



Year-end report for Bactiguard Holding AB (publ)

Corporate registration number 556822-1187

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

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.
- EBITDA¹ amounted to SEK 3.3 (8.8) million, with an EBITDA margin¹ 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 flow¹ 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 Medioplast in the Nordics and Benelux
- Product approval in Egypt
- Bactiguard Employer of the Year

Key events after the end of the fourth quarter

- Bactiguard focuses operations in MEA

Key figures ¹	Oct-Dec	Oct-Dec	Full year	Full year
	2018	2017	2018	2017
Revenues ² , SEKm	42,1	41,4	163,2	153,6
EBITDA, SEKm	3,3	8,8	22,2	34,4
EBITDA margin, %	8%	21%	14%	22%
Operating profit, SEKm	-5,1	0,1	-12,0	-0,6
Net profit/loss for the period ² , SEKm	-5,5	-0,9	-14,9	-3,3
Operating cash flow, SEKm	-5,0	-5,8	-4,9	-0,1
Earnings per share ² , SEK	-0,17	-0,03	-0,45	-0,10
Operating cash flow per share, SEK	-0,15	-0,17	-0,15	0,00
Equity ratio ¹ , %	63%	62%	63%	62%
Net debt ¹ , SEKm	155,8	152,4	155,8	152,4
Number of shares at the end of period	33 302 373	33 302 373	33 302 373	33 302 373

¹ Definition and reconciliation of performance measures see page 18-19

² Defined according to IFRS

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 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

Key events during the fourth quarter

CE-mark opens the door to billion-dollar market for orthopaedic trauma implants

Orthopaedic trauma implants in titanium with Bactiguard's coating for infection protection have been CE marked and can be sold and used in markets that apply EU quality standards.

With the new CE mark as a reference, Bactiguard intends to establish new partnership and enter new agreements with one or more major trauma implant manufacturers covering the rest of the world. The global market for trauma implants is estimated to exceed USD 5 billion*, which is almost three times the global market for all products currently included in the Bactiguard's own portfolio for infection prevention (indwelling urinary catheters, central venous catheters and endotracheal tubes).

**Source: Global Data 2018*

New major order from China

In December Bactiguard received a new order from Well Lead Medical (Well Lead) in China. The order was delivered before year-end and generated revenues in the fourth quarter of approximately SEK 10 million. The first product order was of the same size and generated revenues of approximately SEK 10 million in the second quarter. The agreement with Well Lead has also generated license revenues of just over SEK 8 million and, all in all, the combined distribution- and license agreement with Well Lead has generated revenues of approximately SEK 28 million during the year.

Bactiguard partners with Mediplast in the Nordic and Benelux countries

Bactiguard partners with Mediplast, a medical device company and healthcare supplier in the Nordic region, for sales and distribution in Sweden, Norway and Denmark. In December the partnership was extended to include Belgium, the Netherlands and Luxembourg and from January 2019 also Finland. Thus, the cooperation covers seven European countries.

Bactiguard receives product approval in Egypt

The product approval for Bactiguard's urinary (Foley) catheters was completed in October. Egypt is the most populous country in North Africa and the Middle East with a population of more than 90 million people. The distributor, Heal Pharma, based in Cairo, has a nationwide reach and was established in 2008 by Dr Mohamed Khalifa.

Bactiguard Employer of the Year

In November Bactiguard was awarded "Visa vägen-priset" as Employer of the Year. The price, referred to as Sweden's most important labour market price, is awarded to companies and individuals who lead the way in the labour market by opening opportunities for people with disabilities.

Key events after the end of the fourth quarter

Bactiguard focuses operations in MEA

Bactiguard focuses operations in the Middle East and transfers its distribution to Iraq to a European distributor that, at the same time, takes over accounts receivable at a book value of SEK 17.1 million. The proceeds amount to SEK 12.8 million and, therefore, a write-down of accounts receivable corresponding to the balance of SEK 4.3 million is made in the accounts for 2018. The positive cash flow will be generated when the proceeds are paid in the first quarter of 2019.




Consolidated revenues and earnings

Revenues

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 vascular injection catheters as well as a license agreement with Well Lead Medical ("Well Lead") covering all products in Bactiguard's portfolio for the Chinese market, all with the Bactiguard technology.

Other revenue

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

Revenue distribution

Fourth quarter (October-December)

Consolidated revenues for the fourth quarter amounted to SEK 42.1 (41.4) million, an increase by 2% compared to the corresponding quarter last year, driven by growth in BIP sales.

