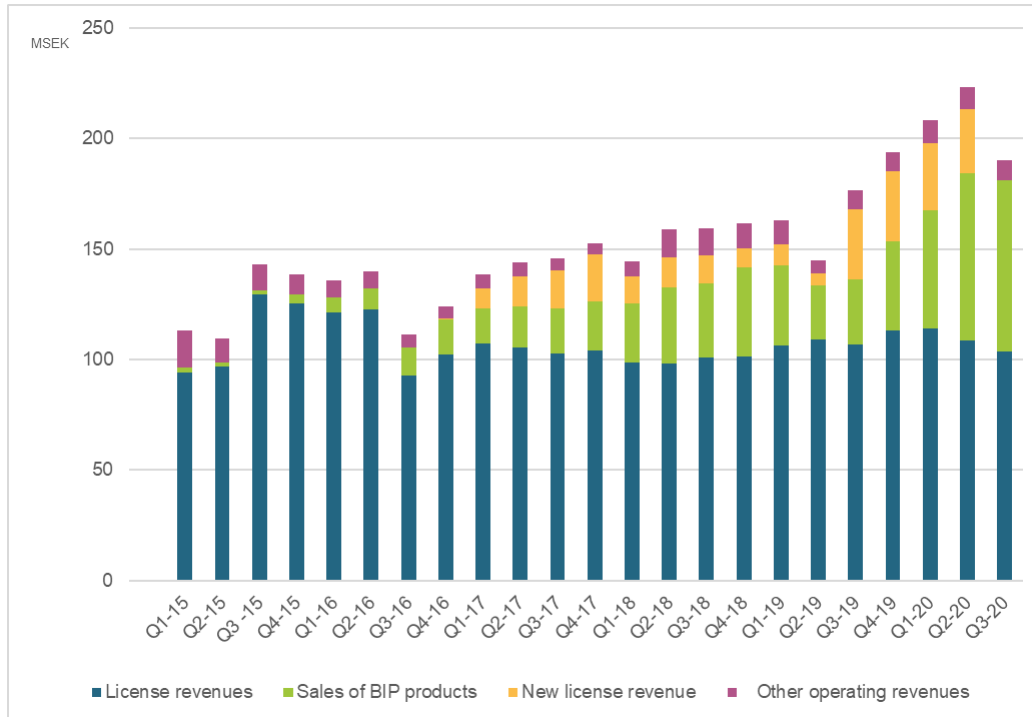
The group's revenue amounted to SEK 130,5 (134,1) million, a decrease by -3% (corresponding decrease adjusted for currency was -1%). License revenues from BD decreased with SEK 9,5 million during the period January to September, which is explained by the reduced demand during the second and third quarter due to the Covid-19 effects described above.

No new license revenue has been generated during 2020. The nine-month period last year, included SEK 31,5 million in new license revenues, whereof SEK 29,4 million from the agreement with Zimmer Biomet and SEK 2,1 million from the agreement with Well Lead.

BIP sales amounted to SEK 52,0 (14,9) and composed 40% of total revenues during the nine-month period. The growth was mainly driven by increased sales of the product portfolio that was included in the acquisition of Vigilenz. In the end of March, the product HYDROCYN aqua® was launched in the Swedish market and its scope was broadened from advanced wound care to disinfection. A flying start resulted in an order intake of more than SEK 20 million, as demand for disinfectants was extensive due to the Covid-19 outbreak. Revenues from Vigilenz are included in BIP sales from March 2020.

Other revenues amounted to SEK 8,4 (8,1) million, whereof SEK 6,4 (4,3) million is explained by increased exchange rate effects related to balance sheet items.

Revenues development, rolling twelve months



Financial results

For the period January to September, EBITDA amounted to SEK 21,8 (49,4) million, corresponding to an EBITDA margin of 17% (37%).

Shipping costs from Malaysia to Sweden were unusually high during the first and second quarters due to Bactiguard establishing a private air bridge when the regular transport capacity was decimated as a result of the Covid-19 outbreak. The extraordinarily high shipping costs are included in the item raw materials and consumables and affected the result for the period January to September by SEK -4,6 million. Costs for raw materials and supplies have also increased due to the growth in BIP sales and inventory adjustments for obsolescence.

Other external costs were SEK 5,9 million higher compared to corresponding period last year. Costs for travel and exhibitions have decreased due to the current situation in the world. Costs related to the acquisition of Vigilenz, clinical studies and consultant costs have increased.

Personnel costs increased by SEK 7,5 million, whereof personnel costs in Vigilenz account for SEK 6,2 million.

Other operating expenses consist of balance sheet-related currency effects that affected the result for the period January to September negatively by SEK -3,2 (-1,3) million.

The Group's operating profit for the nine-month period amounted to SEK -11,2 (17,8) million. Depreciation, which does not affect cash flow, affected operating profit by SEK -33,0 (-31,6) million, whereof depreciation on Bactiguard technology amounted to SEK -18,8 (-17,9) million.

Financial items amounted to SEK -21,3 (-7,2) million. The part of the purchase price for the acquisition of Vigilenz that consisted of shares is considered for accounting purposes as a

financial instrument and the forward effect is thus reported as a financial item in the income statement. This affected net financial items by SEK -10,9 million in the period January to September.

