

INTERIM REPORT

Period from January 2019 to September 2019

Peptonic Medical AB (publ) org nr 556776-3064

(www.aktietorget.se ticker: PMED)

2019 THIRD QUARTER (Jul-Sep)

- Net sales of products KSEK 1,557 (120)
- Gross profit KSEK 692 (95), Gross margin 45% (79%)
- Operating loss KSEK -4,127 (-3,420)
- Loss per share SEK -0.03 (-0.04)

FIRST NINE MONTHS 2019 (Jan-Sep)

- Net sales of products KSEK 4,073 (120)
- Gross profit KSEK 2,321 (95), Gross margin 57% (79%)
- Operating loss KSEK -12,414 (-9,739)
- Loss per share SEK -0.10 (-0.11)

IMPORTANT EVENTS DURING THE PERIOD

- On January 10th, 2019 the Company announced that its self-care product for the treatment of vaginal atrophy and dryness - VagiVital® - has been approved for sale through Apoteket AB's retail shops and on-line shop, by Apoteket Hjärtat for sale in its on-line pharmacy shop, and by Apoteksgruppen for sales in approximately forty of its franchise pharmacy shops throughout Sweden. Initially, VagiVital® will be available for purchase in the thirty largest pharmacy shops of Apoteket AB and in its on-line pharmacy (www.apoteket.se) from mid February 2019, and in Apoteket Hjärtat's webshop from the beginning of February the latest. The Apoteksgruppen independent franchise pharmacies will decide individually on when to start offering the product in their shops.
- On 18th January, 12th of February, 10th of April and 17th of May 2019, the Company announced that the Board of Directors have decided to issue 2,192,270, 2,375,120, 2,375,120 and 2,375,120 new shares to ReCall Capital Nordic AB. The corresponding proceeds to Company amounted to 1.2, 1.5, 1.5 and 4.2 MSEK for these shares. These were transactions no. 1-4 of the so called 'on tap financing' arrangement with ReCall dated the 6th of November 2018.
- On 28th January, 2019, the Company announced that the results of a recently conducted survey among women that have used VagiVital® indicate a very strong treatment effect. Of more than two hundred respondents of the survey, three out of four reported symptom relief, regardless of how long they had used VagiVital®. Of those women who had used VagiVital® for two months or longer, nine out of ten reported symptom relief. The survey was performed during the period of December 2018 to mid January 2019.
- On the 8th May 2019, the Company announced that during May Apoteket AB will expand the distribution of Peptonic's self-care product VagiVital® from today's 30 to 250 of its retail pharmacy shops in Sweden. Since February this year, VagiVital® can also be purchased on the Apoteket AB's webshop (www.apoteket.se). In connection with this distribution expansion, Peptonic has received a purchase order from Apoteket AB worth 440,000 SEK.
- On May 20, 2019, the Board of Directors of Peptonic Medical AB announced that, with the support of authorization from the Annual General Meeting on November 6, 2018, it has been decided to proceed with an issue of shares with preferential rights for existing shareholders (the "Rights Issue").
- On June 19, 2019, Peptonic Medical AB (publ) announced that the new rights issue with pre-emptive rights for existing shareholders (the "Rights Issue") has been completed and provided the Company with approximately SEK 26.4 million before transaction costs of just under SEK 1.9 million. A total of about SEK 60.4 million was subscribed, corresponding to about 229 percent of the Rights Issue.
- At the Annual General Meeting on June 19, 2019, the Board was re-elected in its entirety.
- On June 20, 2019, Peptonic Medical AB announce dthat it has signed an agreement with DQS Medizine GmbH (DQS-MED) that they will take over the approval of Peptonic's quality system and CE marking for VagiVital® from this autumn.
- On July 25, 2019, Peptonic Medical AB announced that it has entered into an agreement with Shijazhuang Yuanjia Biotechnology Co. Ltd. ('Yuanjia Bio') regarding registration, marketing, sales and distribution of VagiVital® in the People's Republic of China. The agreement gives Yuanjia Bio exclusive rights to register, market and sell VagiVital® in China. In return, Yuanjia Bio has undertaken to purchase annual minimum quantities of VagiVital® and to cover all costs for registration and commercialization of the product. In connection with the signing of the agreement, Yuanjia Bio will pay 125,000 Euro to Peptonic as a partial pre-payment for the first commercial order of VagiVital® prior to launch.
- On August 26, 2019, Peptonic Medical AB announced that it has entered an agreement with ADEXILIS Service Kft. concerning the marketing, sales and distribution of VagiVital® in Hungary, Slovakia and Croatia. Under the agreement, Adexilis is granted the exclusive commercial rights to VagiVital® in the above mentioned countries. In return, Adexilis has committed to annual minimum purchase volumes of VagiVital® and to bear all costs for marketing and distribution.
- On September 19, 2019, Peptonic Medical AB announced that it has opened on-line webshops in Denmark and Norway to initiate sales of VagiVital.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

