



# ANNUAL REPORT 2015

# Contents

The annual report is available both in Swedish and English. The Swedish version is the original, which has been audited by Bactiguard's auditors, and then translated into English.

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**CEO's statement page 6.** We have made major investments that have cost a great deal of resources, but we are now ready for growth, says Christian Kinch, CEO Bactiguard.



**Marketing and sales page 10.** Increased awareness of the consequences of antibiotic resistance has resulted in a greater demand for infection prevention solutions in healthcare.



Photo: Anja Callius

**Our employees page 18** Working at Bactiguard is like a lifestyle where we value responsibility, creativity, hard work and having fun, all at the same time.



**Patient in focus page 22.** Being confined to a wheelchair sometimes also means life with a urinary catheter. Bactiguard's catheter reduces the number of recurring urinary tract infections and constant antibiotic treatments.



**Products page 15.** Bactiguard's product portfolio, Bactiguard Infection Protection (BIP), prevents healthcare associated infections in the urinary tract, respiratory tract and bloodstream.

## Key ratios 2015

Revenues **MSEK 138.5**

EBITDA **MSEK 20.2**

Total assets **MSEK 676**

Equity ratio **62%**

Earnings per share **SEK -0.80**

## Our business concept

We prevent healthcare associated infections caused by medical devices. By preventing infections, which cause unnecessary suffering and longer hospital stays for patients, we can:

- Reduce the cost of healthcare for society
- Reduce the use of antibiotics and thereby prevent the spread of multi-resistant bacteria
- Increase patient safety and above all save lives

# Year in brief

**Marketing strategy.** During the year we launched a more focused marketing strategy, where our primary focus is to generate more sales in existing markets and establish ourselves in a few new key markets in Europe and Asia (primarily India and China) that have a great deal of potential. One example of this focus is that we left Russia at the beginning of the year due to the economic and political development in the country. At the same time, we changed our sales strategy for India, which enabled a market launch at the end of the year.



**Additional order from Bard.** We received a one-time order from C.R. Bard, intended to increase their buffer stock of infection protection catheters with Bactiguard's coating. The order added net income of approximately MSEK 20.



**New clinical studies show that the Bactiguard technology reduces healthcare associated infections.** Two new clinical studies, both of which are independent and randomised, show that urinary catheters and endotracheal tubes with Bactiguard's coating reduce the number of catheter-related urinary tract infections and ventilator associated pneumonia cases.



**Entering new therapeutic area through license agreement.** We signed a new license agreement with Malaysian Vigilenz Medical Devices, a manufacturer and supplier of medical devices, for an entirely new therapeutic area, which means that Bactiguard's coating will be applied to orthopaedic implants for the South-East Asian ASEAN region.



**Ensure financing.** In November we entered an agreement for a credit facility of MSEK 130, consisting of a loan commitment of MSEK 100 and a renewal of bank overdraft facilities of MSEK 30. Together with the company's cash assets, the credit facility ensures refinancing of Bactiguard's bond loan, which matures in December 2016.

**Revised financial targets.** In November, the Board of Directors decided on the following revised financial targets: An average growth of 20% a year during a five-year period, with 2015 (excluding the additional order from C.R. Bard) as the base year. Furthermore to achieve an EBITDA margin of at least 30% by the end of the five-year period.

**Major order from India.** We received an order from India for approximately 50,000 infection protection urinary catheters, which will be delivered in 2016. The planned clinical study commenced at the same time.



**Product approval opens door to China.** On New Year's Eve, the China Food and Drug Administration (CFDA) announced that we had obtained product approval in China for Bactiguard's urinary catheters for infection prevention. The door was thus opened to one of the largest and rapidly growing markets in the world.



# At war with infections

Christian Kinch, CEO of Bactiguard, would like to see a Vision Zero attitude to nosocomial infections. Every year 1,400 Swedish patients are affected by adverse events in healthcare. This corresponds to almost the entire bed capacity at Karolinska University Hospital in Stockholm for an entire year. It also entails enormous costs for healthcare and patients are exposed to unnecessary suffering. This is a war we have to win.

# CEO's statement

**T**he year could not have ended any better for Bactiguard, since we received final product approval for our infection protection urinary catheters in China on New Year's Eve. Together with the launch in India, we have now taken a huge step forward. We have made major investments in building a strong organisation, and we are now equipped with a team ready to grow. In conjunction with the product approval in China, we also received our first order for 100,000 urinary catheters.

Since I took on the role as CEO in June, we have had three main priorities: to increase sales of our own product portfolio, to drive development of new licensing business and to ensure refinancing of the bond loan.

In order to drive sales, we have invested in the sales and marketing organisation and doubled the number of delivered units during the year. We received our first order from India in December, and we see a great deal of potential in the country where increasing antibiotic resistance is resulting in major challenges when treating infections. We have already delivered part of the first order and intensified our sales and marketing activities.

The second priority, to develop new licensing business, has also generated results. During the autumn we signed a license agreement with a new partner regarding orthopaedic implants for bone fractures. The agreement means that we are establishing our technology in a new therapeutic area, which will open the door to new application areas. We recognise significant potential for new licensing business, and our goal is to sign at least one new license agreement in 2016.

With a loan commitment and renewed bank overdraft facilities, we ensured the third priority in November, which involves refinancing of the bond loan that matures in December 2016. This alleviates some uncertainty and gives us peace of mind to work while, at the same time, we will continue working to ensure the company's long-term financing at market rates.

Clinical evidence was strengthened during the year with two new studies, both of which were independent and randomised, whose results show that Bactiguard's technology reduces

catheter-related infections in a cost-efficient manner. In January this year we presented the results of a new laboratory study that was conducted together with Karolinska Institutet. The results indicate that the technology can also counteract thrombosis (blood clots), which is a serious medical condition for patients.

A great deal of resources were used during the year to re-

locate operations to our new integrated facility in Botkyrka, which was inaugurated by the Minister for Enterprise and Innovation, Mikael Damberg in March 2016. The move also entailed extensive

regulatory work, of which we are now beginning to see the end. All of our operations in Sweden are now gathered under one roof close to Karolinska University Hospital, which offers positive synergies.

One of the year's positive surprises was the additional order from C.R. Bard, which initially generated extra revenue of SEK 28 million, but which was later revised to SEK 20 million.

From the perspective of revenue and earnings, we are lagging behind our original plan. Consequently, we revised our financial targets in November with an average growth of 20 per cent a year, with 2015 as the base year. In conjunction with the annual accounts, we revised our accounting principles in order to obtain a more direct connection between product deliveries, revenues and cash flow. This will increase transparency and improve the possibilities for our shareholders to analyze the company.