Interest expenses for bank loans and an up-front fee for new medium-term financing, which was secured in connection with the acquisition amounted to SEK -4,9 (-3,6) million during the nine-month period. The remaining part of the financial net mainly consists of interest for financial leasing. Forward hedging in USD has during the year affected the financial net positively by SEK 0,2 (-2,2) million.

Tax for the period amounted to SEK 5,0 (4,1) million during the period January to September. Reported income tax refers to changes in deferred tax attributable to the Group's intangible assets.

Loss for the period January to September amounted to SEK -27,6 (14,7) million, whereof the accounting effect related to the set-off issue accounted for SEK -10,9 million.

Operating profit, rolling twelve months



The positive result of the past year is the effect of good revenue growth, attributable to new licensing agreements, growth in BIP sales and the acquisition of Vigilenz. In Q3 2020, license revenues were lower than in the corresponding period last year, which has an impact on earnings development. The rolling twelve-month EBITDA margin was 18% for the period October 2019 to September 2020.

Cash flow and financial position

Cash flow from operating activities was positive SEK 5,0 (-10,5) million as a result of incoming payments regarding accounts receivables generated during the second quarter, but was affected by the negative earnings trend and total cash flow from operating activities in the quarter amounted to SEK -3,3 (23,9) million for the third quarter.

Investments, mainly in the production facility in Malaysia of SEK -3,5 million, and amortization of financial leasing debt of SEK -2,8 million affected total cash flow negatively.

Negative operating cash flow and investments were partly financed using the overdraft facility, where SEK 13,9 million was utilized at the end of the period.

For the period January to September, operating cash flow amounted to SEK -3,2 (17,1) million. Cash flow from working capital was negative during the period due to a large increase in inventories. This is explained by the fact that the stock of BIP products was built up in both Sweden and Malaysia to meet the increased demand that the pandemic initially created, but which later slowed down due to reduced occupancy in healthcare and difficulties in conducting active sales in closed markets.

The acquisition of Vigilenz affected cash flow from investing activities by SEK -41,6 million net. The acquisition was financed by an increase of the Group's existing credit facility by SEK 43,4 million and a conditional new share issue of 241 512 B shares (which was completed following the decision by the Annual General Meeting held on April 28).

The Group's investments in fixed assets during January to September amounted to SEK -8,2 (-4,7) million for investments in production facilities in Penang, Malaysia and IT investments in the Group. Amortization of financial leasing debt affected cash flow from financing activities by SEK -6,0 (-5,5) million.

Total cash flow for nine-month period amounted to SEK -2,3 (4,4) million.

Consolidated equity amounted to SEK 387,9 (385,0) million on September 30, 2020. Following the Annual General Meeting on April 28, a set-off issue of 241,512 Serie B shares was carried out, as partial payment for the acquisition of Vigilenz. According to IFRS, the shares are valued at the market price as of the issue date (SEK 133/ share), which meant an increase in equity of SEK 32,1 million. For accounting purposes, this partial payment is considered a financial instrument and the forward effect has had an impact of the loss of the year of SEK -10,9 million. Thus the net impact on equity from the set-off issue was SEK 21,2 million for the period January to September.

Net debt amounted to SEK 250,1 (217,2) million on September 30, 2020. In connection with the acquisition of Vigilenz, the Group's existing credit facility was renegotiated. This means that the term is extended to February 2023 and the total outstanding amount on 30 September 2020 amounted to SEK 170,9 (135,0) million. The loan agreement includes a mandatory payment which means an amount corresponding to 50% of Free cash flow, but not exceeding SEK 35 million, is paid annually. In addition to this credit facility, Bactiguard has access to an overdraft facility of SEK 30 million. On September 30, 2020, SEK 13,9 million of this credit facility was utilized.

On September 30, 2020, total assets in the Group amounted to SEK 698,5 (657,2) million. The largest asset items on the balance sheet are goodwill of SEK 247,3 million and the Bactiguard technology which amounted to SEK 156,0 million at the end of the period. The Bactiguard technology is depreciated by approximately SEK 25 million annually over a period of 15 years.

Note 3 contains an acquisition analysis for the acquisition of Vigilenz.

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 September 2020 was SEK 173,5 SEK, and the market capitalization amounted to SEK 5 820 million.

The share capital of Bactiguard on 30 September 2020 amounted to SEK 0.8 million divided into 29,543,885 B shares, each with one vote (29,543,885 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

September 2020 amounted to 33,543,885 shares and 69,543,885 votes. During the second quarter 241,512 new B shares were issued as partial payment for the acquisition of Vigilenz.