- On October 10, 2019, Peptonic Medical AB announced that that the DQS Medizine GmbH (DQS-MED) certification committee has approved the takeover of the CE mark concerning the Company's self care product VagiVital®. The reason for the change is that Lloyds Register Ltd. (Peptonic's former Notified Body), a company based in the United Kingdom, lost the accreditation to issue CE mark, when they discontinued that part of their business. During August and September, Peptonic Medical's technical documentation was reviewed by DQS-MED. It has now been approved and future VagiVital® batches will be marked with DQS-MED's CE marking number (0297).
- October 21, 2019, Peptonic Medical AB announcee that it has commenced the sale of VagiVital® ('Product') in the United Kingdom. From this day, the Product can be purchased on www.amazon.co.uk. The Company has entered an agreement with Precision Marketing Group Ltd. (Hadleigh, Ipswich) that will be responsible for warehousing, logistics, payment services and advertising in different media. The Product is held on consignment in the warehouse of Precision Marketing Group Ltd.
- October 31, 2019, Peptonic Medical AB announced that it has entered an agreement with Skyflair Asia concerning the on-line marketing and sale of VagiVital® ('Product') in Hong Kong (SAR). Under the terms of the agreement, Skyflair Asia will be responsible for warehousing, logistics, payment services and advertising in different local media. The Product is held on consignment by Skyflair Asia.

From the CEO

The third quarter can be described as a period of activities and events to continue building the foundation of the future Peptonic. Many long-term investments being made now are expected to pay off in the future i.e. in a few months up to a few years from now. Our vision is to develop a product portfolio with focus on women's health and well-being. The products need to have a proven treatment effect – and this shall also apply to Peptonic's self-care products under the banner: 'evidence to the self-care section'. This is how Peptonic's products will differ from competing products in this segment.

The home market is important from a reference and source of experiences point of view i.e. what works well and what doesn't work so well in the marketing of VagiVital. Clearly, we want to achieve high market shares in Sweden, but sales on other markets will be essential for the future growth of Peptonic. Hence, it is important to start selling in countries outside Sweden as soon as possible. In some countries we will appoint local distributors whereas in other countries we have decided to open our own web shops. The latter is the fastest way of entering many of the larger markets to start selling. This with the intention to expand distribution to local pharmacies or other channels /retail shops to improve the accessibility of the product as soon as possible. This is the model we have already implemented in Norway and Denmark in September and in the UK in October this year. We are also opening a web shop in Hong Kong in the near future.

In Finland, Orion Pharma launched VagiVital in April under the trademark Femisan Vital. The product is sold via pharmacies and the uptake has been very good so far. Since launch, the monthly sales volume has been higher than in Sweden. An instant access to the pharmacies across the country and the deployment of a specialised sales force focusing exclusively on pharmacies would explain the successful launch. Of course, satisfied customers also contribute. Orion Pharma has ordered a new batch of product, which will be delivered before end of the year.

