

Breaking new ground and strengthening the financial position

Third Quarter (July-September 2015)

- Revenues amounted to SEK 61.4 (28.1) million. The increase (118 %) compared to the corresponding quarter 2014 is mainly attributable to the additional order from C.R. Bard.
- EBITDA amounted to SEK 33.9 (2.2) million.
- Operating profit amounted to SEK 25.7 (-5.3) million.
- Reported net profit for the quarter amounted to SEK 6.1 (-15.7) million, corresponding to SEK 0.18 (-0.47) per share. Net profit for the quarter has been negatively affected by market valuation of the bond with SEK -12.5 million (-6.8 million). This effect is of an accounting nature, and has no effect on cash flow.
- Operating cash flow for the quarter amounted to SEK 9.5 (-21.8) million, corresponding to SEK 0.29 (-0.66) per share

Nine-month period (January-September 2015)

- Revenues for the period amounted to SEK 118.0 (93.8) million, an increase by 26 % compared to the corresponding nine-month period last year. The increase is mainly attributable to the additional order from C.R. Bard.
 - EBITDA for the period amounted to SEK -2.9 (14.2) million. Provisions and non-recurring costs have negatively affected EBITDA during the period by SEK -35.4 million. Adjusted for these items, EBITDA amounted to SEK 32.5 million.
 - Operating profit amounted to SEK -27.4 (-8.2) million.
 - Reported net profit for the period amounted to SEK -36.4 (-79.4) million, corresponding to SEK -1.09 (-3.17) per share. Net profit for the period has been positively affected by market valuation of the bond with SEK 5.4 million (-31.1 million).
 - Operating cash flow amounted to SEK -6.9 (-12.4) million, corresponding to SEK -0.21 (-0.5) per share.
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Key events during the third quarter

- Additional order from C.R. Bard of approx. SEK 28 million
- New clinical studies strengthen the evidence that Bactiguard-coated catheters reduce hospital acquired infections and are cost effective
- Repurchase of bonds in the market of SEK 44.5 million

Key events after the end of the third quarter

- Refinancing of the bond loan secured
- License agreement for orthopaedic implants, a new therapeutic area
- Revised financial targets

Comments by the CEO

Since I assumed the role as CEO in June, my ambition has been to focus the business and strengthen our efforts in prioritized areas. One of the main priorities has been to secure the refinancing of the outstanding bond loan, a process that we successfully completed in the past few days. This reduces uncertainty and creates confidence both within our own organization as well as for investors.

Furthermore, we have allocated more resources to developing new license businesses. This has now materialized in our first license agreement since the successful cooperation with C.R. Bard was established. The license agreement with Vigilenz Medical Devices means that we enter a new therapeutic area, within orthopaedic implants for fractures. This is exciting since the implants will permanently remain in the patient's body and can benefit from both the anti-infective and tissue friendly properties of the Bactiguard coating.

Last but not least, it has been my clear ambition to focus our resources to enable the sales expansion of our own product portfolio. Since spring 2015, we have strengthened our sales force with a Regional Sales Director for Latin America and in November we recruited a Sales Director for Europe. The Sales Directors' role is to support our distributors with knowledge about Bactiguard's unique solution for infection prevention and train their sales forces. This is time consuming work, which we earlier have not been able to prioritize enough due to insufficient resources. Our main focus in the Middle East is to generate more sales and strengthen our position in existing markets.

In August we received an additional order from C.R. Bard intended to increase their safety stock of Bactiguard-coated Foleys for infection control. The order of approximately 28 million led to a significant increase in our third quarter revenues and made a strong contribution to the positive result and cash flow.

C.R. Bard's sales of Bactiguard-coated catheters have been stable over a long period of time. It is therefore very encouraging that they need to increase their safety stock to meet production targets. The underlying volume has also increased somewhat this quarter, but we do not expect any increase in the underlying business when we summarize the year. Altogether, this means that the accumulated revenues already after the third quarter are in line with last year's total sales, which means that revenues for 2015 will be higher than in 2014.



During the quarter, sales of our own BIP (Bactiguard Infection Protection) portfolio have been week and this is a disappointment. Despite this there were a number of positive results of our focused strategy. The Middle East continues to generate repeat orders, which lead to direct sales revenues, even if the volumes were lower in this quarter than in the second quarter. Sweden and Malaysia have also contributed to the sales volumes.

Our Foleys (BIP Foley) are being evaluated by some 40 clinics in Sweden, in parallel with a handful of evaluations of our central venous catheters (BIP CVC), which is an important initial step to implementing our solutions in the healthcare system. A first order of BIP CVC has been delivered to a hospital in the south of Sweden. It is also encouraging that a tender committee in the same region has established a separate category for infection protection Foleys in a public procurement for patients suffering from recurring urinary tract infections. This is promising for the future and a token that our strategy works.

In India, preparatory marketing activities are ongoing and clinical trials at three leading hospital will start before the end of this year. In Pakistan, preparations for market launch. A dozen of evaluations are ongoing in Brazil and Chile and in Mexico we received an approval which means that we are now able to deliver products to our distributor.

In Iraq, the political turmoil is still challenging and we have been informed that there will be a re-tender, which will delay our deliveries. In China, the approval process is also taking longer than expected, but we have received information that it is approaching the final stage.

The clinical evidence, that the Bactiguard Infection Protection solution is efficient and tissue friendly (increases patient safety), is becoming even stronger. In September, two new independent and randomized clinical studies from Spain and Romania were published. These studies show that Bactiguard-coated Foley catheters and endotracheal tubes significantly reduce catheter associated urinary tract infections and ventilator associated pneumonia. The studies also confirm that the use of Bactiguard-coated catheters is a cost-effective alternative for preventing catheter associated infections and reducing the number of patient days in hospital.

When evaluating the financial targets it is evident that we are behind plan. As we have also come to the conclusion that it is not realistic to achieve the current targets within the original time frame, we revise them with 2015 as the base year. The new growth target is an average annual growth of 20 percent over a five year period. Based on this growth rate, we expect to reach an EBITDA margin of at least 30 percent by the end of the five year period.

Christian Kinch
CEO

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About Bactiguard

Bactiguard is a Swedish medtech company with a mission of preventing healthcare associated infections, reducing the use of antibiotics and saving lives by developing and supplying infection prevention solutions for the healthcare industry. The company's patented coating prevents healthcare associated infections by reducing bacterial adhesion and growth on medical devices. Bactiguard®-coated urinary catheters are market leading in the US and Japan, and in recent years the company has developed its own product portfolio of catheters for the urinary and respiratory tract and the blood stream. Bactiguard is currently in a strong expansion phase, focused on new markets in the Europe, Middle East, Asia, Latin America and Southern Africa. The company has market presence in some 50 countries and has about 60 employees. Its headquarters are located in Stockholm and production facilities in Sweden and Malaysia. Bactiguard is listed on Nasdaq Stockholm. Read more about Bactiguard at www.bactiguard.com.