



# VIGMED HOLDING AB

INTERIM REPORT January 1 – September 30, 2014



## FIRST HALF YEAR IN BRIEF

- Production start-up and market launch for the CLiP® Ported, CLiP® Neo and CLiP® Winged product lines.
- First commercial deliveries and invoicing in June.
- Vigmed won its first hospital tender with Region Skåne in Sweden through their distribution partner CODAN TRIPLUS AB, for the patented product CLiP® Neo I.V. Cannula.
- Seven distribution agreements were signed, covering markets in Sweden, Norway, Denmark, Greece, Italy, Spain and Portugal.
- Vigmed was granted Quality System Certificates for both EN ISO 13485:2012 and EN ISO 9001:2008. The certifications include development & manufacturing of solutions to prevent needle stick injuries.
- Vigmed established a legal entity in China, as a subsidiary to Vigmed China Ltd. In Hong Kong, for the purpose of initiating a registration process for products intended for the Chinese market.
- The Board has decided to initiate a process to prepare the company for a change of venue for the company's shares from NASDAQ OMX First North to NASDAQ OMX Stockholm Small Cap.
- The organization was strengthened in development, market and quality with four employees.
- At Vigmed Holding AB's AGM held on May 13, the Board was reelected as a whole, and was authorized to decide on a new issue of shares.

## FINANCIAL INFORMATION IN BRIEF

- Net Sales for the first nine months was SEK 440 thousand (compared to SEK 0 during 2013)
- Operating profit in the first nine months for the Group amounted to MSEK -22.4 (MSEK -16.4)
- Net income per share in the first nine months was SEK -0.59 (SEK -0.43).
- Cash flow from operating activities during the first nine months amounted to MSEK -16.7 (MSEK -18.4).
- Cash flow from investing activities during the first six months amounted to MSEK -6.6 (MSEK -8.8).
- The Group's cash and cash equivalents at end of the period amounted to MSEK 19.2 (MSEK 50.6).
- Consolidated shareholders' equity at the end of the period amounted to MSEK 31.8 (MSEK 58.2).

**Key figures Group**

	Jan-Sep 2014	Jan-Sep 2013	Jan-Dec 2013
Net Sales (kSEK)	440	-	-
Operating profit/loss (kSEK)	-22 448	-16 422	-23 844
Cash & cash equivalents (kSEK)	19 183	50 556	41 840
Equity capital (kSEK)	31 798	58 199	53 420
Solidity	76,0%	93,5%	94,3%
Total assets (kSEK)	41 866	62 255	56 641
Profit/loss per share	-0,59	-0,43	-0,62
Share price at clsing day (SEK)	14,10	12,00	12,05

## THE COMPANY

Vigmed is a Swedish medical technology company, founded 2009, whose mission is to reduce the risk of infection to healthcare workers by **eliminating needlestick injuries** in healthcare.

Needlestick injuries is a major concern for doctors, nurses and other healthcare professionals at risk of becoming infected with HIV, hepatitis or any other of the approximately 30 blood-borne diseases which can be transmitted by needlestick of contaminated needles. Every year an estimated more than 2 million doctors, nurses and other medical staff in Europe alone are injured.

Its significance is underlined by a directive implemented by the European Union as per May 2013. The directive stipulates that all public purchases of needles and syringes should be equipped with a safety mechanism to prevent needlestick injuries. The directive, followed up by national laws in each EU member state, requires that the market, during a limited period of time, has to transfer into the new types of safety products.

It is on this regulatory transformation that Vigmed, with its unique and patented solutions, builds its establishment on the market. The company's proprietary products are resource efficient and safe combined with excellent ease-of-use and quality.

To efficiently reach our target groups within the healthcare sector, and with the ambition to constantly develop safe and easy to use products, Vigmed strives to establish close relationships with distribution partners and users. The products are manufactured by contract manufacturers in Sweden and in India and sold through well-established distributors in selected markets. Geographically, Vigmed strives to initially establish a strong market position in Europe, while the US and China is seen as potential markets in the near future.

