

Year-end report 2018 Bactiguard Holding AB

An eventful and exciting year with strong growth in the BIP portfolio

2018 was an exciting and eventful year for Bactiguard when we reached several important milestones, primarily strong growth in sales of our own product portfolio for infection prevention (BIP portfolio), the distribution and license agreement with Well Lead for China and the CE mark for orthopaedic trauma implants, which opens possibilities in a completely new application area for Bactiguard's technology.

Fourth quarter (October-December 2018)

- Revenues amounted to SEK 42.1 (41.4) million, an increase of 2% driven by higher BIP sales, while new license revenues were lower than previous year.
- BIP sales amounted to SEK 14.4 (7.4) million, an increase of 96% where China accounts for the majority.
- EBITDA amounted to SEK 3.3 (8.8) million, with an EBITDA margin of 8% (21%). Write-downs of accounts receivable affected the result negatively by SEK 4.3 million. Adjusted for this write-down the EBITDA margin was 18%.
- Operating profit amounted to SEK -5.1 (0.1) million, a decrease explained by the above.
- Net profit/loss for the quarter amounted to SEK -5.5 (-0.9) million, or SEK -0.17 (-0.03) per share.
- Operating cash flow for the quarter amounted to SEK -5.0 (-5.8) million, or SEK -0.15 (-0.17) per share.

Full year (January-December 2018)

- Revenues amounted to SEK 163.2 (153.6) million, an increase of 6% driven by higher BIP sales, while new license revenues were lower than previous year.
- BIP sales amounted SEK 40.6 (21.8) million, an increase of 86%. Increased sales to China accounts for a large part of the increase, but other regions have also contributed to the growth.
- EBITDA for the period amounted to SEK 22.2 (34.4) million, with an EBITDA margin of 14% (22%). The decrease is attributable to higher new license revenues last year, one-off costs of SEK 11.5 million for early termination of the former distribution agreement for China in 2018 and write-downs of accounts receivable of SEK 4.3 million. Adjusted for these one-off costs and the write-down the EBITDA margin was 23%.
- Operating profit amounted to SEK -12.0 (-0.6) million, a decrease explained by the above.
- Net profit/loss for the period amounted to SEK -14.9 (-3.3) million, or SEK -0.45 (-0.10) per share.
- Operating cash flow for the period amounted to SEK -4.9 (-0.1) million, or SEK -0.15 (0.00) per share.

Key events during the fourth quarter

- Orthopaedic trauma implants CE-marked
- New major order from China
- Partners with Mediplast in the Nordics and Benelux
- Product approval in Egypt
- Bactiguard Employer of the Year

Key events after the end of the quarter

- Bactiguard focuses operations in MEA



Comments by the CEO

An eventful and exciting year with strong growth in the BIP portfolio

2018 was an exciting and eventful year for Bactiguard when we reached several important milestones. I want to highlight the strong growth in sales of our own product portfolio for infection prevention (BIP portfolio), the distribution and license agreement with Well Lead for China and the CE mark for orthopaedic trauma implants, which opens possibilities in a completely new application area for Bactiguard's technology.

Our primary focus when we entered 2018 was to generate growth through increased sales of the BIP portfolio and by new license business. We have succeeded in that, even though growth was not at par with our financial targets.

Sales of the BIP portfolio increased by almost 90 percent. This is very gratifying and reflects that the need for infection prevention is increasing in healthcare and that our technology is gaining ground across the world, not least in China. The agreement with Well Lead for China also means that we have established a new license business. In a few years' time, we will thereby broaden our product range to include our entire product portfolio in the Chinese market and generate recurring license revenue.

The CE mark for orthopaedic trauma implants, that was secured as late as in December, is a breakthrough for Bactiguard. We already have a product portfolio that prevents infections in the urinary and respiratory tracts and the blood stream. Now we take another step. This is the first time our technology has been approved for use on metal implants intended to stay in the body for many months, up to several years and sometimes lifelong. This clearly shows that the technology is safe for patients. At the same time, it opens the door to the global market for trauma implants, with an annual turnover exceeding USD 5 billion, an important growth area for us. Our current license agreement with Vigilenz is limited to the ASEAN region. Our highest priority is therefore to establish new license deals in this application area, covering the major global markets.