Sales of BIP products amounted to SEK 14.4 (7.4) million, an increase of 96%. The growth was driven by major order from China of approximately SEK 10 million, combined with growth in Europe in the quarter.

License revenues consisted of revenues from license agreement with BD and amounted to SEK 27.3 (26.9) million. The increase is explained by higher royalty payments and a stronger USD than in the corresponding quarter last year.

The fourth quarter 2018 did not include any new license revenues, whereas last year included SEK 4.2 million from the agreement with Smartwise.

Other revenues amounted to SEK 0.4 (2.9) million, which consists of grants for development projects.

Revenue split	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
License revenues	65%	65%	62%	68%
New license revenues	0%	10%	5%	14%
Sales of BIP products	34%	18%	25%	14%
Other revenues	1%	7%	8%	4%

Full year (January-December)

Consolidated revenues for the full year 2018 amounted to SEK 163.2 (153.6) million, an increase of 6% compared to previous year driven by growth in BIP sales.

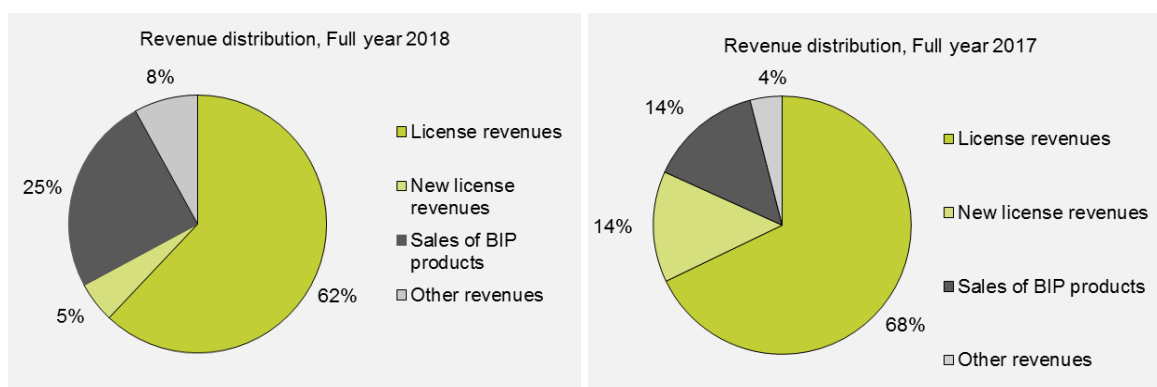
Sales of BIP products amounted to SEK 40.6 (21.8) million. China accounted for a substantial part of the increase. In other regions, excluding the Middle East, sales also increased during 2018. The growth combined with an improved product mix increased BIP sales by 86%. BIP sales in relation to total revenues increased from 14% to 25% during the year.

The bulk of revenues 62% or SEK 101.2 (104.3) million was attributable to license revenues from BD. The decrease is due to somewhat lower volumes at the beginning of the year. The underlying business is stable, but volumes vary between quarters without following any clear seasonal pattern.

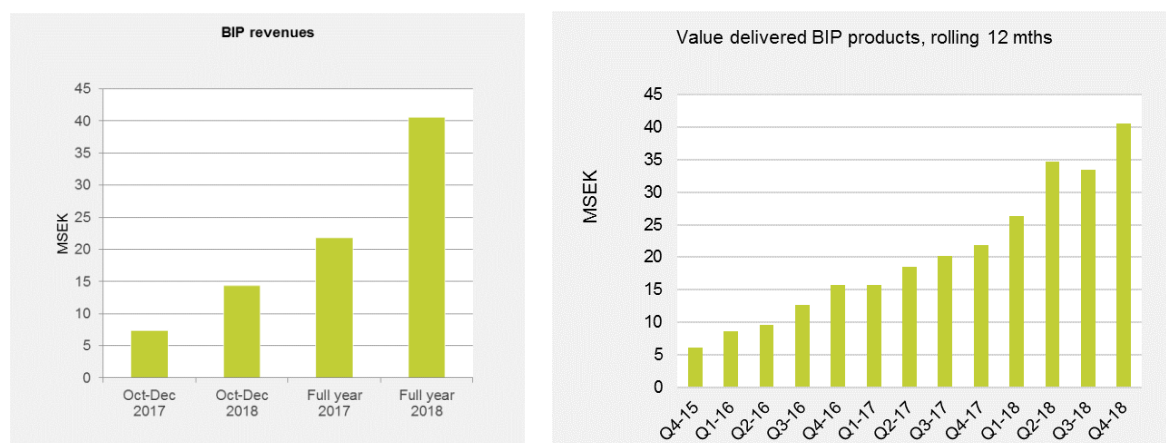
In June 2018, a new license agreement with Well Lead in China, was signed, and generated revenues of SEK 8.3 million in 2018. Another SEK 2 million of the initial license revenue of approximately SEK 10 million remains to be invoiced during the collaboration phase, which is expected to finish by mid-year 2019. Through the license agreement, Well Lead is granted the right to use Bactiguard's technology for local production of the products currently included in Bactiguard's product portfolio in the Chinese market.