Our entire focus is now on increasing sales while keeping costs under tight control, in order to balance them against revenue and turn development towards positive earnings and cash flow.

I am proud of the strong, international team that we now have in the organisation, where every employee fulfils his or her role in the value chain. We have built a stable platform and are well equipped to meet the opportunities we see for Bactiguard. We are ready to grow. This year, 2016, is going to be an exciting one.

*Christian Kinch*  
CEO



*We have made major investments that have cost a great deal of resources, but we are now ready for growth*

# Infections threatening modern medicine

**H**ealthcare costs worldwide are rising at an increasingly faster pace, and an average of 10 per cent of the GDP goes to healthcare<sup>1</sup>. This development is not sustainable in the long term. One large expense item pertains to healthcare associated infections, known as nosocomial infections, which are largely avoidable.

Nosocomial infections affect patients in conjunction with receiving care. Over half of these infections are caused by bacterial growth on medical devices such as catheters<sup>2</sup>. This is a global problem that can afflict anyone in any country, and which costs society billions.

Nosocomial infections lead to additional days of care for the patient, and they take a great deal of resources from health-care. At the same time, the patient is exposed to unnecessary suffering, extended sick leave, loss of income, reduced quality of life and, in the worst case, death. Nosocomial infections are the third most common cause of death in highly developed countries after cancer and cardiovascular disease<sup>3</sup>.

The presence of multi-resistant bacteria makes the development even more alarming. Infections that are caused by multi-resistant bacteria are difficult to treat and are more costly. These infections are not possible to cure by regular

means since the bacteria have developed resistance to antibiotics due to overconsumption. Around 70 per cent of the bacteria that currently cause nosocomial infections are resistant to one or more of the most common types of antibiotics<sup>4</sup>.

This leads to a situation where in the future, we risk not being able to take advantage of modern, high-tech healthcare since the risks associated with a procedure could become too high. What is today regarded as simple medical conditions and routine procedures may in the future entail major risks for patients due to multi-resistant bacteria. We are approaching a post-antibiotic era where infections can no longer be treated or cured.

We can actively prevent this frightening development by focusing on preventive measures. An infection that does not arise does not need to be treated with antibiotics. This helps reduce the spread of multi-resistant bacteria, the patient's suffering is reduced and, at the same time, money is saved and resources are freed up for healthcare.

Protecting the antibiotics we have access to today is high up on the agenda of the World Health Organization, WHO, and health ministers worldwide. There is only one road to take. We must actively prevent infections to safeguard patient safety.



*Healthcare associated infections represent one-third of all adverse events in healthcare, and thus constitute the largest adverse event area.*

Swedish Association of Local Authorities and Regions, Skador i vården, 2014

## Antibiotics apocalypse

By 2050, around 10 million people worldwide are at risk of dying every year due to antibiotic resistance if no action is taken. This can be compared to about 8 million people dying of cancer and 1.2 million dying in traffic accidents around the world every year<sup>5</sup>. Preventive measures are thus becoming increasingly important in terms of reducing the number of healthcare associated infections and the spread of multi-resistant bacteria.

The frequent use of antibiotics has contributed to an increase in antimicrobial resistance, which leads to bacteria, viruses and parasites constantly adapting and developing. Multi-resistant bacteria such as MRSA (Methicillin-resistant *Staphylococcus aureus*) are found at hospitals and can cause several different infections such as urinary tract infections, pneumonia and blood poisoning<sup>6</sup>. Infections that are caused by multi-resistant bacteria are generally very difficult to treat since they are resistant to most types of antibiotics.

Antibiotics are included in the antimicrobial drug group, and they are used to treat bacterial infections. This group also includes antiviral drugs that are used against viral infections such as influenza, fungal infections and antiparasitic drugs, which are used to treat illnesses such as malaria. Antimicrobial resistance is resistance to one or more groups of drugs, which means that they can no longer be used as a preventive measure or to cure an infection.

Based on data from 71 countries, the Center for Disease Dynamics, Economics & Policy says that consumption of antibiotics increased by 30 per cent between 2000 and 2010. India, China and the US were responsible for the greatest consumption.

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## Travel increases the risk of multi-resistant bacteria

More people are travelling today than ever before, and travellers are exposed to a greater risk of infection. According to a study published in 2015, fifty per cent of travellers returning home from South Asia are carriers of multi-resistant bacteria\*. Seeking healthcare in a country with a high percentage of multi-resistant bacteria further increases the risk. ■

\*Antimicrobials Predispose to ESBL-PE, 15 March 2015

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### FACTS

- Healthcare associated infections afflict a large percentage of patients in different parts of the world.
- On average, around 7% of patients in the EU and 10% in Sweden are afflicted. The corresponding figure in the US is 4%. The cost of treating these infections in the US is around USD 35–46 billion/year<sup>7,8,9</sup>.
- In Sweden, the number of days required for care is prolonged by around 750,000 days at a cost of SEK 6.5 billion/year<sup>10</sup>.
- 30% of the infections can be prevented, which would entail savings of almost SEK 2 billion/year<sup>11</sup>.

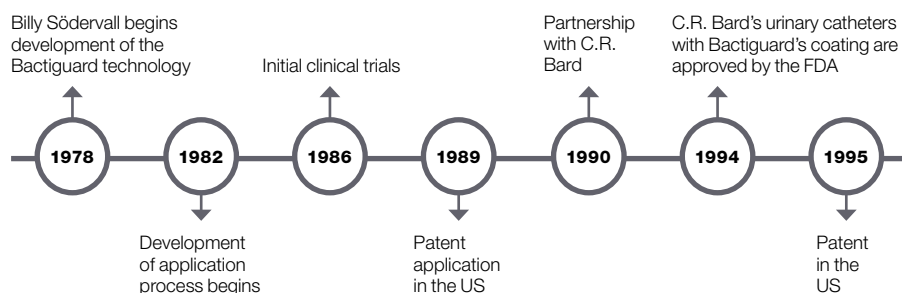
# About Bactiguard



## Offers innovative solution for healthcare

### How it all began

Bactiguard was founded in 2005. The technology is much older than that, however, and can be traced back around 100 years in time to the 1912 Nobel Prize laureate in Physics, Gustav Dahlén, who was known as the man behind the AGA lighthouse system. Bactiguard's unique technology that uses noble metals was developed by Billy Södervall in the 1970s.



