

Year-end report 2016 Bactiguard Holding AB

In many ways, 2016 was a good year for Bactiguard. We exceeded our goal of doubling the volume of products sold in our own portfolio by a wide margin and delivered approx. 418,000 units. We made a breakthrough in China and India, now our two largest markets, and we entered several European markets, while advancing our position in the domestic market. We developed our licensing business but did not quite reach the goal of signing a new contract in 2016. This happened at the beginning of February this year when Bactiguard entered a new interesting therapeutic area through a license agreement that generates payments of 2.5 MUSD in 2017.

Fourth quarter (October-December 2016)

- During the fourth quarter, a total of approx. 134,000 (74,000) BIP products were delivered, an increase of 81 %.
- Revenues amounted to SEK 33.6 (20.6) million, an increase of 63 % compared to the corresponding quarter previous year.
- EBITDA amounted to SEK 4.5 (-6.1) million.
- Operating profit amounted to SEK -3.9 (-14.4) million.
- Reported net profit for the quarter amounted to SEK -7.4 (-19.3) million, corresponding to SEK -0.22 (-0.58) per share. Net profit for the quarter has been positively affected by market valuation of the bond loan with SEK 1.4 (-2.8) million.
- Operating cash flow for the quarter amounted to SEK -19.1 (-25.6) million, corresponding to SEK -0.57 (-0.77) per share.

Full year (January-December 2016)

- During the full year, a total of approx. 418,000 (152,000) BIP products were delivered, an increase of 175 %.
 - Revenues amounted to SEK 128.3 (138.5) million. Previous year includes the effect of SEK 20 million from the additional one-off order from C.R. Bard. Excluding this effect, revenues increased by 8 %.
 - EBITDA amounted to SEK 15.1 (20.2) million. Previous year includes a positive effect of the additional one-off order from C.R. Bard. Excluding this effect, EBITDA was higher in 2016 than in 2015.
 - Operating profit amounted to SEK -18.3 (-12.7) million.
 - Net profit amounted to SEK -26.9 (-26.5) million, corresponding to SEK -0.81 (-0.80) per share. Net profit for the period has been positively affected by market valuation of the bond loan with SEK 4.1 (2.6 million).
 - Operating cash flow amounted to SEK -19.8 (-32.5) million, corresponding to SEK -0.60 (-0.97) per share.
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Key events during the fourth quarter

- New clinical study confirms reduced infections in intensive care units
- Repeat order from China of 100,000 catheters
- Bond loan repaid
- Bactiguard expands in Germany

Key events after the end of the fourth quarter

- License agreement in new therapeutic area for advanced vascular injection catheters. In 2017, the agreement will generate revenues of 2.5 MUSD.

Comments by the CEO

2016 was in many ways a good year for Bactiguard. Among other things, we exceeded by a wide margin the goal of doubling the volume of products sold in our own portfolio and we made progress in the license area. However, we were not able to fully turn this into a strong profitability. Revenues amounted to approximately SEK 128 million, with an EBITDA margin of 12 percent. Compared to the year before, revenues and profit were lower but, we must not forget that 2015 was affected by a major additional one-off order from C.R. Bard to build safety stock, which complicates the comparison. Adjusted for this effect, the underlying growth was 8 percent. The trend is positive, but I am not satisfied. During 2017 we will therefore work hard on both the revenue and cost side to achieve a positive profitability development.

In early 2016, we set up three main priorities. To increase sales of our own portfolio, to further develop our existing licensing business and sign at least one new contract, as well as to refinance the bond loan.

The sales trend of our own portfolio of infection prevention products has been strong. Already after three quarters we were close to the target for the full year i.e. to double the volume from the previous year. The strong sales trend continued during the fourth quarter and we delivered more than 130,000 units, primarily to China. This means that we delivered close to 420,000 units in 2016, a significant increase from the approximately 150,000 units in the previous year. I am therefore pleased to conclude that we, by far, have surpassed the tough goal we set at the beginning of 2016.

2016 started off with the positive news that we, after 5 years, finally got the long-awaited product approval in China. This resulted in large orders and product deliveries. We delivered 200,000 urinary catheters there during the year, which means that China has now become our largest market. Training activities for the staff of our distributor and sales activities aimed at hospitals have been intense since the summer and we are confident about the future development in the country.

India has emerged as our second largest market, to which we delivered close to 100,000 urinary catheters during the year. A large number of hospitals have evaluated our product and some 15 different hospital groups have started using it on a regular basis, but it takes time to turn positive evaluations into recurring orders. In 2017, we will therefore expand our



distribution network with more regional distributors in order to have a more wide reaching approach in this enormous country and thus reach a higher market penetration. The ongoing clinical trial has reached the half-way point and the results look promising.