As a comparison, license revenues of SEK 21.4 million were generated in 2017, from the license agreement with Smartwise for advanced vascular injection catheters. New license revenues accounted for 5% of total revenues during 2018 while new license revenues in 2017 accounted for 14%.

Other revenues amounted to SEK 13.1 (6.2) million whereof about half were currency effects. In addition, the item has been affected by SEK 2.8 million in grants for development projects. Changes in inventories of finished goods and work in progress and early termination of the agreement with the former distributor in China also to some extent affected this item in 2018.



BIP revenues



The chart to the right above, shows the development per quarter, value in MSEK for delivered BIP products, rolling 12 months.

Financial results

Fourth quarter (October-December)

EBITDA for the fourth quarter amounted to SEK 3.3 (8.8) million, corresponding to an EBITDA margin of 8% (21%). During the quarter a write-down of accounts receivable of SEK 4.3 million was made, which affected the item Other external expenses and EBITDA to the same extent. In early February 2019 Bactiguard transferred the distribution in Iraq and accounts receivable at a book value of SEK 17.1 million to a European distributor with long experience and established relationships in the region. The proceeds amount to SEK 12.8 million. The write-down corresponds to the difference of SEK 4.3 million and affects the profitability in the fourth quarter negatively, while sales of the receivable will generate a positive cash flow of SEK 12.8 million in the first quarter 2019.

Other external costs and personnel costs have, in addition to the write-down described above, increased compared to the corresponding period last year. This is a deliberate effort in increasing activities and personnel within sales and marketing.

Other operating expenses includes currency effects, which had a negative impact of SEK -1.4 (-1.5) million in the quarter.

Consolidated operating profit for the fourth quarter amounted to SEK -5.1 (0.1) million. Depreciations, which do not have any impact on cash flow, affected operating profit by SEK -8.4 (-8.7) million, whereof depreciations on the Bactiguard technology of SEK -6.0 (-6.0) million.

Financial net amounted to SEK -1.5 (-2.2) million in the quarter. Interest expense related to interest bearing loans amounted to SEK -1.1 (-1.5) million.

Tax for the fourth quarter amounted to SEK 1.1 (1.2) million.

Consolidated net profit for the fourth quarter amounted to SEK -5.5 (-0.9) million.

Full year (January-December)

EBITDA for the full year 2018 amounted to SEK 22.2 (34.4) million, corresponding to an EBITDA margin of 14% (22%). The difference is essentially attributable to higher revenues from new licenses 2017 and one-off costs this year. 2018 included SEK 8.3 million in new license revenues from Well Lead, while 2017 included SEK 21.4 million in new license revenues from Smartwise.

While signing an agreement with Well Lead for China, the agreement with former distributor (Jian AN) was terminated ahead of time. One-off costs for early termination of the agreement amounted to SEK 11.5 million, which has impacted year to date EBITDA negatively.

Other external costs were affected by SEK 8.4 million in one-off costs attributable to the compensation to Jian AN for investments made in the marketing and product approval process. The write-down of accounts receivable in Iraq of SEK 4.3 million described above, is also included in this item.

The significant increase in BIP revenues in 2018 contributed positively to EBITDA. At the same time, investments have been made in marketing and personnel within sales to enable continued expansion. This has increased costs by approximately SEK 5.0 million and affected EBITDA to the same extent.

Financial net amounted to SEK -8.7 (-7.7) million in full year 2018. The early termination of the contract with Jian AN has affected both financial income and financial expenses but has not impacted the financial net in the period. Other financial items consist, among other things, of value changes in forward hedging which had a negative impact in 2018, as well as interest expenses on the bank loan.

Taxes for the period refers to the change in deferred taxes attributable to temporary differences relating to the Group's intangible assets. Deferred tax is recalculated to new future tax rates and the effect of changes has been taken in its entirety during the second quarter 2018, which means that the deferred tax for the year of SEK 5.8 (5.0) is higher compared to last year.