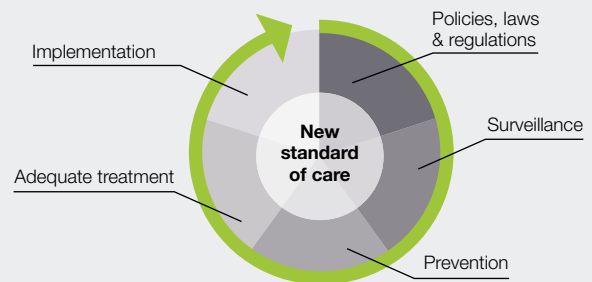




## Our vision

Our long-term vision is to define a global standard of care to prevent healthcare associated infections caused by medical devices. Healthcare, academia, business and politics can together create the conditions required for this. Bactiguard's technology is part of the solution, which consists of important building blocks:

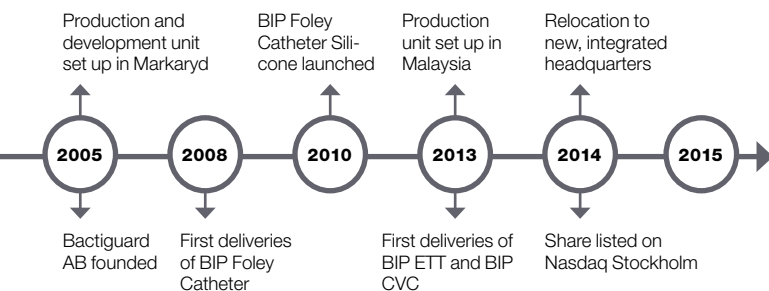
- Measuring the prevalence of healthcare associated infections
- Raising the level of knowledge and implementing preventive measures in clinical care
- Limiting the use of antibiotics, to only be used when necessary
- Implementing and following up new procedures
- Creating clear guidelines and incentives for more cost-efficient care



**B**actiguard is a Swedish medtech company with global presence. The company offers an infection protection solution that prevents healthcare associated infections caused by medical devices. By preventing infections, the company contributes to reduced usage of antibiotics and consequently the spread of multi-resistant bacteria, which is a growing problem worldwide. Bactiguard saves lives, increases patient safety and significantly reduces the costs sustained by healthcare and society.

The technology is well-proven, safe and tissue friendly. It consists of a thin layer of noble metals that prevents bacteria from adhering to and growing on the surface of medical devices, which prevents the formation of biofilm and subsequent infection. The coating can be applied to almost all medical devices. Bactiguard-coated urinary catheters are market leading in the US and Japan, and the company also has its own product portfolio consisting of urinary catheters, central venous catheters and endotracheal tubes for the respiratory tract.

Bactiguard is a growth company with focus on markets in Europe, the Middle East, Latin America and parts of Asia (primarily China and India). The company has about 70 employees worldwide, mainly at the headquarters in Stockholm and at the production facility in Malaysia. Bactiguard is listed on Nasdaq Stockholm. ■



# Marketing and sales



**P**reventive measures are high up on the agenda of the World Health Organization (WHO), World Economic Forum, health ministers in the G7 nations and governments worldwide. Increased awareness of the consequences of antibiotic resistance has resulted in greater demand for infection prevention solutions for healthcare, which also promotes positive conditions for infection protection catheters and endotracheal tubes. Growth in the segment is driven by a desire to reduce both the number of healthcare associated infections and related costs. This means that Bactiguard is in a good position to strengthen its standing in current markets and at the same time establish itself in new markets.

### Sales

At present, Bactiguard is represented in approximately 40 countries. The company's sales and marketing function works through local distributors as well as directly with hospitals, other healthcare providers and procurement units, with focus on Europe, the Middle East, Latin America and parts of Asia (primarily China and India).

There is growing interest in Sweden for Bactiguard's products and in including infection prevention as a separate category in public tenders. Clinical studies are under way at several Swedish hospitals. The company strengthened its sales organisation in 2015 as a means to increase its presence in the important domestic market.

In December 2015, Bactiguard received the first order from India, and the same month the company obtained the eagerly awaited final product approval from China, which is expected to become a large and important market in the future.

### Sales via distributors

The company's sales are primarily handled through well-established distributors, which have a strong position and solid knowledge of the local market. When Bactiguard signs agreements with distributors in specific markets, the distributors are responsible for the sales process, with support from Bactiguard's regional sales managers.

The company also takes part in joint activities with distributors such as participation at expos and conferences.

### Direct sales

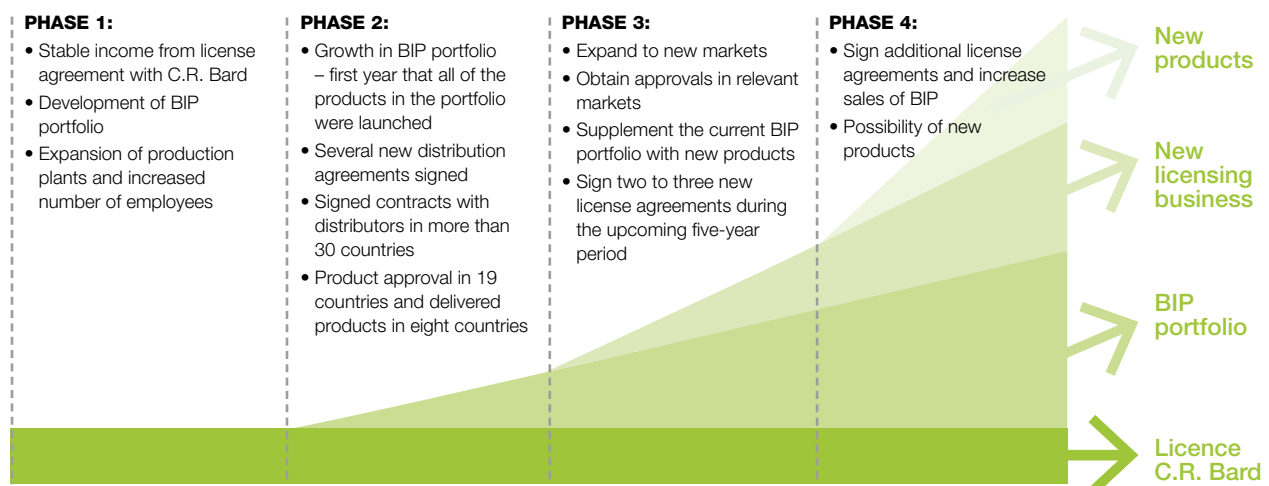
Bactiguard also offers direct sales of its products, primarily to customers in Sweden, and in these cases the company takes care of all of the steps involved in the marketing and sales process.