During the period, we have informed about two distribution agreements and two launches via on-line web shops. The distribution agreement with Yuanjia Bio for PR China in July is a great success with great potential. Yuanjia Bio has initiated the registration process of VagiVital. However, it's not clear as to how long a procedure this is, but the aim is to launch VagiVital during 2021. Initially, Yuanjia Bio will detail hospital gynaecologists through its sales force with the aim of expanding marketing to consumers at a later stage. This, however, depends on the regulatory classification of the product. The agreement with Adexilis covering Hungary, Slovakia and Croatia was signed in August. Preparations for the launch are under way and launch is expected to occur during H1 2020.

Marketing and promotion of VagiVital in different media is costly, but necessary. However, by joint campaigns with the pharmacy chains and by well targeted and well timed campaigns in social media and TV, we have been able to contain costs at a reasonable level. During the first quarter of 2020, we will hire a sales force to visit and educate personnel at pharmacy retail shops carrying VagiVital. After this, we will evaluate the outcome and decide whether to continue or not. We have also increased our internal resources by the recruitment of a product manager. Her name is Nikolina Spolén and she was with Kronans Apotek for five years before joining Peptonic.

Sales in Sweden is growing. The trend shows increased market sales volumes month by month. In Norway and Denmark the advertising in social media has started. Sales volumes are still modest, but with increased advertising volumes will grow.

The financial status of the company is good. Revenues increased by circa 51% compared to the previous quarter. Gross margin has decreased during the period as compared to previous quarters. This can be explained by the initial pre-payment by Yuanjia Bio in connection with the signing of the distribution agreement. Since transfer price for China is lower than that for Sweden and Finland, gross margin will decrease. This, of course, shall be compensated by much larger volumes with time. Also, during 2018, VagiVital was sold almost entirely through the on-line web shop, which means a higher gross margin.

With the threat of a hard Brexit in the spring, we decided to change our Notified Body in England to one located in another EU country. We signed up with DQS Medizintechnik GmbH in June and the work with transferring the CE certification started. In September, we informed the market of the completed transfer and a renewed CE certification. This is valid until May 2024. Hence, we are well positioned to continue the roll out of VagiVital in the EU without the threat of regulatory obstacles. Before May 2024, the certificate has to be renewed according to the new European legislation. This legislation means much tougher requirements e.g. for clinical documentation of efficacy. Here VagiVital is well positioned and we estimate many of the competing products of today to disappear due to poor clinical documentation to support claims.

We continue our efforts to expand the product portfolio. We are evaluating a number of interesting products and product concepts within the field of vaginal/intimate health. This to be able to capitalise on synergies with VagiVital both concerning the brand and concerning its target customer groups.

Having said this, we can expect an interesting news flow during the next coming months.

Johan Inbarr

CEO

Stockholm, November 8th, 2019

COMPANY BRIEF

Peptonic Medical is an innovative Swedish medical development company. Its vision is to offer safe and effective treatments and relief for women specific diseases and medical conditions.

VagiVital® is a registered trademark of Peptonic Medical. The product is hormone free and is being commercialised for the non-prescription use for the treatment of vaginal atrophy (VA) and vaginal dryness. The pipeline of Peptonic Medical also includes Vagitocin®, which is an oxytocin-based vaginal gel for the treatment of VA. This product candidate is in clinical development phase 2. The development of Vagitocin® is on hold pending additional data on i.a. the mechanism of action.

Since July 2014, the Peptonic Medical share has been traded on the Spotlight Stock Exchange (www.spotlightstockmarket.com, ticker: PMED) in Stockholm, Sweden.

For more information: www.peptonicmedical.com

About VagiVital®

VagiVital® is a patent pending hormone free self-care product for the treatment of vaginal atrophy and vaginal dryness. The product has been tested in randomised clinical studies (vaginal atrophy) with very positive results both for objective (vaginal pH and proportion of superficial cells in the vaginal mucosa) and subjective (most bothersome symptoms, such as vaginal dryness, vaginal irritation/itching, dyspareunia and dysuria) parameters. The magnitude of symptom relief is on par with that demonstrated with e.g. prescription estrogen based products on the market today. It was very well tolerated and caused no serious adverse effects.