After a capital injection of SEK 50 million in late 2012 and listing on the NASDAQ/OMX First North in Stockholm in February 2013, Vigmed has since developed rapidly. Three product lines has successfully been launched this year; CLiP® Ported, CLiP® Winged and CLiP® Neo. These products have been sold to distributors in Spain, Greece, Sweden, Denmark and Norway. Distributor agreement for Italy has also been established, and Vigmed expects to sign further agreements for several European markets this year.

During 2013 and 2014 a number of new projects and prototypes has been developed, which means that Vigmed expects to be able to reach the ambition of launching two new product lines per year towards 2018.

Vigmed AB, based in Helsingborg, Sweden, is a wholly owned subsidiary of Vigmed Holding AB (VIG).

## MESSAGE FROM THE CEO

The first half year was focused on preparations for the launch of our Clip® Ported products, and the first sales occurred in June. In September we also launched the two product lines Clip® Neo and Clip® Winged. The manufacturing of these three product lines are up and running and is scaling up as the market demand increases. As a direct result of the past months activities, during September Vigmed - through their distribution partner CODAN TRIPLUS AB- won Region Skåne's tender for the Clip® Neo products.

Vigmed is already getting positive responses from the market in which users expresses their appreciation for our products. We now look forward to a robust volume growth at pace with our distributors winning tenders in their respective markets. Sales in the third quarter was modest as expected - on par with the second quarter, but we expect a significant development from the fourth quarter onwards, when all the distributors have had more time to interact with their customers. Furthermore, we expect that additional distribution agreements will fall into place in the fourth quarter. We maintain our goal to reach a turnover of 5-10 million SEK during the current fiscal year.

The launch of the product line SWiNG has been somewhat delayed due to our Notified Body requesting further information to support a CE approval. We expect no dramatic delay, and plan to launch in the fourth quarter.

As we have informed at our investor meetings in August and September (see presentation materials on [www.vigmed.com](http://www.vigmed.com)) Vigmeds long-term plans are maintained. The Board of Vigmed has given clear guidelines to the management to drive the priority development projects we have in our pipeline fast forward.

We have ambitious plans ahead of us in the near future with new product introductions to the market, start-up of operations in China and the integrating of supply chain responsibility into the company. Taking this into consideration together with the fact that the new production facility in India was more than six months delayed and hence also the start of sales - the Board concluded that the existing working capital is not sufficient to finance operations. The Company will undertake a rights issue of shares in order to raise the required working capital for the operation of the business until positive cash flow can be shown, or at least for next 12 months.

FINN KETLER, CEO

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Swedish Patent and Registration Office (PRV) has announced to Vigmed that it intends to approve the Company's patent application for their closed system, needle protecting I.V. catheters, and an international patent application has been filed. A closed IV system reduces the risk of infection in comparison to a conventional IV catheter. This new patent will take Vigmed and their safety products to an even higher level of safety and patient security.

On October 9, Vigmed announced that the company plans to launch a unique arterial catheter to the market during 2015. The first assembly lines are being delivered to AMB in October this year and pre-sales activities in prioritized markets are ready to commence.

PRV has announced to Vigmed that it intends to grant the Company an additional patent for their needle protecting solution CLiP®. This patent will broaden Vigmeds scope of protection, and an international patent application is also filed.

On October 23, the Board decided - pursuant to the authority granted by the annual general meeting on 13 May 2014 - to go out with a preferential rights issue directed to existing shareholder thereby issuing not more than 6,261,904 shares, entailing an increase in the share capital of not more than approximately SEK 126,382.86.

## FINANCIAL INFORMATION FOR THE FIRST SIX MONTHS

### Sales and result

During the second quarter, Vigmed launched its product line Clip® Ported on the market and in the third quarter Clip® Winged and Clip® Neo was launched. Net sales for January - September 2014 amounted to SEK 440 thousand. Sales were made to customers in Greece, Sweden, Spain, Denmark and Norway. Admitted orders for delivery at the beginning of the fourth quarter was SEK 672 thousand as per September 30.

In 2013, research, development and patent expenses constituted the main costs. As development projects have evolved from the early research stage to prototyping, material selection, development of production system and finally market launch, the costs have increased. In 2013, there were high costs for test materials and refinements of the production machinery; about 42% of total R&D costs. When the projects, through the decision of the board, are defined to go from the research to development stage, internal development hours are recognized as intangible assets and no longer expensed. It is obvious in the R&D costs in 2014 that more projects are in the development stage, in comparison with previous years, as more internal hours are recognized as intangible assets.