### Licensing business

Bactiguard has had a successful license agreement since 1990 with C.R. Bard, a global manufacturer and supplier of medical devices. The agreement means that Bactiguard's coating is applied to C.R. Bard's urinary catheters. Thus far over 150 million urinary catheters with the company's coating have been used by patients worldwide, primarily in the US and Japan, but also in Great Britain, Ireland, Canada and Australia. C.R. Bard's urinary catheters with Bactiguard's coating are market leading in the US.

Bactiguard has the ambition to sign at least one new license agreement in 2016 and additional license agreements within a five-year period. Bactiguard entered a new therapeutic area in 2015 when the company signed a new license agreement with Malaysian Vigilenz Medical Devices, a manufacturer and supplier of medical devices. The agreement means that Bactiguard's ►

### Bactiguard's growth strategy



# Marketing and sales, cont.

infection protection and tissue-friendly coating will be applied to orthopaedic implants in the South-East Asian market. The coating helps prevent healthcare associated infections and reduces the suffering of patients who are often traumatised by accidents.

## Future application areas

Bactiguard's coating can be used on several different materials in various application areas. Examples include different types of catheters, implants and prostheses, where the need to prevent infections is great. Implants for bones and teeth are examples of areas where Bactiguard's infection prevention technology can make a major difference in terms of reducing patient suffering and healthcare costs. Laboratory and animal studies have already been conducted for several of these application areas within the company's various research collaboration initiatives. The results indicate the existence of infection prevention.

## Competition

The main source of competition derives from companies that offer infection protection products. The competitive situation is different for urinary catheters, central venous catheters (CVC) and endotracheal tubes (ETT), where infection protection CVC are relatively well-established while infection protection urinary catheters are comparatively unusual outside the US and Japan. Bactiguard's solution is unique. As opposed to competing technologies that kill bacteria by releasing, for example, silver ions, chlorhexidine or antibiotics, Bactiguard's technology is neither toxic nor pharmacological, and it is very tissue-friendly. The technology is well-proven, effective and tissue friendly. ■



## Bactiguard at conferences

The company takes part in congresses and conferences on an ongoing basis all over the world, including, for example, the European Association of Urology (EAU) Congress, which is the largest European congress for urologists. Bactiguard regularly participates at Arab Health, one of the world's largest exhibitions within life science, which is an important place to meet distributors and both existing and potential customers. ■

## Global market presence with focus on regions with high potential





For innovator Billy Södervall, work is a hobby, which is why he rebuilt his garage at home into a lab where he can test ideas around the clock.

## The Innovator

**B**illy Södervall is a chemist and an innovator. Via glass and heat pumps, he developed a technology that uses a thin layer of noble metals to successfully prevent bacteria from adhering and causing infections.

### **Chemist among pumps**

Billy Södervall is the innovator behind the technology that is the core of Bactiguard today. It was while working as head of environment and chemistry at pump company NIBE that Södervall started working with Axel Bergström. Bergström had previously studied under Gustaf Dalén, who was awarded the Nobel Prize in physics in 1912. Together with his trainee Södervall, Bergström was tasked with producing a thin metal layer on glass and ceramics that could be heated up.

### **Innovation procurement before its time**

In 1978, Billy Södervall came into contact with what was then the Swedish central healthcare purchasing body, and heard about the problems associated with infections arising in conjunction with urinary catheter usage. The county council was interested in finding an infection protection solution that could help reduce the number of infections in healthcare. This was a very early version of what we today call innovation procurement.

Billy Södervall understood right away the necessity and potential of developing new products in healthcare, but his manager at NIBE at the time was not of the opinion that medical devices

belonged to NIBE's core business or were something that was of interest to the company. Billy then decided to continue developing innovations in his spare time.

### **Technology with noble metals**

Bactiguard's technology consists of a noble metal concentrate that is applied to medical devices to obstruct bacteria from adhering to the surface. It is the composition of noble metals – gold, palladium and silver – that creates the effect.

In 1983, Billy Södervall came into contact with the American medtech company C.R. Bard, which has been applying Bactiguard's coating to its urinary catheters since 1994 when the coating was approved in the US. Sales took off quickly. There is a great deal of clinical data substantiating the effect of Bactiguard's technology, which obstructs bacteria from adhering and thus reduces the occurrence of infections.

The major difference compared to other infection protection technologies is that Bactiguard's coating does not kill bacteria since it is important to avoid killing friendly bacteria, and it does not release any toxic quantities of metals, which means that the effect is long lasting.

"When we develop something, I trust my instinct; I dare to try, and I get completely involved in it," says Billy Södervall, who has lifelong employment as an innovator at Bactiguard.

Billy continues to develop new innovations together with the company's research team. ■

# Products

## Infection Prevention Foley Catheter

BIP Foley Catheter is an indwelling urinary catheter with Bactiguard's coating, which prevents catheter associated urinary tract infections. The catheter is used for drainage and irrigation of the bladder, or for the collection and measurement of patient urine. It can be used through urethra or suprapubically for up to 90 days and is available both in latex and silicone with Bactiguard coating. On top of the Bactiguard coating, the Foley catheters also have a hydrophilic coating, to reduce friction when inserting the catheter.



## Infection Prevention Central Venous Catheter

BIP Central Venous Catheter (BIP CVC), with the Bactiguard coating, reduces catheter related bloodstream infections. The catheter is used to administer drugs and intravenous solutions and to sample blood. It is made of polyurethane, coated with Bactiguard coating, and can be used up to 30 days.



## Infection Prevention Endotracheal Tube

BIP Endotracheal Tube (BIP ETT), with the Bactiguard coating reduces ventilator associated pneumonia and is intended for use in airway management by oral or nasal intubation of the trachea. It is used to secure an open airway during anesthesia or when intubation is necessary as part of standard medical care. The Endotracheal Tube is inserted through the mouth or nose into the trachea and connected to a ventilation device. The tube is made of PVC and coated with the Bactiguard coating and can be used up to 30 days.



# Our Infection Protection product portfolio

**B**actiguard's product portfolio, Bactiguard Infection Protection (BIP), prevents healthcare associated infections (HAI) in the urinary tract, the respiratory tract and in the bloodstream. Approximately two thirds of all HAI occur in these three main areas of the body, and medical devices cause an overwhelming majority of these infections<sup>12</sup>.

Infections in these areas can lead to severe complications and causes patient suffering, increased mortality and increased healthcare costs.

The current product portfolio consist of indwelling Foley catheters (BIP Foley Catheters), endotracheal tubes (BIP Endotracheal Tube) and central venous catheters (BIP Central Venous Catheter), all with the Bactiguard-coating.