Ownership

On 30 September 2020 Bactiguard had 5,951 shareholders.

| Shareholders | No of A-shares | No of B-shares | Total number | % of capital | % of shares |
|-----------------------------------|------------------|-------------------|-------------------|--------------|--------------|
| Christian Kinch and company | 2 000 000 | 4 125 977 | 6 125 977 | 18,3% | 34,7% |
| Thomas von Koch and company | 2 000 000 | 4 125 878 | 6 125 878 | 18,3% | 34,7% |
| Nordea Investment Funds | | 3 434 987 | 3 434 987 | 10,2% | 4,9% |
| Ståhlberg, Jan | | 3 354 387 | 3 354 387 | 10,0% | 4,8% |
| Fjärde AP Fonden | | 3 288 354 | 3 288 354 | 9,8% | 4,7% |
| Handelsbanken Investments Funds | | 2 113 271 | 2 113 271 | 6,3% | 3,0% |
| Försäkringsbolaget Avanza Pension | | 806 053 | 806 053 | 2,4% | 1,2% |
| State Street Bank and Trust Co | | 656 139 | 656 139 | 2,0% | 0,9% |
| Lancelot Asset Management AB | | 650 000 | 650 000 | 1,9% | 0,9% |
| Fröafall Invest AB | | 490 000 | 490 000 | 1,5% | 0,7% |
| Total, major shareholders | 4 000 000 | 23 045 046 | 27 045 046 | 80,6% | 90,7% |
| Total, others | | 6 498 839 | 6 498 839 | 19,4% | 9,3% |
| Total number of shares | 4 000 000 | 29 543 885 | 33 543 885 | 100% | 100% |

Human resources

The average number of employees in the group in period amounted to 148 (59), of which 94 (36) are women. At the end of the period, the number of employees was 197 (62), the increase is attributable to the acquisition of Vigilenz.

Key events during the quarter

For key events, see page 1. All press releases are available on the website www.bactiguard.com

Key events after the end of the quarter

For key events, see page 1. All press releases are available on the website www.bactiguard.com

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 stated in the annual report and no changes have taken place since the annual report for 2019 was published.

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

Since 2017, Bactiguard has a license agreement with Smartwise Sweden AB (“Smartwise”), a company owned by a group of private and institutional investors, including Bactiguard’s main shareholders Christian Kinch and Thomas von Koch. During the period, no transactions with Smartwise took place, but Smartwise’s sister company has leased premises from Bactiguard at market terms. In addition, no transactions with related parties occurred in the period.

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 48 and 62-63 in the Annual Report for 2019.

Covid-19

In addition to already identified risks, the impact of the ongoing pandemic is analysed regularly. Bactiguard as a company follows each country’s recommendations from the equivalent to the Swedish Public Health Agency and takes action accordingly.

During the year, the pandemic affected Bactiguard in several ways. The pandemic has increased the need for infection prevention and thus created new opportunities for Bactiguard, which also had a positive effect on sales figures during Q1 and Q2. At the same time, the pandemic has led to challenges for Bactiguard, distributors and licensing partners. Lock downs have affected most regions and in combination with the focus on Covid-19 patients, this have led to reduced regular healthcare and planned interventions. This means that the consumption of medical devices has declined, which affects both Bactiguard and Bactiguard’s license partner BD. Further, the access to the hospitals has been limited and made it more difficult to promote and sell products. Consequently, both license revenues from BD and BIP revenues decreased during the third quarter. We now see that the healthcare sector has gradually started to reopen in most regions, including the US, to manage the healthcare debt that has been created.

Furthermore, the operations within Vigilenz have so far not been significantly affected by Covid-19. Therefore, the acquisition of Vigilenz has strengthened Bactiguard and improved cash flow.

Although Covid-19 has had a negative effect on sales and earnings, our assessment is that it is a temporary effect. The need for care remains and we are pushing an accelerating care debt ahead of us that must be addressed. In addition, we work closely with our licensing partners and see that our technology in the future will contribute great value in the form of new license transactions and thus increased cash flow. Based on the above, we believe that the technology has a value far exceeding the book value and therefore sees no need for impairment regarding the Group’s intangible assets and deferred tax.

Financial targets

Bactiguard’s goal is to create value and generate good returns for the shareholders. Bactiguards financial targets are to achieve:

- an average growth of 20% per year over a five-year period, with 2020 as the base year;
- an EBITDA margin of at least 30% at the end of the five-year period (year 2025);

- 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.

Bactiguard will continue to expand its operations by strengthening its sales and marketing organization, developing its product portfolio and entering into new licensing agreements in more therapy areas, as well as selective acquisitions.