The organization working with sales and marketing has grown in 2014, and today consists of 4 employees. As a result, costs increased gradually and reflect the level of activity in sales and marketing of Vigmeds products.

In 2013 the basic structure of the company's marketing platform was designed, a brand book and website was developed and launched, which is the reason for somewhat higher marketing expenses in 2013 compared to 2014.

Costs for administration has increased gradually from 2013 to 2014, while Vigmed has built up the administrative organization, systems and processes within quality, finance and IT. Costs related to being a listed company, are recorded in the parent company as administrative costs, and represent approximately 10% of the Groups total administrative expenses in 2013 and in 2014.

Furthermore, during May - September 2014 5.6 million SEK has been accrued for a one-time commitment to the logistics partner MBH International A / S, for access to MBH's quality system and CE marking during the startup phase.

During the first nine months of the year, the Group has held costs mainly for:

- Consumption material for product- and production development
- Machine and tool adjustments
- Progression of projects in the research stage
- Patents
- Travel expenses in sales and development organization
- Preparation of marketing material to distributors
- Development of marketing platform
- Documentation and process work for quality systems and regulatory work
- Initial work with supply chain
- Analysis and travel costs related to establishing a Chinese operation
- Fee to the partner MBH International, who in the initial phase assists Vigmed with supply chain, ERP- and quality system

### **Investments**

Investments during the first nine months of the year consist of product development (MSEK 4.5), production equipment (MSEK 0.9), patents (MSEK 0.6), and equipment for the laboratory (MSEK 0.3).

Depreciation amounted to MSEK 0.5 related to the depreciation of development costs and patent for the CLiP<sup>®</sup>-products (MSEK 0.3), as well as depreciation of equipment, installations and software (MSEK 0.2).

Depreciation of production equipment related to the Clip<sup>®</sup>-products are recorded on a volume base, and were initiated in May in 2014.

### **Cash and cash equivalents**

The Group's cash and cash equivalents at the end of the period amounted to MSEK 19.2 (MSEK 50.6).

There is no interest bearing debts in the company.

### **Equity**

Shareholders' equity for the Group at the end of the period amounted to MSEK 31.8 (MSEK 58.2).



**Cash flow**

Cash flow from operating activities in the first nine months amounted to MSEK -16.7 (MSEK -18.4). The improvement compared with last year was driven by fluctuations in working capital as accounts payable were reduced significantly early 2013.

Cash flow from investments during the first nine months was MSEK -6.6 (MSEK -8.8).

**Employees**

On September 30, the number of employees (FTE) amounted to 18 (11), of which one is employed in the parent company.

During the first nine months, Vigmed has employed four employees within R&D marketing, regulatory and communication.

Compared with the same period previous year, the number of employees increased in all areas, which reflects the high level of activity of the company; product development, quality and regulatory, marketing/sales, communication and administration.

**Accounting principles**

The financial statement has been prepared in accordance with IFRS.

Vigmed Holding AB changed its accounting principles as per January 1, 2014 to IFRS (previously K2-rules), which means that the principles of balancing the internal and external development costs have been revised. This fundamental change has had an impact on the opening balance of shareholders' equity in 2013 with MSEK -2.8, and earnings in 2013 with MSEK 1.2.

In all comparative figures and tables 2013 is restated according to IFRS principles, for comparison with 2014.

**Definitions***Solidity*

Specifies what percentages of the assets that are financed with own funds. Equity and untaxed reserves (net of deferred tax) in relation to total assets.