The Bactiguard coating reduces the adhesion and growth of bacteria on medical devices, while at the same time being tissue friendly. The clinical evidence is strong and shows that the number catheter associated urinary tract infections can be reduced by on average 35 percent<sup>13,14,15,16,17,18</sup>. In certain studies a much larger reduction, of up to 70 percent, was observed<sup>16</sup>. Catheter related bloodstream infections can be reduced by 52 percent<sup>19</sup> and ventilator associated pneumonia can be reduced by up to 67 percent<sup>20</sup>.

Through innovative technology, Bactiguard provides clinically proven, safe and cost effective solutions for infection control, which in turn contribute to reducing healthcare costs, the use of antibiotics and saving lives. ■

# Clinical evidence

**H**ealthcare associated infections are often caused by medical devices and mainly occur in the urinary-, respiratory tract and the bloodstream<sup>12</sup>. Bacterial adhesion to medical devices is an essential step in the development of biofilm, causing device related infections, increased use of antibiotics and the spread of multi-resistant bacteria. The Bactiguard coating prevents healthcare associated infections by reducing bacterial and microbe adhesion and colonization on the device surface. Thereby the formation of biofilm and the risk of acquiring an infection can be significantly reduced.

The coating is tissue friendly with no toxic or pharmacological mechanism of action. More than 150 million urinary catheters with the Bactiguard coating have been used so far by patients worldwide with no reported adverse events related to the coating<sup>21</sup>.

Bactiguard-coated products have been used in a large number of clinical studies and evaluations (1986–2015) involving over 100,000 patients. The purpose has been to assess the technology's efficacy in preventing infections as well as its safety. In addition, laboratory studies (in vitro) have demonstrated a reduction of microbial adhesion to Bactiguard-coated products by at least 70–90 percent compared to non-coated products<sup>21</sup>.

## Urinary tract

Catheter Associated Urinary Tract Infection is the most common of healthcare associated infections, with 32 percent<sup>12</sup> of all infections. Detailed evaluation of data in peer-reviewed publications for patients catheterized for >2 days reveals that symptomatic urinary tract infections are reduced by on average 35 percent<sup>13,14,15,16,17,18</sup>, and even over 70 percent<sup>16</sup> in some studies. One of the recent publications has also shown a 60 percent lower use of antibiotics in the Bactiguard group compared to the standard catheter group.<sup>14</sup> Minimizing the overuse of antibiotics is an important step in preventing the spread of resistant bacteria.

## Bloodstream

Catheter related bloodstream infections (CRBSI), also known as Central Line Associated Bloodstream Infections (CLABSI), account for some 14 percent of all healthcare associated infections in patients using medical devices, such as central venous catheters<sup>12</sup>.

A larger, randomized clinical study including Bactiguard coated central venous catheters shows a reduction in the number of blood stream infections by 52 percent after 13 days of catheterization, compared to a standard non-coated catheter<sup>19</sup>. In the same study, Bactiguard's coating has been proven to have good biocompatibility profile in blood.

In a published ex-vivo study with human blood, BIP CVC has shown significantly low activation of coagulation- and complementary systems, as well as significantly lower activation of coagulation compared to uncoated catheters. This indicates that the technology also may prevent thrombosis and more studies are now being conducted on this theme<sup>22</sup>.

## Respiratory tract

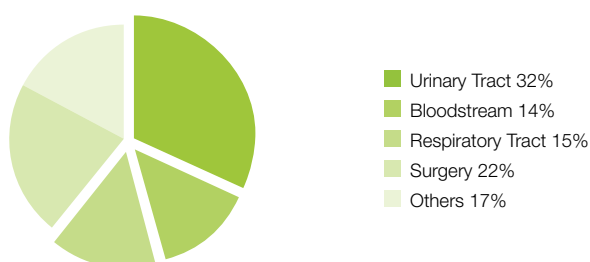
Infections of the respiratory tract are serious, and account for some 15 percent of healthcare associated infections that afflict patients using certain medical devices, such as endotracheal tubes (ET tube or ETT)<sup>12</sup>.

At the congress Euroanesthesia 2015, a poster was presented describing that Bactiguard's endotracheal tube BIP ETT reduced the incidence of ventilator associated pneumonia by 67 percent compared with non-coated products<sup>20</sup>.

## Bone applications

Some initial studies have been performed to assess the impact on bone integration for implants coated with the Bactiguard noble metal alloy. A published animal study showed at least as good Osseo integration properties of a Bactiguard coated titanium screw after 12 weeks of implantation, compared to a non-coated titanium screw. During 2016, new clinical studies on orthopaedic implants will be initiated by Vigilenz Medical Devices. ■

## The most common areas of healthcare associated infections<sup>12</sup>



## FACTS

- 150 million Foley Catheters with Bactiguard's coating have been used since 1995
- 40 clinical studies and trials including 100,000 patients
- No reported adverse events related to the coating
- 35% average reduction of catheter associated urinary tract infections with BIP Foley and up to 70% in some studies<sup>13,14,15,16,17,18</sup>
- 52% reduction of catheter related blood stream infections with BIP CVC<sup>19</sup>
- 67% reduction of ventilator associated pneumonia with BIP ETT<sup>20</sup>



## Our unique innovation

Bactiguard's infection prevention technology, Bactiguard Infection Protection (BIP), is well-proven, safe and patient friendly. It is based on a thin layer of noble metals, which is applied to the surface of medical devices and which prevents bacterial adhesion and growth of microbes, which contributes to significantly reducing the number of healthcare associated infections. The technology can be applied to almost all types of materials which are used for medical devices.



“ In Sweden, healthcare associated infections prolong the patient days with on average 4 days

Swedish Association of Local Authorities and Regions, Healthcare associated infections, Framgångsfaktorer som förebygger, 2014

### Safe and patient friendly technology

The technology is based on refinement of a hundred-year-old Swedish innovation by Gustav Dahlén, who was awarded the Nobel Prize in physics in 1912 and is the man behind the successful AGA lighthouse system. Dahlén resolved the critical task of applying thin layers of metals to glass during the development process of the lighthouses. Thereafter the technology was developed further, first by Dahlén’s pupil Axel Bergström and later by his protege Billy Södervall, who is the innovator behind the Bactiguard technology.