Condensed consolidated income statement

| Amounts in TSEK | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 | RTM 2020 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|----------------|
| <i>Revenues</i> | <i>Note 1</i> | | | | | |
| License revenues | 20 249 | 54 355 | 70 085 | 111 101 | 144 751 | 103 735 |
| Sales of BIP products | 10 365 | 8 650 | 51 973 | 14 947 | 40 236 | 77 262 |
| Other revenues | 3 536 | 4 153 | 8 407 | 8 056 | 8 942 | 9 293 |
| | 34 150 | 67 158 | 130 465 | 134 104 | 193 929 | 190 291 |
| Change in inventory of finished goods ⁴ | 551 | -173 | 4 222 | 2 069 | 3 882 | 6 036 |
| Capitalized expenses for own account ⁵ | 42 | 140 | 523 | 2 214 | 2 731 | 1 039 |
| Raw materials and consumables | -10 229 | -6 770 | -24 050 | -14 848 | -32 062 | -41 284 |
| Other external expenses | -12 287 | -12 423 | -38 336 | -32 486 | -46 242 | -52 073 |
| Personnel costs | -14 125 | -11 093 | -47 808 | -40 294 | -58 082 | -65 595 |
| Depreciation and amortisation | -11 188 | -10 563 | -32 987 | -31 647 | -42 128 | -43 468 |
| Other operating expenses | -1 205 | -367 | -3 233 | -1 340 | -2 516 | -4 409 |
| | -48 441 | -41 250 | -141 668 | -116 332 | -174 418 | -199 754 |
| Operating profit/loss | -14 291 | 25 908 | -11 203 | 17 772 | 19 511 | -9 464 |
| <i>Profit/loss from financial items</i> | | | | | | |
| Financial income | 881 | 887 | 245 | 1 454 | 151 | 1 703 |
| Financial expenses | -4 218 | -4 482 | -10 715 | -8 625 | -9 309 | -14 160 |
| Result from change in derivative ⁶ | | | -10 868 | | | -10 868 |
| | -3 337 | -3 595 | -21 338 | -7 171 | -9 158 | -23 325 |
| Profit before tax | -17 628 | 22 313 | -32 541 | 10 601 | 10 353 | -32 789 |
| Taxes for the period | 1 514 | 1 402 | 4 979 | 4 096 | 5 903 | 6 785 |
| Net profit/loss for the period | -16 114 | 23 716 | -27 562 | 14 697 | 16 256 | -26 003 |
| Attributable to: | | | | | | |
| Shareholders of the parent | -16 114 | 23 716 | -27 562 | 14 697 | 16 256 | -26 003 |
| Earnings per share, SEK ⁷ | -0,48 | 0,71 | -0,82 | 0,44 | 0,49 | -0,78 |

4 The item has in previous year's reporting been included in Other revenues

5 The item has in previous year's reporting been included in Other external expenses and Personnel costs

6 The part of the purchase price for the acquisition of Vigilenz that consisted of shares is considered, for accounting purposes, as a financial instrument and the forward effect is thus reported as a financial item in the income statement and has affected net profit/loss with SEK -10,9 million in the period Jan-Sept 2020. Adjusted for this non-recurring accounting effect, the net profit/loss for the period January-September 2020 is SEK -16,7 million corresponding to SEK -0,50 per share. The set-off issue for the acquisition of Vigilenz was completed in connection with the Annual General meeting on April 28, 2020.

7 No dilution effect

Condensed consolidated statement of comprehensive income

| Amounts in TSEK | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 | RTM 2020 |
|---|-----------------|-----------------|-----------------|-----------------|-------------------|-------------|
| Net profit/loss for the period | -16 114 | 23 716 | -27 562 | 14 697 | 16 256 | -26 003 |
| <i>Other comprehensive income:</i> | | | | | | |
| <u>Items that will be reclassified to profit or loss for the year</u> | | | | | | |
| Translation differences | -232 | -292 | -3 344 | -578 | -406 | -232 |
| Other comprehensive income, after tax | -232 | -292 | -3 344 | -578 | -406 | -232 |
| Total comprehensive income for the period | -16 346 | 23 424 | -30 906 | 14 120 | 15 850 | -26 236 |
| Attributable to: | | | | | | |
| Shareholders of the parent | -16 346 | 23 424 | -30 906 | 14 120 | 15 850 | -26 236 |
| Total earnings per share | -0,49 | 0,70 | -0,92 | 0,42 | 0,48 | -0,78 |
| Number of shares at the end of period ('000) | 33 544 | 33 302 | 33 544 | 33 302 | 33 302 | 33 544 |
| Weighted average number of shares ('000) | 33 544 | 33 302 | 33 544 | 33 302 | 33 302 | 33 544 |

Condensed consolidated statement of financial position

| Amounts in TSEK | 2020-09-30 | 2019-09-30 | 2019-12-31 |
|--|----------------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 247 333 | 226 292 | 226 292 |
| Technology | 156 003 | 171 143 | 165 192 |
| Brands | 26 190 | 25 572 | 25 572 |
| Customer relationships | 9 681 | 8 483 | 8 188 |
| Capitalised development expenditure | 19 748 | 21 615 | 21 555 |
| Patents | 222 | 400 | 355 |
| Intangible assets | 459 178 | 453 504 | 447 153 |
| Leased assets | 72 399 | 79 921 | 79 266 |
| Buildings | 14 403 | - | - |
| Improvements, leasehold | 8 821 | 9 941 | 9 536 |
| Machinery and other technical plant | 8 677 | 4 698 | 4 410 |
| Equipment, tools and installations | 5 116 | 1 358 | 1 886 |
| Property, plant and equipment | 109 415 | 95 918 | 95 099 |
| Long-term receivables | 1 720 | 477 | 1 837 |
| Financial assets | 1 720 | 477 | 1 837 |
| Total non-current assets | 570 312 | 549 899 | 544 090 |
| Current assets | | | |
| Inventory | 49 127 | 17 908 | 14 351 |
| Accounts receivable | 42 554 | 60 648 | 45 414 |
| Other current receivables <i>Note 2</i> | 17 046 | 22 171 | 14 634 |
| Cash and cash equivalents | 19 439 | 6 601 | 22 878 |
| Total current assets | 128 165 | 107 328 | 97 277 |
| TOTAL ASSETS | 698 478 | 657 227 | 641 367 |
| Equity attributable to shareholders of the parent | | | |
| Share capital | 839 | 833 | 833 |
| Other equity | 387 084 | 384 128 | 385 859 |
| Total equity | 387 923 | 384 960 | 386 691 |
| Non-current liabilities | | | |
| Deferred tax liability | 13 010 | 15 374 | 13 553 |
| Liabilities to credit institutions | 193 718 | 123 650 | - |
| Liabilities leasing agreements | 65 750 | 71 540 | 71 760 |
| Total non-current liabilities | 272 478 | 210 564 | 85 313 |
| Current liabilities | | | |
| Liabilities to credit institutions | 769 | 19 400 | 126 900 |
| Accounts payable | 9 634 | 8 552 | 8 588 |
| Liabilities leasing agreements | 9 310 | 9 228 | 9 223 |
| Other current liabilities <i>Note 2</i> | 2 211 | 4 576 | 2 528 |
| Accrued expenses and deferred income | 16 152 | 19 947 | 22 122 |
| Total current liabilities | 38 076 | 61 703 | 169 362 |
| Total liabilities | 310 555 | 272 267 | 254 675 |
| TOTAL EQUITY AND LIABILITIES | 698 478 | 657 227 | 641 367 |