VagiVital® was launched in Sweden as a non-prescription self-care product in July 2018 (see www.vagivital.com).

FINANCIAL INFORMATION

Net sales – Net Sales of products for the third quarter were KSEK 1,557 (120). Other income for the first quarter were KSEK 0 (0). Net Sales of products for the first nine months were KSEK 4,073 (120), other income were KSEK 0 (66).

Costs – Costs for the third quarter were KSEK -5,684 (-3,540). The costs that have significantly increased during the quarter are costs of sold goods and the launch costs. Costs for the nine first months were KSEK -13,047 (-9,808). During the period costs of products were KSEK 1,752 and launch costs KSEK 6,587.

Result – Loss before tax for the third quarter was KSEK -4,130 (-3,461). For the first nine months the loss was KSEK -13,047 (-9,808). During the period an interest-bearing loan of KSEK 10,500 incurred an interest cost of KSEK -630. The loan was repaid before the end of the half year.

Financial position and liquidity – Liquid assets were KSEK 19,642 (6,005) as of September 30, 2019. During the first nine months the company received a net SEK 8,609 (0) in newly issued capital through the agreement with ReCall Capital on lending of shares and directed new issues. The cost of this has been about 6% of issued capital. In June, a major rights issue was also carried out, which resulted in net proceeds of SEK 24,362 at a cost of about 6.6%.

Equity - The company's equity as of September 30, 2019 amounted to KSEK 75,175 (60,384), which gives a solvency ratio of 96 (93) percent.

Liabilities - As of September 30, 2019, the company's liabilities amounted to KSEK 2,988 (4,864). At year-end, the level was KSEK 13,910, the major difference being the repayment of the bridge loan of KSEK 10,500.

Organization - During the period, the average number of employees was 2 (2). At the end of the period, the number of employees was 3 (2). In addition to this, from 2018 there is a marketing manager and a quality manager hired as consultants, furthermore the accounting is posted at an accounting firm.

Share - The total number of shares as of September 30, 2019 was 127,128,306 (86,028,600).

INCOME STATEMENT

KSEK	Note	3 months Jul-Sep 2019	3 months Jul-Sep 2018	9 months Jan-Sep 2019	9 months Jan-Sep 2018	12 months Jan-Dec 2018
Operating income						
Sales of products		1,557	120	4,073	120	383
Other operating income		0	0	0	66	86
Total operating income		1,557	120	4,073	186	469
Operating expenses						
Cost of goods		-841	-25	-1,752	-25	-150
Other external expenses	1	-3,544	-2,673	-11,239	-6,471	-9,544
Personnel costs		-1,299	-823	-3,496	-3,372	-4,471
Depreciation		-0	-19	-0	-57	-76
Other operating costs		0	0	0	0	-609
Total operating expenses		-5,684	-3,540	-16,487	-9,925	-14,850
Operating loss		-4,127	-3,420	-12,414	-9,739	-14,381
Net financial income/expense		-3	-41	-633	-69	-560
Loss before taxes		-4,130	-3,461	-13,047	-9,808	-14,941
Taxes		-	-	-	-	-
Net loss for the period		-4,130	-3,461	-13,047	-9,808	-14,941

BALANCE SHEET

KSEK	Note	Sep 30 2019	Sep 30 2018	Dec 31 2010
Assets				
Non-Current assets				
Intangible assets	2	56,836	58,069	56,396
Tangible assets		0	0	0
Financial assets		-	-	-
Total non-current assets		56,836	58,069	56,396
Current assets				
Stock		679	525	609
Other receivables		768	474	587
Tax receivable		-	-	-
Prepaid expenses and accrued income		238	175	204
Liquid assets		19,642	6,005	11,365
Total current assets		21,327	7,179	12,765
Total assets		78,163	65,248	69,161
Equity and liabilities				
Equity				
Ristricted equity				
Share capital		12,713	8,603	8,603
Ongoing right issues		-	-	-
Development Cost Fund		14,538	14,124	14,538
Non- restrictes equity				
Share premiun reserv non-restricted		161,105	132,744	132,244
Profit or loss brought forward		-100,134	-84,779	-85,193
Net loss for the period		-13,047	-9,808	-14,941
Total equity		75,175	60,384	55,251
Current liabilities				
Trade payables		938	1,366	1,607
Interest bearing loans		0	0	10,500
Other payables		252	60	319
Prepaid income and accrued expenses		1,798	3,4388	1,484
Total current liabilities		2,988	4,864	13,910
Total equity and liabilities	3	78,163	65,248	69,161