The company’s infection preventive technology consists of a thin layer of noble metals; gold, palladium and silver which are applied to the surface of medical devices. The surface is firmly attached to the surface of the products, which means that the effect remains for a very long time. The amount of noble metals is very low and is not released in any toxic or pharmacological quantities, which makes the technology both tissue-friendly and safe for patients. The Bactiguard technology differs from other infection prevention technologies, which are killing the bacteria by releasing different substances such as silver ions, chlorhexidine or antibiotics.

### Mechanism of action

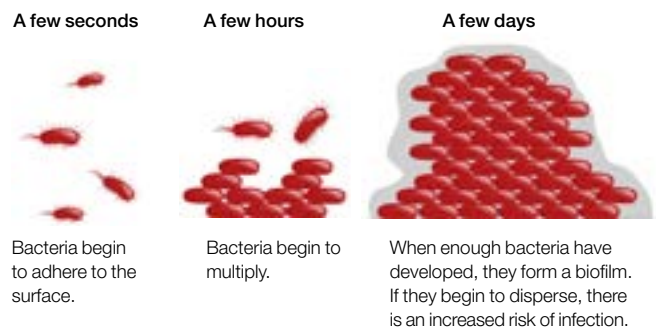
The coating effectively prevents bacterial colonization and the formation of biofilm on the surface of medical devices. The noble metals create a galvanic effect when the coating comes into contact with fluids. This makes it more difficult for bacteria to attach and form biofilm on the surface.

### Easy handling

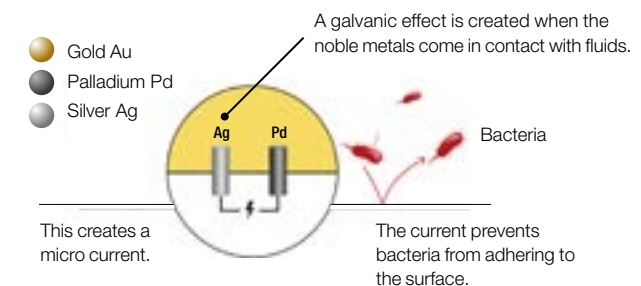
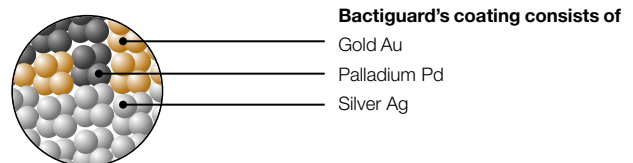
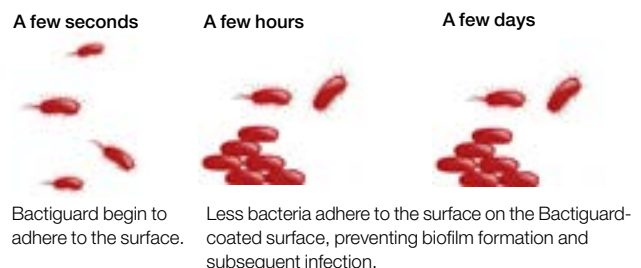
The company’s coating of noble metals is very thin and does not affect other properties of products and they retain the same thickness, appearance and stiffness.

There are no specific packaging requirements for products with Bactiguard’s coating, which are sterilized according to standardized methods. The waste management of the company’s coated products is the same as for uncoated products. ■

### Uncoated surface



### Bactiguard-coated surface



# Our employees



# Commitment and engagement

**Our employees are the company's most important asset. With their abilities in innovation, teamwork, entrepreneurial spirit and quick decision-making, we have created a diverse company characterized by equality and responsibility.**

Working at Bactiguard is almost like a lifestyle and we value responsibility, creativity, hard work and having fun at the same time. We are a growth company characterized by innovation, entrepreneurship and diversity.

Today Bactiguard employs around 70 people, mainly at the headquarters in Sweden and the production facility in Malaysia but also in the different regions. Our employees competencies cover a wide range of areas such as research and development, production, marketing and sales. Among our employees we have around ten different nationalities and almost half of the company's managers are women.

All employees go through a comprehensive company training program when entering their position and regularly thereafter. The program includes a general introduction to the company's operations and work processes, rules and regulations, quality assurance system and security related issues.

*We value responsibility, creativity, hard work and having fun at the same time*

## OUR CORE VALUES

Our daily operations are influenced by the company's core values:

- Long term partnership
- Trust and responsibility
- Creativity
- Responsiveness
- Resourcefulness

And embraced by:

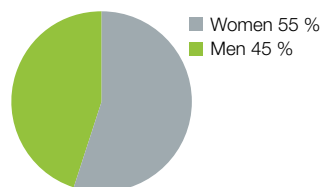
- Empathy
- Respect
- Communication



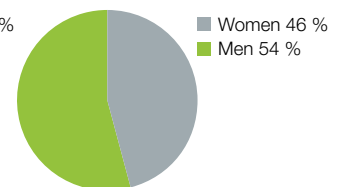
We act as a responsible citizen

Bactiguard assumes its corporate social responsibility by, among other things, investing in local production. The collaboration agreement with Samhall, means that Samhall's employees are responsible for manufacturing the company's high technology products at the head office in Stockholm. Samhall is a state owned company which has been commissioned to create job opportunities for people with functional impairments, which is being conducted in collaboration with the Swedish Employment Agency "Arbetsförmedlingen". With approximately 20,000 employees, Samhall is Sweden's largest employer. By contributing to the development of people with functional impairments, Samhall seeks to end isolation, strengthen self-confidence among employees and contribute to greater diversity in working life. Samhall is also a member of the international collaboration organisation Workability International, which aims to ensure that the skills of people with functional impairments are utilised in the best possible manner. ■

Gender distribution



Women in managerial position



We have around ten different nationalities represented among our employees and a balanced composition of women in relation to men. Almost half of the company's managers are women.



## We save lives

Bactiguard's primary mission is to prevent healthcare associated infections, which is a serious problem and constitute a threat against global public health. Thereby we contribute to increasing safety and the patient's quality of life.

**O**ur technology reduces the need for antibiotics by preventing the infection before it occurs. If there is no infection, no treatment is required. We contribute to combatting the spread of multi-resistant bacteria, which is a consequence of too frequent usage of antibiotics and may result in a situation where it is no longer possible to treat certain infections.

## Quality assurance

The company's operations are defined and certified in accordance with the ISO standard 13485. Both the management and employees adhere to well-defined standard processes, referred to as 'Standard Operating Procedures (SOP)' and comply with standard agreements. The processes which are impacted include production, case management and continuous improvements of operations.