Condensed consolidated statement of changes in equity

| Amounts in TSEK | Equity attributable to shareholders of the parent | | | | Total equity |
|---|---|-----------------------------|---------------------|---|----------------|
| | Share capital | Other capital contributions | Translation reserve | Retained earnings including net profit for the period | |
| Opening balance, 1 January 2019 | 833 | 675 690 | -305 | -305 376 | 370 841 |
| Profit/loss for the period | | | | 14 697 | 14 697 |
| <i>Other comprehensive income:</i> | | | | | |
| Translation differences | | | -578 | | -578 |
| Total comprehensive income after tax | - | - | -578 | 14 697 | 14 119 |
| Transactions with shareholders | | | | | |
| Total transactions with shareholders | - | - | - | - | - |
| Closing balance, 30 September 2019 | 833 | 675 690 | -883 | -290 679 | 384 961 |
| Opening balance, 1 January 2020 | 833 | 675 690 | -711 | -289 120 | 386 691 |
| <i>Adjustment of equity for previous year</i> | | | | 17 | 17 |
| Profit/loss for the period | | | | -27 562 | -27 562 |
| <i>Other comprehensive income:</i> | | | | | |
| Set-off issue | 6 | 32 115 | | | 32 121 |
| Translation differences | | | -3 344 | | -3 344 |
| Total comprehensive income after tax | - | - | -3 344 | -27 562 | 1 215 |
| Transactions with shareholders | | | | | |
| Total transactions with shareholders | - | - | - | - | - |
| Closing balance, 30 September 2020 | 839 | 707 805 | -4 055 | -316 665 | 387 923 |

Condensed consolidated statement of cash flows

| Amounts in TSEK | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 | RTM 2020 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|----------------|
| Net profit/loss for the period | -16 114 | 23 716 | -27 562 | 14 697 | 16 256 | -26 003 |
| Adjustments for depreciation and amortisation and other non-cash items | 7 793 | 10 591 | 39 478 | 28 058 | 36 424 | 47 843 |
| Cash flow from changes in working capital | 5 020 | -10 456 | -15 144 | -25 624 | 1 302 | 11 780 |
| Cash flow from operating activities | -3 301 | 23 851 | -3 228 | 17 131 | 53 982 | 33 620 |
| Acquisition of subsidiary | -128 | - | -41 620 | - | - | -41 620 |
| Investments in non-current assets | -3 454 | -1 804 | -8 177 | -4 675 | -4 423 | -9 483 |
| Cash flow from investing activities | -3 582 | -1 804 | -49 797 | -4 675 | -4 423 | -51 103 |
| Debt incurred | 119 | - | 43 715 | - | - | 43 715 |
| Amortisation of financial lease | -2 823 | -967 | -6 010 | -5 463 | -8 921 | -7 910 |
| Change in bank overdraft | 13 881 | -16 378 | 13 881 | 4 895 | -3 905 | 5 081 |
| Amortisation of loan | 22 | - | -631 | -7 500 | -15 000 | -8 131 |
| Other financing activities | 282 | - | -215 | - | - | -215 |
| Cash flow from financing activities | 11 481 | -17 345 | 50 740 | -8 068 | -27 826 | 32 540 |
| Cash flow for the period | 4 598 | 4 701 | -2 285 | 4 389 | 21 733 | 15 057 |
| Cash and cash equivalents at start of period | 16 303 | 1 586 | 22 878 | 1 893 | 1 893 | 6 601 |
| Exchange difference in cash and cash equivalents | -1 462 | 314 | -1 154 | 319 | -748 | -2 219 |
| Cash and cash equivalents at end of period | 19 439 | 6 601 | 19 439 | 6 601 | 22 878 | 19 439 |

Condensed parent company

| Income Statement | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|
| Amounts in TSEK | | | | | |
| Revenues | 319 | 566 | 2 300 | 4 284 | 5 081 |
| Operating expenses | -1 324 | -1 187 | -6 201 | -6 808 | -8 310 |
| Operating profit/loss | -1 005 | -621 | -3 901 | -2 524 | -3 229 |
| Net financial items | -632 | -347 | -13 011 | -1 076 | -1 438 |
| Profit/loss after financial items | -1 637 | -969 | -16 912 | -3 601 | -4 667 |
| Tax for the period | - | - | - | - | 15 255 |
| Net profit/loss for the period | -1 637 | -969 | -16 912 | -3 601 | 10 588 |