Consolidated net profit for the nine-month period amounted to SEK -14.9 (-3.3) million. Depreciations have affected the net profit by SEK -34.2 (-35.0) million, whereof depreciations on the Bactiguard technology of SEK -23.8 (-23.8) million.

Cash flow

Fourth quarter (October-December)

Operating cash flow (cash flow from operating activities after investments and changes in working capital) for the fourth quarter amounted to SEK -5.0 (-5.8) million. Cash flow from operating activities contributed positively by SEK 5.3 (7.4) million but was negatively affected by cash flow from changes in working capital of SEK -8.0 (-9.7) million, which is mostly explained by large deliveries of BIP products at the end of the fourth quarter increasing the accounts receivables. Investing activities generated a cash flow of SEK -2.3 (-3.6) million.

Cash flow from financing activities amounted to SEK -1.5 (-2.2) million, whereof SEK -5.0 million is amortization of the bank loan and SEK 3.9 million is the utilized amount of the overdraft facility. The total cash flow for the fourth quarter amounted to SEK -6.5 (-8.0) million.

Full year (January-December)

Operating cash flow for full year 2018 amounted to SEK -4.9 (-0.1) million. Cash flow from operating activities before change in working capital contributed positively by SEK 17.6 (28.5) million and was affected by a negative working capital of SEK -16.7 (-22.4). Working capital improved somewhat compared to the previous year, partly due to efforts made to convert outstanding accounts receivable to cash flow.

During the year, the bank loan was amortized by a total of SEK -7.5 million, which had a negative impact on cash flow. The total cash flow of the year was SEK -9.9 million (-3.3).

Investments

Investments in property, plant and equipment during the fourth quarter amounted to SEK 0.3 (2.5) million. Investments in intangible assets, mainly related to capitalized development expenditures, amounted to SEK 2.0 (1.1) million.

During the full year 2018 investments of SEK 5.7 (6.2) million in total were made, whereof SEK 5.0 (3.7) million in intangible assets, mainly related to capitalized development expenditures. No investments were made in financial non-current assets during the quarter.

Financial position

The consolidated equity ratio was 63% on 31 December 2018 (62% on 30 December 2017) and equity amounted to SEK 370.8 (387.1) million.

Interest-bearing debt consist of a financial lease of SEK 10.9 million, and a three-year term loan of SEK 142.5 million, with a maturity of three years to December 2020. The term loan carries a base interest rate of STIBOR 90, but no less than 0 %, and a margin of 3.0 %. The bank loan will be amortized by SEK 35 million until maturity, whereof SEK 7.5 million has been amortized during 2018.

Consolidated cash position on 31 December 2018 amounted to SEK 1.9 million (SEK 11.6 million on 31 December 2017). Out of a granted overdraft facility of SEK 30 million, SEK 3.9 million was utilized as of 31 December 2018 (SEK 0 million as of 31 December 2017). Net debt amounted to SEK 155.8 million as of 31 December 2018 (SEK 152.4 million on 31 December 2017).

The total assets of the Group on 31 December 2018 amounted to SEK 587.5 million (SEK 625.4 million on 31 December 2017). The largest asset items in the balance sheet are goodwill of SEK 226.3 million (226.3) and technology related to Bactiguard's product portfolio, which is depreciated over 15 years, amounted to SEK 189.0 (212.8) million.

Other disclosures

The share and share capital

Trade in the Bactiguard share takes place on Nasdaq Stockholm under the ticker symbol "BACTI". The last price paid for the listed B share on 31 December 2018 was SEK 40.20, and the market capitalization amounted to SEK 1 339 million.

The share capital of Bactiguard on 31 December 2018 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 31 December 2018 amounted to 33,302,373 shares and 69,302,373 votes.

Ownership

On 31 December 2018 Bactiguard had 2,834 shareholders, an increase with approximately 400 since last year. In the third quarter institutional ownership was broadened by Nordea Investment Funds and Fjärde AP Fonden.