## THE SHARE, PARENT COMPANY AND OWNERSHIP STRUCTURE

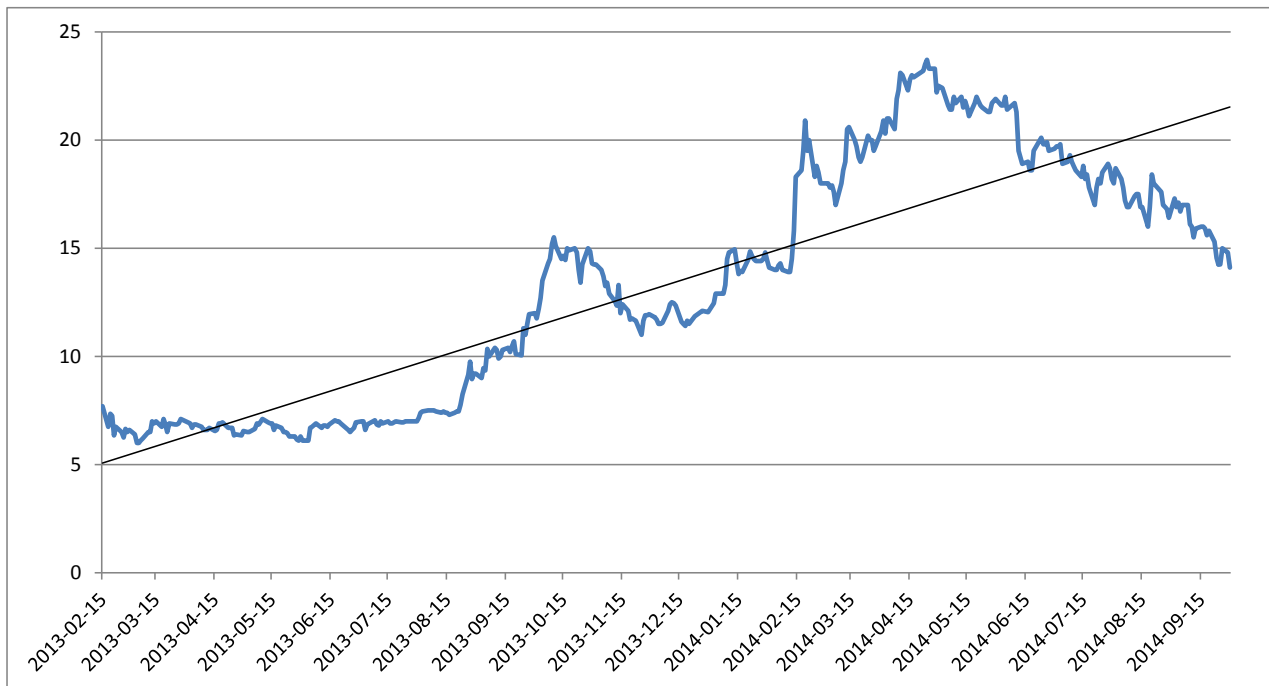
Vigmed's share capital amounted to SEK 758 297.25 divided into 37 571 428 shares. The company has only one class of shares and all shares have equal rights to dividends.

In March 2014 the company issued 755 000 share options to key employees in the subsidiary Vigmed AB, with the right to subscribe for the same number of shares in Vigmed Holding AB to a stock price of SEK 24 per share. Options were traded at market value.

The share options can be exercised during the period from January 15 to January 31, 2017, and may increase the share capital by up to approximately SEK 15 339, corresponding to a maximum of 2% of the current share capital. The incentive program is not expected to incur any significant costs for the company.

Apart from the above mentioned there are no outstanding share options, convertible bonds or similar financial instruments that may be eligible to subscribe for new shares or otherwise affect the share capital.

Vigmed Holding AB was listed on the NASDAQ OMX First North in Stockholm in February 2013. Below is a chart showing the price trend for the stock since the listing.



Development of share capital and ownership as of September 30 is shown below.

	Change capital (SEK)	Accumulated share capital (SEK)	Change (number of shares)	Accumulated number of shares	Par Value
Incorporation	50 000	50 000	+50 000	50 000	1
Split		50 000	+2 425 000	2 475 000	0,02
Issue in kind	636 868,69	686 868,69	+31 525 000	34 000 000	0,02
Issue new shares	71 428,56	758 297,25	+3 571 428	37 571 428	0,02

The number of shares at September 30, 2014 was 37,571,428.