NOTE

Accounting principles

This interim report has been prepared in accordance with the Annual Accounts Act (Chapter 9. Interim Report) and the Swedish Accounting Standards Board's general advice, BFNAR 2012:1 Annual Report and consolidated (K3-rules).

Note 1 – Related-party transactions

During the period companies represented by members of the Board of Directors were contracted as consultants. Total compensation for consultancy services amounted to KSEK 103 (78) and is related to R&D-services and business development services. All transactions between related parties are based on market conditions. No other key executives or their immediate family members have been directly or indirectly involved in any business transaction with the Company that is or was unusual in its character or terms and conditions and took place during the period.

KSEK	2019	2018	2018
	Jan-Sep	Jan-Sep	Jan-Dec
Consulting fees Board of Directors	103	78	125
Total	103	78	125

Note 2 – Intangible assets

Patents and development costs are capitalized and amortized over five years after the first income has been acquired. Capitalized patent-and development costs are estimated to result in future revenues for the company. Patent and development costs are stated at acquisition value in the balance sheets.

	Sep 2019	Sep 2018	Dec 31 2018
Capitalized development costs			
Accumulated acquisition value			
Opening balance	48,922	50,108	50,108
Sold out and Other disposals			-1,297
Capitalizations during the period	263	89	111
	49,185	50,197	48,922
No depreciation has been made as no income has been acquired	-	-	-
Net booked amount at end of period	49,185	50,197	48,922
Patents och licenses			
Accumulated acquisition value			
Opening balance	7,626	7,572	7,572
Sold out and Other disposals	-	-	-197
Capitalizations during the period	177	432	470
	7,803	8,004	7,626
Depreciation			
This year	-	-56	-76
Earlier year	-152	-76	-76
Net booked amount at end of period	7,651	7,872	7,472
Total intangible assets	56,836	58,069	56,446

Note 3 – Equity and liabilities

All of the Company's debts are at the moment non-interest-bearing.

KEY FIGURES

	9 months Jan-Sep 2019	9 months Jan-Sep 2018	12 months Jan-Dec 2018
Revenues, KSEK	4,073	120	383
Gross profit sales goods, KSEK	2,321	95	233
Gross margin, %	57%	79%	61%
Operating profit, KSEK	-12,414	-9,739	-14,381
Return on equity, %	-27	-22	-26
Equity ratio, %	96	93	80
Earnings per share, SEK	-0.10	-0.11	-0.17
Liquidity per share, SEK	0.15	0.07	0.13
Equity per share, SEK	0.59	0.70	0.64
Share price per closing, SEK	2.050	0.820	0.500
Share price/Shareholders' equity per share, SEK	3.47	0.75	1.08
Number of issued shares at the end of the period	127,128,306	86,028,600	86,028,600

This interim report has not been reviewed by the Company's auditors.

The Board of Directors and the CEO certifies that the interim report gives a fair overview of the business, position and profit or loss of the Company.

FINANCIAL CALENDER

Year end report, 2019

February 27th 2020

Stockholm, November 8th, 2019

Hans von Celsing, Chairman of the Board

Arne Ferstad, Board member

Marianne Östlund, Board member

Leni Ekendahl, Board member

Johan Inbarr, CEO

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This information is information that Peptonic Medical 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 person set out above, at 8th November 2019.

Note: This document has been prepared in both Swedish and English. The Swedish version shall govern in case of differences between the two documents. The document contains certain statements about the Company's operating environment and future performance. These statements should only be regarded as reflective of prevailing interpretations. No guarantees can be made that these statements are free from errors.