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%
NORDEA INVESTMENT FUNDS		3 158 095	3 158 095	9,5%	4,6%
STÅHLBERG, JAN		2 956 831	2 956 831	8,9%	4,3%
FJÄRDE AP FONDEN		2 853 000	2 853 000	8,6%	4,1%
HANDELSBANKEN INVESTMENT FUNDS		1 599 619	1 599 619	4,8%	2,3%
FÖRSÄKRINGSBOLAGET, AVANZA PENSION		1 040 213	1 040 213	3,1%	1,5%
LANCELOT ASSET MANAGEMENT AB		600 000	600 000	1,8%	0,9%
SWEDBANK FÖRSÄKRING		542 790	542 790	1,6%	0,8%
FRÖAFALL INVEST AB		502 000	502 000	1,5%	0,7%
Total, major shareholders	4 000 000	21 504 403	25 504 403	76,6%	88,7%
Total, others		7 797 970	7 797 970	23,4%	11,3%
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 during the period January to December amounted to 66 (66), of which 40 (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 2017, in addition to what is explained below.

IFRS 9 Financial Instruments

As of January 1, 2018, the Group applies IFRS 9 Financial Instruments. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 involves changes in how financial assets are classified and valued, introduces a model for expected credit losses and changes in principles for hedge accounting.

According to IAS 39, the company's financial assets were categorized as "Loan receivables and account receivables" at amortized cost. According to IFRS 9, the financial assets are categorized as "Hold to collect" at accrued amortized cost.

The new standard has not affected the accounting of the company's financial assets other than accounts receivables. The group is affected by the new expected credit loss model regarding the calculation of the credit reserves for accounts receivables. The model proceeds from expected credit losses and ends up in an estimated loss for all account receivable, including the ones not yet expired. Bactiguard has chosen to apply the modified retroactive model, e.g. the reservation will correspond to the expected loss covering the entire life span of the account receivables. Bactiguard has chosen not to calculate comparative figures for the 2017 financial year, in accordance with the transitional rules of the standard. Opening balance of Equity per 1 January 2018 has been adjusted with SEK -0.9 million as an effect of the new standard, which is also clearly shown in Condensed consolidated statement of changes in equity in page 14. The expected loss model has been adjusted with changes in account receivables as per 31 December 2018 and the effect is shown as other external cost in the Income Statement.

As in the past, the Group does not apply hedge accounting.

IFRS 15 Revenue from contracts with customers

As of January 1, 2018, the Group applies IFRS 15 Revenue from contracts with customers. Bactiguard has chosen the modified retroactive model and has not calculated comparative figures for the comparison year. IFRS 15 replaces IAS 18 Revenues, IAS 11 Construction contracts and related interpretations. The new standard means a new model of revenue recognition based on when the control of a product or service is transferred to the customer.

Bactiguard has evaluated the group's agreement with customers and the assessment is that the accounting of revenues will not be affected by the transition to IFRS 15, why no change in the opening balance of Equity has been made. Further information regarding the group's revenue distribution is to be found in Note 1.

New IFRS standards from 1 January 2019

IFRS 16 Leasing agreements

IFRS 16 Leasing agreements will be replacing IAS 17 Leasing agreements as of January 1, 2019. IFRS 16 has a leasing model for the lessees, which means that virtually all leasing agreements are to be recognized in the statement of financial position to give a more accurate picture of the companies' financial position and improve the information provided on indebtedness and capital use. Instead of operational leasing costs, Bactiguard will report depreciation and interest expenses in the Group's income statement.

Bactiguard has assessed the effect of the transition to the new accounting standard IFRS 16 Leasing agreements. Bactiguard has in 2018 compiled and analyzed the Group's all leasing and service agreement to determine which are to be classified as finance leases in accordance with IFRS 16. In connection with this, 12 operational leases for offices, company cars and office equipment have been identified, which will be classified as finance leases in accordance with IFRS 16. Bactiguard also has a finance lease agreement regarding production facility which was previously reported in accordance with IAS 17 Leases, but which is now reclassified in accordance with IFRS 16 to the amounts reported to it immediately on the day before the application of the new standard.

Bactiguard will apply the practical exception to classify leases with a new acquisition value of less than SEK 45.000 as low value contracts and not include these in the recognized liabilities or leases.

Bactiguard will apply the modified retroactive method for transition to the new standard, which means that the comparison figures will not be recalculated. The cumulative effect of applying IFRS 16 will be reported on January 1, 2019. Bactiguard will report a right of use to an amount corresponding to the lease liability, adjusted with the amount of any prepaid or accrued payments attributable to the leasing agreement, which was reported on December 31, 2018. Thus, the transition to IFRS 16 will have no impact on the Group's equity.

Preliminary calculations show that the opening balances as of 1 January 2019 for the items leasing asset and interest-bearing leasing debt will be adjusted by SEK 74 million. A bridge over this change in financial position and relevant key figures as of January 1, 2019 can be found in Note 3.