BIP sales were strongest in China, where we delivered products at a value of just over SEK 20 million. This is more than a doubling compared to the year before. India and Europe also generated growth. In India, mainly driven by the product approvals we received at the end of 2017. This means that our new distributor can offer a broad product range that meets the needs of seriously ill, infection sensitive patients.

In Europe, I mainly want to highlight Germany and Sweden. In Germany, joint activities with our partner Asid Bonz have accelerated during the autumn and the initial response is positive. In the Nordic and Benelux countries, we have had a flying start with our new partner Mediplast by training their sales force, who are now ready to approach the market. Thereby we expect to gain greater leverage from the Swedish tenders we have won over the past couples of years and faster growth in the other Nordic and Benelux countries.

The Middle East experienced an interim year, mainly due to delayed product registrations that are now in place. Bactiguard has been active in the Middle East for several years. In most markets, we have strong distributor relationships that generate regular sales. In other markets (eg. Iraq), sales are more irregular and dependent on public procurement, which requires local presence to maintain a sustainable business. Therefore, we have recently decided to transfer the distribution for Iraq and sell accounts receivable to a European distributor with long experience and established relations in the region.

License revenues from our largest customer Becton, Dickinson & Company (BD) were somewhat lower than the year before, due to inventory adjustments at the beginning of the year. The underlying business is stable. The agreement with Well Lead generated new license revenues of just over



SEK 8 million. This is a significant contribution, although not in line with the new license revenues we generated from the contract with Smartwise in 2017.

The EBITDA result and margin were lower than last year even though BIP sales almost doubled. This is because new license revenues, with high margins, were lower, while at the same time we took considerable costs to terminate the previous distribution agreement for China and made write-downs of accounts receivable in Iraq. The decision to change partner in China is strategically right and will strengthen our long-term profitability, even though it initially has a negative impact on earnings in the form of higher costs and lower margins. The disposal of accounts receivable also affected earnings but provides a positive cash flow in early 2019. If we adjust for the one-off costs in China and the write-down of accounts receivable, the EBITDA margin was at par with 2017.

Finally, I want to share how proud I am that Bactiguard in the autumn received the “Visa vägen” award as Employer of the Year. It is proof that our work with sustainability and an inclusive leadership contribute both to us as a company and the society. Now we look forward to an equally exciting and eventful 2019, with even greater leverage from our technology and the investments that lie behind us.

Christian Kinch
CEO

The year end report 2018 for Bactiguard Holding AB (publ) is available as a PDF at www.bactiguard.com

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A telephone conference for investors, analysts and media will be held at 10:00 CET today, where CEO Christian Kinch and CFO Cecilia Edström 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 call, please dial +46 8 505 583 53

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About Bactiguard

Bactiguard is a Swedish medical device company with a mission to save lives. To achieve this mission we develop and supply infection 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 technology prevents bacterial adhesion and biofilm formation on medical devices. Bactiguard offers the technology through licence agreements and our BIP (Bactiguard Infection Protection) portfolio of products. Through our licence partner BD (Becton, Dickinson & Company), urinary catheters with Bactiguard's coating are market leading in the USA and Japan. Bactiguard's own product portfolio of urinary catheters, endotracheal tubes and central venous catheters prevent some of the most common infections, which appear in the urinary tract, the blood stream and the respiratory tract.

Bactiguard is in a strong expansion phase in the European markets, China, India and the Middle East as well by establishing license agreements in new therapeutic areas. The company has about 70 employees around the world. Its headquarters and one of two production facilities are located in Stockholm, the other one in Malaysia. Bactiguard is listed on Nasdaq Stockholm.

Read more about how Bactiguard saves lives on www.bactiguard.com