The parent company presents no separate statement of comprehensive income since the company has no items in 2020 or 2019 recognized in other comprehensive income. Net profit/loss for the period for the parent company thereby also constitutes the comprehensive income for the period.

| Balance Sheet | 2020-09-30 | 2019-09-30 | 2019-12-31 |
|--------------------------------------|----------------|----------------|----------------|
| Amounts in TSEK | | | |
| ASSETS | | | |
| Non-current assets | | | |
| Financial assets | 659 106 | 593 489 | 592 860 |
| Deferred tax asset | 15 255 | - | 15 255 |
| Total non-current assets | 674 361 | 593 489 | 608 114 |
| Current assets | 2 753 | 1 200 | 3 769 |
| Total current assets | 2 753 | 1 200 | 3 769 |
| TOTAL ASSETS | 677 114 | 594 689 | 611 883 |
| EQUITY & LIABILITIES | | | |
| Total equity | 483 082 | 453 685 | 467 873 |
| Non-current liabilities | | | |
| Liabilities to credit institutions | 170 941 | 114 850 | 102 500 |
| Total non-current liabilities | 170 941 | 114 850 | 102 500 |
| Current liabilities | 23 091 | 26 154 | 41 510 |
| Total current liabilities | 23 091 | 26 154 | 41 510 |
| Total liabilities | 194 032 | 141 004 | 144 010 |
| TOTAL EQUITY AND LIABILITIES | 677 114 | 594 689 | 611 883 |

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 | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 | RTM 2020 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|---------------|
| Operating profit/loss | -14 291 | 25 908 | -11 203 | 17 772 | 19 511 | -9 464 |
| Depreciation and amortisation | <u>11 188</u> | <u>10 563</u> | <u>32 987</u> | <u>31 647</u> | <u>42 128</u> | <u>43 468</u> |
| EBITDA | -3 103 | 36 471 | 21 784 | 49 419 | 61 640 | 34 004 |

EBITDA-marginal

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 | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 | RTM 2020 |
|----------------------|-----------------|-----------------|-----------------|-----------------|-------------------|----------------|
| EBITDA | -3 103 | 36 471 | 21 784 | 49 419 | 61 640 | 34 004 |
| Revenue | <u>34 150</u> | <u>67 158</u> | <u>130 465</u> | <u>134 104</u> | <u>193 929</u> | <u>190 291</u> |
| EBITDA-margin | -9% | 54% | 17% | 37% | 32% | 18% |

Adjusted net profit/loss

As a partial payment of the acquisition of Vigilenz, a set-off issue was executed after the Annual General Meeting in April. According to the IFRS regulations, the set-off issue must technically be reported as a forward contract, which affects the reported net result. To simplify the comparison between the years, the key figure Adjusted net profit/loss for the period is presented, which shows the net profit/loss for the period adjusted for the non-recurring accounting effect in connection with set-off issue.

| Amounts in TSEK | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 | RTM 2020 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|----------------|
| Net profit | -16 114 | 23 716 | -27 562 | 14 697 | 16 256 | -26 003 |
| IFRS adjustment from set-off issue | 0 | 0 | <u>10 868</u> | 0 | 0 | <u>10 868</u> |
| Adjusted Net profit/loss | -16 114 | 23 716 | -16 694 | 14 697 | 16 256 | -15 135 |

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 | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Liabilities to credit institutions | 194 487 | 143 050 | 194 487 | 143 050 | 126 900 |
| Long-term liabilities leasing | 65 750 | 71 540 | 65 750 | 71 540 | 71 760 |
| <u>Short-term liabilities leasing</u> | <u>9 310</u> | <u>9 228</u> | <u>9 310</u> | <u>9 228</u> | <u>9 223</u> |
| Interest-bearing liabilities | 269 547 | 223 818 | 269 547 | 223 818 | 207 884 |
| Cash and cash equivalents | -19 439 | -6 601 | -19 439 | -6 601 | -22 878 |
| Net debt | 250 109 | 217 217 | 250 109 | 217 217 | 185 006 |

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 | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 |
|---------------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Equity | 387 923 | 384 960 | 387 923 | 384 960 | 386 691 |
| Balance sheet total | <u>698 478</u> | <u>657 227</u> | <u>698 478</u> | <u>657 227</u> | <u>641 367</u> |
| Equity ratio | 56% | 59% | 56% | 59% | 60% |

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.