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.

Bactiguard has since 2017 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 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 48-49 in the Annual Report for 2017.

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 proposes no dividend for 2017.

Condensed consolidated income statement

Amounts in TSEK	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
<i>Revenues</i>				
License revenues	27 278	31 145	109 536	125 609
Sales of BIP products	14 427	7 350	40 561	21 849
Other revenues	433	2 860	13 063	6 181
	42 137	41 356	163 160	153 639
Raw materials and consumables	-7 467	-6 226	-25 717	-20 262
Other external expenses	-15 520	-11 918	-56 429	-42 329
Personnel costs	-14 414	-12 933	-53 838	-51 475
Depreciation and amortisation	-8 444	-8 705	-34 194	-35 015
Other operating expenses	-1 405	-1 488	-5 022	-5 141
	-47 251	-41 271	-175 201	-154 221
Operating profit/loss	-5 113	85	-12 040	-582
<i>Profit/loss from financial items</i>				
Financial income	150	815	3 698	1 378
Financial expenses	-1 667	-3 048	-12 353	-9 088
	-1 517	-2 234	-8 654	-7 710
Profit before tax	-6 630	-2 147	-20 695	-8 292
Taxes for the period	1 103	1 229	5 764	5 042
Net profit/loss for the period	-5 527	-918	-14 931	-3 251
Attributable to:				
Shareholders of the parent	-5 527	-918	-14 931	-3 251
Earnings per share, SEK*	-0,17	-0,03	-0,45	-0,10

Condensed consolidated statement of comprehensive income

Amounts in TSEK	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Net profit/loss for the period	-5 527	-918	-14 931	-3 251
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified to profit or loss for the year</u>				
Translation differences	-32	-308	-421	28
Other comprehensive income, after tax	-32	-308	-421	28
Total comprehensive income for the period	-5 559	-1 226	-15 352	-3 223
Attributable to:				
Shareholders of the parent	-5 559	-1 226	-15 352	-3 223
Total earnings per share, SEK*	-0,17	-0,04	-0,46	-0,10
Number of shares at the end of period ('000)	33 302	33 302	33 302	33 302
Weighted average number of shares ('000)	33 302	33 302	33 302	33 302

* no dilution effect

Condensed consolidated statement of financial position

Amounts in TSEK	2018-12-31	2017-12-31
ASSETS		
Non-current assets		
Goodwill	226 292	226 292
Technology	188 998	212 805
Brands	25 572	25 572
Customer relationships	9 368	10 548
Capitalised development expenditure	21 494	18 568
Patents	414	571
Intangible assets	472 137	494 355
Improvements, leasehold	10 896	13 031
Machinery and other technical plant	16 761	19 580
Equipment, tools and installations	2 133	3 107
Property, plant and equipment	29 790	35 717
Long-term receivables	477	17 263
Financial assets	477	17 263
Total non-current assets	502 405	547 336
Current assets		
Inventory	14 266	13 608
Accounts receivable	54 492	39 596
Other current receivables <i>Note 2</i>	14 421	13 300
Cash and cash equivalents	1 893	11 550
Total current assets	85 072	78 054
TOTAL ASSETS	587 477	625 390
Equity attributable to shareholders of the parent		
Share capital	833	833
Other equity	369 989	386 273
Total equity	370 821	387 105
Non-current liabilities		
Advance payments from customers	-	17 263
Deferred tax liability	19 471	25 243
Liabilities to credit institutions	130 805	142 500
Other long-term liabilities	10 938	12 476
Total non-current liabilities	161 214	197 482
Current liabilities		
Liabilities to credit institutions	14 400	7 500
Accounts payable	7 051	4 832
Other current liabilities	15 721	6 855
Accrued expenses and deferred income	18 271	21 616
Total current liabilities	55 442	40 803
Total liabilities	216 655	238 285
TOTAL EQUITY AND LIABILITIES	587 477	625 390

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 2017	833	675 690	88	-286 283	390 328
Profit/loss for the period	-	-	-	-3 251	-3 251
<i>Other comprehensive income:</i>					
Translation differences	-	-	28	-	28
Total comprehensive income after tax	0	0	28	-3 251	-3 223
Transactions with shareholders					
Total transactions with shareholders	0	0	0	0	0
Closing balance, 31 December 2017	833	675 690	116	-289 533	387 105
Adjustment opening balance 1 January 2018, change in accounting principle, IFRS 9	-	-	-	-932	-932
Adjusted opening balance, 1 January 2018	833	675 690	116	-290 465	386 173
Profit/loss for the period	-	-	-	-14 931	-14 931
<i>Other comprehensive income:</i>					
Translation differences	-	-	-421	-	-421
Total comprehensive income after tax	0	0	-421	-14 931	-15 352
Transactions with shareholders					
Total transactions with shareholders	0	0	0	0	0
Closing balance, 31 December 2018	833	675 690	-305	-305 396	370 821