<b>Shareholder</b>	<b>Shares</b>	<b>Percentage</b>
Per Knutsson (incl comp.)	6 075 263	16,2%
Bure Equity AB (publ)	3 761 045	10,0%
UBS AG Client Account	1 920 963	5,1%
Finn Ketler (incl. family and comp.)	1 797 000	4,8%
Nomura Securities Co. Ltd.	1 800 000	4,8%
Rikard Roos	1 598 262	4,3%
Maria Mossberg Ahlström	1 469 784	3,9%
SI Technology Investments AB	1 376 702	3,7%
Lennart Holm (incl. family and comp.)	1 370 190	3,6%
Cecilia Karlsson	1 299 373	3,5%
Others	15 102 846	40,2%
<b>Total</b>	<b>37 571 428</b>	

(Official share register and nominee list as well as information known to the company as of September 30, 2014)

### **Parent Company**

Vigmed Holding AB only covers executive functions and governance, and the management of its wholly owned subsidiary Vigmed AB. The operating profit for the first nine months was MSEK -1.5 (MSEK -1.0).

## FOR FURTHER INFORMATION

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**Organization number:**

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Vigmed AB, 556780-8018

**The share:**

Ticker: VIG  
ISIN code: SE0005034576

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## FUTURE REPORTS

Year End Report 2014	February 25, 2015
Interim Management Statement Q1 2015	May 12, 2015
Annual General Meeting	May 12, 2015

This report has not been audited by the auditor.

*Helsingborg, October 24, 2014*  
Vigmed Holding AB (publ) The Board of Directors

**Income statement (Group) SEK**

	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013
<b>Net Sales</b>	<b>203 512</b>	-	<b>439 565</b>	-
Cost of goods sold	-133 322	-	-285 307	-
<b>Gross Profit</b>	<b>70 190</b>	-	<b>154 258</b>	-
Freight & logistics	-205 866	-	-375 014	-
Sales and marketing	-2 034 154	-2 112 501	-5 256 232	-3 613 333
Administration & quality	-5 829 174	-1 612 754	-13 498 461	-5 329 051
Research, development & patent	-900 162	-1 428 613	-3 472 925	-7 480 058
<b>Total operating expenses</b>	<b>-8 969 355</b>	<b>-5 153 868</b>	<b>-22 602 632</b>	<b>-16 422 442</b>
<b>Operating profit/loss</b>	<b>-8 899 165</b>	<b>-5 153 868</b>	<b>-22 448 374</b>	<b>-16 422 442</b>
Net financial income/expense	25 826	95 785	192 466	330 701
<b>Profit/loss after financial items</b>	<b>-8 873 339</b>	<b>-5 058 083</b>	<b>-22 255 909</b>	<b>-16 091 741</b>
Number of shares	37 571 428	37 571 428	37 571 428	37 571 428
Profit/loss per share	-0,24	-0,13	-0,59	-0,43

**Balance sheet (Group) SEK**

	2014-09-30	2013-09-30	2013-12-31
<i>Fixed assets</i>			
Intangible fixed assets	8 916 333	2 624 078	4 042 838
Tangible fixed assets	10 828 951	7 217 820	9 721 061
Financial assets	-	5 884	-
<b>Total fixed assets</b>	<b>19 745 284</b>	<b>9 847 782</b>	<b>13 763 899</b>
<i>Current assets</i>			
Short-term receivables	2 937 062	1 851 546	1 037 762
Cash and bank balances	19 183 375	50 555 703	41 839 716
<b>Total current assets</b>	<b>22 120 438</b>	<b>52 407 249</b>	<b>42 877 478</b>
<b>Total assets</b>	<b>41 865 722</b>	<b>62 255 031</b>	<b>56 641 377</b>
Equity capital	31 797 990	58 199 150	53 419 699
Short-term liabilities	10 067 732	4 055 881	3 221 679
<b>Total equity capital &amp; liabilities</b>	<b>41 865 722</b>	<b>62 255 031</b>	<b>56 641 377</b>