Adjusted Earnings per share

Profit attributable to holders of ordinary shares in the Parent Company, adjusted for the non-recurring accounting effect in connection with the set-off issue, divided by the weighted average number of outstanding ordinary shares during the period. The key figure is presented to simplify comparisons between the years.

| Amounts in TSEK | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 | RTM 2020 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|---------------|
| Adjusted Net profit/loss | -16 114 | 23 716 | -16 694 | 14 697 | 16 256 | -15 135 |
| Number of shares at the end of the period ('000) | <u>33 544</u> | <u>33 302</u> | <u>33 544</u> | <u>33 302</u> | <u>33 302</u> | <u>33 544</u> |
| Adjusted earnings per share | -0,48 | 0,71 | -0,50 | 0,44 | 0,49 | -0,45 |

Profit/loss from financial items

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

Note 1 Revenue distribution

| Total Group | Jul-Sep 2020 | Jul-Sep 2019 | Jan-Sep 2020 | Jan-Sep 2019 | Full year 2019 | RTM 2020 |
|---|-----------------|-----------------|-----------------|-----------------|-------------------|----------------|
| Amounts in TSEK | | | | | | |
| Type of product/service | | | | | | |
| License | 20 249 | 54 355 | 70 085 | 111 101 | 144 751 | 103 735 |
| Sales of BIP products | <u>10 365</u> | <u>8 650</u> | <u>51 973</u> | <u>14 947</u> | <u>40 236</u> | <u>77 262</u> |
| Total | 30 614 | 63 005 | 122 058 | 126 048 | 184 987 | 180 998 |
| Time for revenue recognition | | | | | | |
| Performance commitment is met at a certain time | 30 614 | 63 005 | 122 058 | 123 930 | 182 869 | 180 998 |
| Performance commitment is met during a period of time | <u>0</u> | <u>0</u> | <u>0</u> | <u>2 118</u> | <u>2 118</u> | <u>0</u> |
| Total | 30 614 | 63 005 | 122 058 | 126 048 | 184 987 | 180 998 |

Note 2 Financial assets and liabilities

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 2019, note 4. Fair value of financial assets and liabilities is estimated to be substantially consistent with book values. The group holds derivative instruments for foreign exchange contracts which are recognized at fair value through profit or loss, considering the current exchange rate on the foreign exchange market and the remaining maturity of respective instruments.

| Amounts in TSEK | Jan-Sep 2020 | | Jan-Sep 2019 | | Full year 2019 | |
|---------------------------|--------------------------|--------------|--------------------------|--------------|--------------------------|------------|
| | Derivatives (level 2) | Fair value | Derivatives (level 2) | Fair value | Derivatives (level 2) | Fair value |
| Assets | | | | | | |
| Other current receivables | 1 026 | 1 026 | - | - | - | - |
| Liabilities | | | | | | |
| Other current liabilities | - | - | 1 912 | 1 912 | 248 | 248 |

Note 3 Acquisition

As of February 28, 2020, Bactiguard Holding AB acquired 100% of the share capital in Vigilenz Medical Devices and Vigilenz Medical Supplies (together Vigilenz) in Malaysia, which means these companies are included in the consolidated amounts from March 2020. The purchase consideration consisted of a cash payment of SEK 43,7 million at closing and, subject to approval by the annual general meeting of shareholders in April 28th, 2020, 241 512 new B-shares in Bactiguard. The shares have valued at fair value based on the market price at the time of acquisition (88 SEK/share). The acquisition was financed through credit facilities provided by Skandinaviska Enskilda Banken (SEB), with a maturity of three years. Bactiguard has had a license collaboration with Vigilenz since 2015. 2019 Vigilenz had a turnover of approximately MYR 18 million (approx. SEK 42 million), EBITDA of approximately MYR 2,6 million (approx. SEK 6 million) and an EBITDA-margin of 14 percent. Total number of employees is just above 100.

The acquisition boosts Bactiguard's position in infection prevention and wound care and improves innovation and product development capacity and expertise. Vigilenz also has a strong network of distributors in South East Asia. As a result of the acquisition, joint revenues are expected to grow faster than on a stand-alone basis, as the product portfolios are complementary and can be offered throughout both companies distribution networks. In a three to five years perspective, Bactiguard also expects cost synergies of SEK 5-10 million.

According to the acquisition analysis a goodwill of SEK 22,9 million arose upon acquisition, mainly attributable to synergies, future customers, future technology, market position and workforce at Vigilenz. The estimated useful lifetime for Technology is 6 years, customer relations 12 years, trademark Vigilenz 5 years. The assets and liabilities included in the acquisition in the report period 2020 is, according to the preliminary acquisition analysis as follows:

Amounts in TSEK

| Fair value of acquired net assets | Vigilenz |
|---|---------------|
| Technology | 9 600 |
| Trademark | 700 |
| Customer relations | 2 500 |
| Buildings | 14 979 |
| Improvements, leasehold | 427 |
| Leased assets | 993 |
| Machinery and other technical plant | 3 680 |
| Equipment, tools and installations | 2 845 |
| Total non-current assets | 35 724 |
| Inventory | 16 795 |
| Accounts receivable | 5 110 |
| Other current receivables | 1 822 |
| Cash and cash equivalents | 3 920 |
| Total current assets | 27 647 |
| TOTAL ASSETS | 63 371 |
| Deferred tax liability | 4 806 |
| Liabilities to credit institutions | 11 554 |
| Liabilities leasing agreements | 559 |
| Total non-current liabilities | 16 919 |
| Short-term liabilities to credit institutions | 734 |
| Accounts payable | 923 |
| Short-term liabilities leasing agreements | 438 |
| Other current liabilities | 2 293 |
| Total current liabilities | 4 388 |
| TOTAL ACQUIRED NET ASSETS | 42 064 |

| Allocation of purchase consideration | Vigilenz |
|---|-----------------|
| Purchase consideration, cash | 43 702 |
| Consideration, shares | 21 253 |
| Total consideration | 64 955 |
| Fair value of acquired net assets | -42 064 |
| Goodwill | 22 891 |

| Investing activities | Vigilenz |
|---|-----------------|
| Purchase consideration, cash | 43 702 |
| Cash and cash equivalents in acquired subsidiaries | -3 920 |
| Direct costs relating to acquisition | 1 709 |
| Effects of acquisitions on cash and cash equivalents | 41 492 |