Condensed consolidated statement of cash flows

Amounts in TSEK	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Cash flow from operating activities				
Net profit/loss for the period	-5 527	-918	-14 931	-3 251
Adjustments for depreciation and amortisation and other non-cash items	10 829	8 358	32 487	31 791
	5 302	7 440	17 556	28 540
Cash flow from changes in working capital				
Increase/decrease inventory	145	1 865	-427	1 565
Increase/decrease accounts receivable	-7 100	-4 912	-1 162	-12 476
Increase/decrease other current receivables	1 218	-185	-2 884	1 231
Increase/decrease accounts payable	2 364	606	2 213	-56
Increase/decrease other current liabilities	-4 652	-7 066	-14 431	-12 687
	-8 025	-9 692	-16 691	-22 424
Cash flow from investing activities				
Investments in intangible assets	-1 965	-1 069	-5 020	-3 661
Investments in property, plant and equipment	-302	-2 493	-725	-2 571
	-2 267	-3 562	-5 745	-6 233
Operating cash flow	-4 990	-5 815	-4 881	-117
Cash flow from financing activities				
Amortisation of financial lease	-373	-356	-1 466	-1 398
Change in bank overdraft	3 905	-	3 905	-
Amortisation of loan	-5 000	-150 000	-7 500	-150 000
Debt incurred	-	150 000	-	150 000
Up-front fee loan	-	-1 800	-	-1 800
	-1 468	-2 156	-5 061	-3 198
Cash flow for the period	-6 459	-7 971	-9 942	-3 315
Cash and cash equivalents at start of period	8 407	19 483	11 550	15 645
Exchange difference in cash and cash equivalents	-55	37	285	-780
Cash and cash equivalents at end of period	1 893	11 550	1 893	11 550

Condensed parent company income statement

Amounts in TSEK	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Revenues	1 690	1 641	6 967	6 464
	1 690	1 641	6 967	6 464
Operating expenses	-2 584	-2 471	-10 440	-9 941
	-2 584	-2 471	-10 440	-9 941
Operating profit/loss	-894	-829	-3 474	-3 477
Net financial items	-532	-557	-2 049	-2 245
Profit/loss after financial items	-1 426	-1 387	-5 523	-5 722
Tax for the period	-	-	-	-
Net profit/loss for the period	-1 426	-1 387	-5 523	-5 722

Condensed parent company statement of comprehensive income

The parent company has no items in 2018 or 2017 recognized in other comprehensive income. Net profit/loss for the period for the parent company thereby also constitutes the comprehensive income for the period. The parent company therefore presents no separate statement of comprehensive income.

Condensed parent company balance sheet

Amounts in TSEK	2018-12-31	2017-12-31
ASSETS		
Non-current assets		
Financial assets	607 489	622 989
Total non-current assets	607 489	622 989
Current assets		
Prepayments and accrued income	201	1 962
Other current receivables	145	4
Cash and cash equivalents	648	374
Total current assets	994	2 340
TOTAL ASSETS	608 484	625 329
EQUITY & LIABILITIES		
Total equity	457 286	462 809
Non-current liabilities		
Liabilities to credit institutions	126 900	142 500
Total non-current liabilities	126 900	142 500
Current liabilities		
Liabilities to group companies	7 656	9 775
Liabilities to credit institutions	14 400	7 500
Other liabilities	2 242	2 746
Total current liabilities	24 298	20 020
Total liabilities	151 198	162 520
TOTAL EQUITY AND LIABILITIES	608 484	625 329

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 it is 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	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Operating profit/loss	-5 113	85	-12 040	-582
Depreciation and amortisation	<u>8 444</u>	<u>8 705</u>	<u>34 194</u>	<u>35 015</u>
EBITDA	3 331	8 791	22 154	34 432

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	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
EBITDA	3 331	8 791	22 154	34 432
Revenue	<u>42 137</u>	<u>41 356</u>	<u>163 160</u>	<u>153 639</u>
EBITDA-margin	8%	21%	14%	22%

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.