One of our top priorities has been to establish ourselves in major European markets and, in December, we entered into an exclusive partnership with Roeser for Germany and Switzerland. Roeser is one of Germany's leading suppliers to the healthcare sector. At the same time we received an order worth approximately 400,000 Euro where the first delivery was made before the end of the year and the main part will be delivered during 2017. We believe strongly in the German market and have invested in expertise and capacity to support our partner in the best possible way. Earlier in the year, we signed distribution agreements for Poland and Austria, where sales have developed favorably. Meanwhile, work continues to establish partnerships in several other major markets in Europe.

In Sweden we have had a positive development and we are increasing our presence region by region. In the fourth quarter we won tenders for Kronoberg and Blekinge regions and since November our products are available to hospitals in the counties of Kalmar and Halland. The Stockholm County Council has just announced a tender for urinary catheters, where infection prevention is listed as a requirement and we see more and more regions going the same way. During the year we also launched our central venous catheter (CVC), which now has become standard of care for ICU patients at Lund University Hospital.

The Middle East has not lived up to our expectations and deliveries were significantly lower than the year before. This was mainly due to the political and economic situation in the region. Despite this, we see that it is possible to do more business, and we are therefore increasing our sales and marketing resources. In January this year, we signed a distribution agreement for Egypt, the most populous country in the Middle East and Northern Africa. The product registration process has begun and the launch is planned for the second quarter of 2017. Within a few years, we see that this market can become one of our largest in the region.

We now have a product portfolio that is very well adapted to the needs of patients in intensive care units (ICU), where infection rates are high and patients are seriously ill. The cost of treating patients in ICUs is much higher than in other units so there are considerable economic gains to be made.

At the same time, we are developing new tools in order to reach our vision of establishing a new standard of care for the prevention of healthcare associated infections. An example of this is Bactiguard Academy, a digital platform designed to be able to continuously train our distributors. At the end of the year, we launched another tool, Bactiguard Clinical Implementation Programme - BIP CIP, which was developed in cooperation with specialists from the Karolinska University Hospital in order to train healthcare professionals and thereby reduce infections associated with urinary catheter treatment. During 2017, we will continue developing new modules for other therapy areas.

The level of activity in developing both new and ongoing licensing businesses has been high. We did not quite reach the goal of signing a new contract during the past year, but in early February this year we entered a new, interesting therapeutic area.

The license agreement with Smartwise Sweden AB opens up a completely new area of application for our technology. Through advanced injection systems, pharmaceuticals and other forms of therapy can be targeted at damaged tissue of vital organs, following for example stroke or heart attack. High doses of chemotherapy can also be injected into cancer



tumours. In 2017, Smartwise will pay 2.5 MUSD for the exclusive and global right to this application and, once the products reach the market, we will receive royalty payments. Through this deal, we see that our technology has the potential to add value to many different kinds of applications and this bodes well for the future.

At the beginning of December we completed the third priority, i.e. the refinancing of the bond loan, when the outstanding debt was paid in full. The refinancing solution consists of loans totalling SEK 150 million, at terms which will substantially reduce Bactiguard's interest expenses going forward.

During 2017 our priorities will essentially remain the same, namely to double the sales of our own product portfolio and develop new licensing deals. The goal is to generate growth while maintaining cost control in order to close in on our long-term financial target of a growth of 20 percent and an EBITDA margin of 30 percent.

Finally I would like to thank our employees for your efforts in 2016. We have achieved a lot during the year, which gives us an excellent platform to build on for growth in the ongoing war against hospital acquired infections.

Christian Kinch

CEO

The interim report for Bactiguard Holding AB (publ) for the period October-December 2016 is available as a PDF 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 and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below 2017-02-09, at. 08.00.

A telephone conference for investors, analysts and media will be held at 10:00 CET today, where CEO Christian Kinch and CFO Fredrik Järsten will present the interim report and answer questions.

The report and a presentation for the conference call will be available at Bactiguard's website www.bactiguard.com from 8:00 CET the same day.

To participate in the conference, please dial +46 8 566 426 99

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About Bactiguard

Bactiguard is a Swedish medtech company with a global presence, offering a solution that prevents healthcare associated infections caused by medical devices. By preventing infections, we contribute to a reduced use of antibiotics and the spread of multi-resistant bacteria, which is a growing problem worldwide. We save lives, increase patient safety and significantly reduce the cost for the healthcare and society. Our technology is well-proven, safe and tissue friendly and consist of a thin layer of noble metals that prevents bacterial growth. The coating can be applied on almost all medical devices.



Bactiguard-coated urinary catheters are market leading in the US and Japan and the company has also its own product portfolio consisting of Foley catheters, central venous catheters and endotracheal tubes. Bactiguard is a growth company, focused on markets in Europe, Middle East, Asia and Latin America. The company has about 60 employees worldwide, mainly at the headquarters in Stockholm and the production facility in Malaysia and is listed on Nasdaq Stockholm. Read more about Bactiguard at www.bactiguard.com