## Waste management

Bactiguard's noble metal coating consists of gold, silver and palladium. The coating is very thin and does not affect the product's other properties such as thickness, appearance and stiffness. Neither is any special waste management required for Bactiguard's products, which are treated in the same manner as standard catheters in accordance with applicable hospital procedures for catheters and endotracheal tubes. This means that the products are handled as other medical waste, which is later burnt and thereafter handled in accordance with customary procedures at the waste station. The noble metals in the Bactiguard coating are not destroyed during combustion at the waste stage. The metals are captured in the filters during purification of the flue gases at the combustion plant. The metals end up in the fly ash from the combustion, which are taken care of and finally deposited in a closed system in accordance with the rules that apply for this type of waste and are not discharged in surface water.

## Production process

The coating process during production at Bactiguard is water-based and does not use organic solvents. A very small amount of noble metals is used in the coating process. The equivalent of a wedding ring (approximately 10 g) of metal is used to coat approximately 400,000 catheters. All residual products from the production are taken care of for recycling or destruction in accordance with provisions of the Swedish Environmental Protection Agency.

## Code of conduct

Bactiguard aims at being a reliable partner that inspires confidence and delivers high quality and safe products to its customers. In order to ensure that we consistently act in a homogeneous manner there is a code of conduct which all employees, distributors, suppliers and collaboration partners are expected to comply with.

The code of conduct includes guidelines on how the company should manage its daily operations in an ethical, social, environmental and generally sustainable manner.

## Clinical studies

The company's products have a large impact on people's lives and health. Therefore clinical studies are continuously conducted both in Sweden and internationally together with doctors, nurses and other relevant healthcare personnel. The studies should comply with international and local laws and regulations as well

as ethical principles. All studies are approved by Bactiguard's management, ethical committees at the hospitals, and relevant agencies. At the same time, collaboration partners are carefully chosen among researchers and contract research companies, such as Clinical Research Organisation and patients who we think can benefit from our technology.

All studies are performed in accordance with generally accepted clinical practice, in accordance with Bactiguard's quality management system and written Standard Operating Procedures (SOP). Results from studies are documented and evaluated. Routine safety controls of the company's products in all markets are also performed in accordance with prevailing laws and procedures. ■



Photo: Peder Heddy

Mikael Ymer, is one of Sweden's most talented tennis players. He won the Junior-EC 2015 and his Junior ranking is number 4 in the world.

## Good To Great Tennis Academy

For several years Bactiguard has been a proud team sponsor of the tennis academy Good To Great and has its own team, Team Bactiguard. By supporting elite youths in the age group 16–23 years, the company wants to contribute to strengthening the development of future tennis talent in Sweden. The aim is to develop players to reach top ten among global players. In this manner Bactiguard seeks to contribute to the development of tennis players at a global level, while we aim to inspire other youths to invest in health and sports. ■

# The patient in focus

**Bactiguard's technology is effective and has neither a toxic nor a pharmacological impact, which means that it is both tissue friendly and safe for the patient. So far more than 150 million Foley catheters with Bactiguard coating have been used in healthcare, with no reported adverse events related to the coating.**

“*My patients experience less irritation and infection of the urinary tract and are happy with Bactiguard's Foley catheters.*”

Dr Mohammad Alghanem, urologist at the hospital Jaber Alahmad in Kuwait

## Things have never been as easy as now

The first thing I notice about Elisabeth when I see her is her tremendous lust for life. It radiates from every pore of this woman with short grey hair in her 60s. Her life changed dramatically on a January day 21 years ago when Elisabeth suffered a cerebral hemorrhage that left her in a wheelchair. Before then, she had been a nurse who lived an ordinary life with her husband and children.

– “I have discovered many things as a patient that I never knew when I worked in healthcare,” says Elisabeth.

Being confined to a wheelchair meant Elisabeth needed a urinary catheter. This led to repeated urinary tract infections and constant rounds of antibiotics.

– “Every time I got a new catheter, I fell ill within the space of a week. The chronic urinary tract infections made me feel ill and generally down,” she says with a sigh.

### Regained the lust for life

Taking so many antibiotics resulted in Elisabeth developing antimicrobial resistance, which is when bacteria no longer respond to treatment. This meant that the countless urinary tract infections could no longer be treated with medication. Around two years ago, Elisabeth’s urologist at the Central Hospital in Karlstad told her about Bactiguard’s urinary catheters.

– “It was the unique catheter solution that prevents the occurrence of bacterial infections and reduces the need for antibiotics that caught my attention. Especially for a patient like Elisabeth who has had so many infections, there is everything to gain,” says her urologist.

The results exceeded all expectations for Elisabeth. She has not had any urinary tract infections for the past two years.

– “Things have never been as easy as they are now. I have not had any infections, I no longer need to take any antibiotics and have regained my lust for life,” says a smiling Elisabeth.

Elisabeth’s urologist sees other advantages to the catheter in addition to preventing infections, such as it is easy to insert and remove thanks to its hydrogel coating. Colleagues also expressed great interest when they heard about the positive effects the change of catheter has had for Elisabeth, and other patients who often suffer infections are also now trying the Bactiguard catheter. ■

\* “Elisabeth” is a fictitious name

## FACTS

Urinary tract infections are the most common and about 90% are caused by indwelling urinary catheters.



“I was completely euphoric when I realized that there is a solution which could reduce the number of infections and that this could be a good option for my husband.”

## A new catheter allowed me to sleep at night

**A severe infection and several subsequent treatments with large amounts of antibiotics resulted in Hagar Söderlund’s husband Lennart suffering from scar formation and urinating difficulties. Eventually the only option was to insert a suprapubic catheter, which is an indwelling catheter which is placed inside the bladder through a hole in the abdominal wall.**

Almost immediately after the first catheter was inserted, Lennart got a urinary tract infection. And then it continued month after month with several antibiotic courses. The first time Hagar heard about Bactiguard’s unique solution was when she read an article in Swedish daily Dagens Nyheter. Almost one year had then passed since her husband got his first catheter. For seven months Lennart was treated with seven antibiotic courses. He suffered from several fatal catheter blockages, which entailed visits to the emergency room during the night.

“I was completely euphoric when I realized that there is a solution which could reduce the number of infections and that this could be a good option for my husband,” says Hagar.

Shortly thereafter Hagar mustered up the courage and called Bactiguard, who in turn contacted Lennart’s doctor at Karolinska University Hospital. One week later Lennart got his first Bactiguard coated urinary catheter.

Owing to the catheter Lennart almost completely became free of his urinary tract infections, catheter blockages and was happy that he no longer had to ‘nibble at those pills,’ as he put it. Replacement of the catheter became more comfortable. His overall condition improved, as well as his appetite, and he became his old self with a great sense of humor. Hagar and Lennart went on more walks together rather than visiting the hospital at night.