Interest-bearing liabilities consist of debt to credit institutions and shareholders, as well as interest-bearing part of other long-term and current liabilities.

Amounts in TSEK	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Interest-bearing part of other long-term liabilities	10 938	12 476	10 938	12 476
Non interest-bearing part of other long-term liabilities	-	-	-	-
Other long-term liabilities	10 938	12 476	10 938	12 476

Amounts in TSEK	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Interest-bearing part of other current liabilities	1 538	1 466	1 538	1 466
Non interest-bearing part of other current liabilities	<u>14 183</u>	<u>5 389</u>	<u>14 183</u>	<u>5 389</u>
Other current liabilities	15 721	6 855	15 721	6 855

Amounts in TSEK	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Liabilities to credit institutions	145 205	150 000	145 205	150 000
Interest-bearing part of other long-term liabilities	10 938	12 476	10 938	12 476
<u>Interest-bearing part of other current liabilities</u>	<u>1 538</u>	<u>1 466</u>	<u>1 538</u>	<u>1 466</u>
Interest-bearing liabilities	157 681	163 942	157 681	163 942
Cash and cash equivalents	<u>-1 893</u>	<u>-11 550</u>	<u>-1 893</u>	<u>-11 550</u>
Net debt	155 787	152 393	155 787	152 392

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	Oct- Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Equity	370 821	387 105	370 821	387 105
Balance sheet total	587 477	625 390	587 477	625 390
Equity ratio	63%	62%	63%	62%

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.

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
	Oct-Dec 2018	Full year 2018
Type of product/service		
License	27 278	109 536
<u>BIP-products</u>	<u>14 427</u>	<u>40 561</u>
Total	41 705	150 097
Time for revenue recognition		
Performance commitment is met at a certain time	41 705	141 781
<u>Performance commitment is met during a period of time</u>	<u>0</u>	<u>8 317</u>
Total	41 705	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 2017, 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	Full year 2018		Full year 2017	
	Derivatives (level 2)	Fair value	Derivatives (level 2)	Fair value
Assets				
Other current receivables	20	20	-	-
Liabilities				
Other current liabilities	-	-	-	-

Note 3 Bridge transition to IFRS 16, financial position and key figures

Lease assets	
Lease assets as per December 31, 2018	11 931
Adjustment as a result of transition to IFRS 16, lease assets	75 732
Prepaid leasing fees	-2 021
Adjusted opening balance regarding lease assets, according to new accounting principles as per January 1, 2019	85 642

Lease liability	
Liability leasing agreements as per December 31, 2018	12 476
Adjustment as a result of transition to IFRS 16, lease liability	73 711
Adjusted opening balance regarding lease liability, according to new accounting principles as per January 1, 2019	86 187

Net debt

Amounts in TSEK	2018-12-31	Estimated adj. as a result of transition to IFRS 16	2019-01-01 Adjusted opening balance
Liabilities to credit institutions	145 205		145 205
Interest-bearing part of other long-term liabilities	10 938	66 389	77 327
<u>Interest-bearing part of other current liabilities</u>	<u>1 538</u>	<u>7 323</u>	<u>8 860</u>
Interest-bearing liabilities	157 681	73 711	231 392
Cash and cash equivalents	<u>-1 893</u>		<u>-1 893</u>
Net debt	155 787	73 711	229 498

Equity ratio

Amounts in TSEK	2018-12-31	Estimated adj. as a result of transition to IFRS 16	2019-01-01 Adjusted opening balance
Equity	370 821		370 821
<u>Balance sheet total</u>	<u>587 477</u>	<u>73 711</u>	<u>661 188</u>
Equity ratio	63%		56%

Forthcoming disclosures of information

16 April 2019	Annual report 2018
9 May 2019	Interim report, 1 Jan – 31 Mar 2019
15 May 2019	Annual General Meeting
8 August 2019	Interim report, 1 Apr – 30 Jun 2019
7 November 2019	Interim report, 1 Jul – 30 Sep 2019

Annual report and Annual General Meeting

The Annual report for the financial year 2018 will be published at the company's website on 16 April 2019. The Annual General Meeting of Bactiguard Holding AB (publ) will be held on Wednesday, 15 May 2019 at the company's headquarters in Botkyrka.

Contacts

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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, 7 February 2019

Jan Ståhlberg

Chairman

Mia Arnhult

Board member

Svante Östblom

Board member

Marie Wickman-Chantereau

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 2019-02-07, at. 08.00.