Direct costs relating to acquisition are included in the item Other external expenses in income statement.

| Contribution from acquired companies 2020 | Vigilenz Jul-Sep | Vigilenz Mar-Sep |
|--|-----------------------------|-----------------------------|
| Net sales | 12 408 | 26 143 |
| Profit after tax for the year | 1 230 | 2 960 |

The table below shows sales and profit as if the acquisition of Vigilenz had taken place on 1 Januari 2020

| | Vigilenz Jan-Sep |
|-------------------------------|-----------------------------|
| Net sales | 32 125 |
| Profit after tax for the year | 2 766 |

Quarterly information

| Amounts in TSEK | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| License revenues | 27 035 | 27 278 | 26 929 | 27 698 | 25 004 | 33 650 | 27 750 | 22 085 | 20 249 |
| New license revenues | 3 108 | 0 | 1 082 | 1 036 | 29 351 | 0 | - | - | - |
| Sales of BIP products | 3 939 | 14 427 | 3 143 | 3 154 | 8 650 | 25 289 | 16 195 | 25 413 | 10 365 |
| Other revenues | 1 313 | 802 | 2 754 | 1 149 | 4 153 | 886 | 4 160 | 712 | 3 536 |
| Total revenues | 35 395 | 42 507 | 33 909 | 33 037 | 67 158 | 59 825 | 48 105 | 48 211 | 34 150 |
| EBITDA | 7 906 | 3 331 | 7 181 | 5 735 | 36 472 | 12 221 | 14 365 | 10 522 | -3 103 |
| EBITDA margin | 22% | 8% | 21% | 17% | 54% | 20% | 30% | 22% | -9% |
| EBIT | -167 | -5 113 | -3 382 | -4 785 | 25 908 | 1 739 | 3 865 | -777 | -14 291 |
| Net profit/loss for the period | -526 | -5 527 | -3 423 | -5 627 | 23 716 | 1 560 | -11 176 | -272 | -16 114 |
| Adjusted net profit/loss for the period SEKm | - | - | - | - | - | - | - | -2 204 | -16 114 |
| Earnings per share, SEK | -0,02 | -0,17 | -0,10 | -0,17 | 0,71 | 0,05 | -0,34 | -0,01 | -0,48 |
| Adjusted earnings per share, SEK | - | - | - | - | - | - | - | -0,07 | -0,48 |
| Operating cash flow | 5 364 | -2 723 | -6 476 | -243 | 23 850 | 36 850 | -3 511 | 3 583 | -3 301 |
| Operating cash flow per SEK | 0,16 | -0,08 | -0,19 | -0,01 | 0,72 | 1,11 | -0,11 | 0,11 | -0,10 |
| Net debt | 151 942 | 155 787 | 238 158 | 239 188 | 217 217 | 185 006 | 241 523 | 241 587 | 250 109 |
| Total shares (pcs) | 33 302 373 | 33 302 373 | 33 302 373 | 33 302 373 | 33 302 373 | 33 302 373 | 33 302 373 | 33 543 885 | 33 543 885 |

Forthcoming disclosures of information

| | |
|-----------------|---------------------------------------|
| 4 February 2021 | Year-end report 2020 |
| 30 March 2021 | Annual report 2020 |
| 22 April 2021 | Interim report 1 Jan - 31 Mar 2021 |
| 28 April 2021 | Annual General Meeting |
| 15 July 2021 | Interim report 1 April - 30 June 2021 |
| 28 October 2021 | Interim report 1 July - 30 Sept 2021 |

Contacts

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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, 5 November 2020

Christian Kinch

Chairman

Jan Ståhlberg

Board Member

Thomas von Koch

Board Member

Anna Martling

Board Member

Cecilia Edström

CEO and Board Member

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 in large. The Bactiguard technology prevents bacterial adhesion and biofilm formation on medical devices. Bactiguard offers the technology through license agreements and our BIP (Bactiguard Infection Protection) portfolio of products. Through our license 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 by establishing license agreements in new therapeutic areas. Recently, Bactiguard completed the acquisition of Malaysian Vigilenz, a manufacturer and supplier of medical devices and consumables, primarily within wound care and infection prevention. Following the acquisition, Bactiguard has about 180 employees around the world. Its headquarters and one of three production facilities are located in Stockholm, the other two in Malaysia. Bactiguard is listed on Nasdaq Stockholm. Read more about how Bactiguard save lives at www.bactiguard.com

This information is information that Bactiguard Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above 2020-11-05, at. 08.00.

Review report

Introduction

We have reviewed the interim report for Bactiguard Holding AB (publ) for the period 1 January 2020 – 30 September 2020. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 5 November 2020

DELOITTE AB

Therese Kjellberg

Authorized Public Accountant