**Cash flow analysis (Group) SEK**

	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013
Net cash flow from op. act. before changes in work. capital	-8 875 398	-5 242 935	-21 675 090	-15 412 513
Changes in working capital	3 132 096	1 577 533	4 940 868	-3 022 192
<b>Net cash flow from operating activities</b>	<b>-5 743 302</b>	<b>-3 665 402</b>	<b>-16 734 221</b>	<b>-18 434 705</b>
<b>Net cash flow from investing activities</b>	<b>-1 266 030</b>	<b>-2 969 341</b>	<b>-6 556 319</b>	<b>-8 781 402</b>
Amortizations	-	-	-	397
Issue new shares	-	24 999 996	-	24 999 996
Share options 14/17	-	-	634 200	-
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>24 999 996</b>	<b>634 200</b>	<b>25 000 393</b>
<b>Cash flow for the period</b>	<b>-7 009 332</b>	<b>18 365 253</b>	<b>-22 656 340</b>	<b>-2 215 714</b>
<b>Cash &amp; cash equivalents at the beginning of the period</b>	<b>26 192 707</b>	<b>32 190 450</b>	<b>41 839 716</b>	<b>52 771 417</b>
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>19 183 375</b>	<b>50 555 703</b>	<b>19 183 376</b>	<b>50 555 703</b>

**Equity capital (Group) SEK**

	2014-09-30	2013-09-30	2013-12-31
Equity capital at the start of the period	53 419 699	52 046 113	52 046 113
Adjustment due to change to IFRS	-	-2 805 216	-2 805 216
Non-cash issue Vigmed AB	-	11 406 474	11 406 474
Cost of non-cash issue	-	-11 356 474	-11 356 474
Issue of new shares	-	24 999 996	24 999 996
Issuance cost	-	-	-297 000
Share options 14/17	634 200	-	-
Profit/loss for the period	-22 255 909	-16 091 743	-20 574 194
<b>Equity capital at the end of the period</b>	<b>31 797 990</b>	<b>58 199 150</b>	<b>53 419 699</b>



**Income statement (parent company) SEK**

	Q3 2014	Q3 2013	Jan-Sep 2014	Jan-Sep 2013
Net Sales	625 000	750 000	1 874 999	2 249 999
Sales and marketing	-326 783	-	-326 783	-
Administration & Management	-564 771	-942 010	-3 093 520	-3 279 854
<b>Total operating expenses</b>	<b>-891 554</b>	<b>-942 010</b>	<b>-3 420 303</b>	<b>-3 279 854</b>
<b>Operating profit/loss</b>	<b>-266 554</b>	<b>-192 010</b>	<b>-1 545 304</b>	<b>-1 029 855</b>
Net financial income/expense	110 043	7 693	233 311	4 192
<b>Profit/loss after financial items</b>	<b>-156 511</b>	<b>-184 317</b>	<b>-1 311 993</b>	<b>-1 025 663</b>

**Balance sheet (parent company) SEK**

	2014-09-30	2013-09-30	2013-12-31
<i>Fixed assets</i>			
Tangible fixed assets	39 584	64 583	58 333
Financial assets	157 600 000	157 600 000	157 600 000
<b>Total fixed assets</b>	<b>157 639 584</b>	<b>157 664 583</b>	<b>157 658 333</b>
<i>Current assets</i>			
Short-term receivables	1 089 583	980 238	1 005 735
Cash and bank balances	2 943 257	25 737 839	25 262 510
<b>Total current assets</b>	<b>4 032 839</b>	<b>26 718 077</b>	<b>26 268 245</b>
<b>Total assets</b>	<b>181 672 423</b>	<b>184 382 660</b>	<b>183 926 578</b>
Equity capital	180 832 205	181 624 333	181 509 998
Short-term liabilities	840 218	2 758 327	2 416 580
<b>Total equity capital &amp; liabilities</b>	<b>181 672 423</b>	<b>184 382 660</b>	<b>183 926 578</b>

**Equity capital (parent company) SEK**

	2014-09-30	2013-09-30	2013-12-31
Equity capital at the start of the period	181 509 998	-	-
Cash, new share issue	-	50 000	50 000
Non-cash issue Vigmed AB	-	157 600 000	157 600 000
New Emission	-	24 999 996	24 999 996
Issuance cost	-	-	-297 000
Share options 14/17	634 200	-	-
Profit/loss for the period	-1 311 993	-1 025 663	-842 998
<b>Equity capital at the end of the period</b>	<b>180 832 205</b>	<b>181 624 333</b>	<b>181 509 998</b>