“As a relative the replacement of catheter was great for me. I could finally sleep at night as my husband no longer suffered from constant infections, his pain disappeared and I no longer had to dread the next catheter blockage,” says Hagar. ■

# Scientific Advisory Board

**Bactiguard Scientific Advisory Board**, with experts from three continents Asia, Europe and USA, has been designed to engage leading international physicians and researchers who have a deep knowledge within a specific field, such as cardiology and surgery. One of the most important assignments is to clearly identify the patient groups who will benefit the most from the technology within a wide range of medical devices, and to strengthen the clinical evidence to position Bactiguard's technology as the standard for an advanced, academic and efficient healthcare. Professor Kenneth Chien is the Chairman of the Bactiguard Scientific Advisory Board.



Photo: Ulf Silborn

**PROFESSOR KENNETH CHIEN** received a Presidential appointment as a Professor to Karolinska Institutet, in 2013. Professor Chien was previously the Charles and Elizabeth Ann Sanders Professor in the Department of Stem Cell and Regenerative Biology at Harvard University. During 2005–2009, he was appointed as Scientific Director of the Cardiovascular Research Center at Massachusetts General Hospital in Boston.



**PROFESSOR STAFFAN HOLMIN** is the Söderberg Professor of clinical neuroimaging at Karolinska Institutet. He is also consultant in endovascular neurointervention and vice chairman of the neuroradiology department at Karolinska University Hospital in Stockholm, Sweden.



**DAVID S. FINN, M.D.** is Assistant Medical Director for Primary Care Transformation at the Massachusetts General Hospital, in Boston. Dr. Finn is also the Medical Director of the Massachusetts General Hospital, Executive Health Services, as well as Instructor in Medicine at Harvard Medical School.



**PROFESSOR PIETER A. DOEVENDANS, M.D.** PhD FESC, became professor in Translational Cardiology at the University Medical Center in Utrecht in 2004. In 2012 he was appointed Chairman and Medical Manager Division Heart and Lungs. Professor Dr Doevendans is an active member of the European Society of Cardiology.



**PROFESSOR PAUL KWONG HANG TAM** is a surgeon, scientist, educator and university leader. Professor Tam has been Chair of Pediatric Surgery at the University of Hong Kong since 1996 and Li Shu-Pui Professor in Surgery since 2013. He was the Vice President for Research (2003–2015) and is currently Interim Provost and Deputy Vice Chancellor of the University of Hong Kong.



# Chairman of the Board's statement



*Our most important asset is the technology. After that come the people. Our employees are inspired and committed, proud and dedicated, and they have fantastic drive and desire to succeed.*

Chairman of the Board of Directors at Bactiguard Stanley Brodén

**The world is faced with major problems, and one of the most serious is the threat from bacteria that we cannot cure. The scenario being depicted by the media in relation to multi-resistant bacteria and antibiotic resistance is frightening. At the same time, it offers Bactiguard great opportunities, says Chairman of the Board Stanley Brodén.**

Bactiguard has infection protection technology that can reduce the number of infections worldwide, and it helps cut down on usage of antibiotics. Reduced consumption of antibiotics is an absolute necessity if we are going to be able to treat infections in the future and use modern hospital equipment, says Stanley Brodén.

"In the long run, Bactiguard's infection protection technology will save lives and benefit humanity; this is what peaked my interest in the company," says Stanley Brodén, who was elected as director of the Board of Directors at the annual general meeting in May 2015.

## **Driving force for healthcare issues**

Stanley Brodén has worked in healthcare in different forms for 40 years. He started out working in finance at the hospital in Motala and has been the hospital director at several hospitals, one of which is among the largest in Sweden, and then as the county council director in the Halland region. Change management

has been a hallmark during Brodén's entire career, and he has conducted major change processes within both public and private healthcare. He left public healthcare in 2000 for the private sector, where he initially served as deputy CEO at Capio for eight years and then as CEO of Aleris.

He has always been interested in healthcare issues thanks to a sister who has a disability and for whom the family has always had to stand up. "It must be possible to do all this a little better," Brodén thought. He says that this idea is the impetus that constantly made him want to bring about change, develop and improve conditions for the patient. "This has been the driving force throughout my entire professional career," Brodén says.

## **What are your thoughts on Bactiguard's future?**

Bactiguard has a great and unique product, and I see lots of potential, he says. He continues: "The global challenges we are faced with mean that demand for infection protection solutions is rising at an increasing rate.

Clinical trials and studies on medical devices are time consuming. Regulations and certifications generally take longer than anticipated. Bactiguard's Board of Directors has set new objectives that take the time needed for everything to fall into place into account. It takes a little longer than everyone thinks. Right now our focus is on the existing portfolio and on creating a long-term and sustainable business. ■

# Board of Directors' Report

*The Board of Directors and Chief Executive Officer of Bactiguard Holding AB (publ) hereby present their annual report and consolidated financial statements for the 2015 financial year.*

## Operations

Bactiguard is a Swedish medtech company with a global presence. The company offers an infection protection solution that prevents healthcare associated infections caused by medical devices. By preventing infections, the company contributes to reduced usage of antibiotics and consequently the spread of multi-resistant bacteria, which is a growing problem worldwide. Bactiguard saves lives, shortens the duration of treatment, increases patient safety and thereby results in significant cost savings for healthcare and society.

Operations are primarily in Sweden and Malaysia and include research and development, production, marketing, and sales.

Bactiguard has ISO 13485 certification, and EC certification for the BIP Foley Catheter, BIP ETT and BIP CVC product portfolios. These products are CE marked and approved for sale.

## Group structure

The Group includes Bactiguard Holding AB and its wholly-owned subsidiary Bactiguard AB which in turn owns subsidiaries. All operative activities were conducted in the Bactiguard AB Group.

## Revenues, volumes and earnings

### Revenues

Group revenues for the full-year were TSEK 138,463 (98,294). The increase in revenues is largely explained by higher License revenues.

License revenues increased during 2015 as a result of an additional order from C.R. Bard and a positive currency effect resulting from a strong development of the dollar rate during the year compared to the previous year. The sale of BIP products has increased compared to the previous year, which is the result of a close to a doubling of delivered products in the full-year 2015. Other revenues have also increased due to a positive exchange rate impact (USD and EUR) for 2015.

Bactiguard has the following revenue streams:

- License revenues are revenues from sales of products through licencing agreements. These revenues currently relate to the Group's licencing agreement with C.R. Bard for Foley catheters in the USA, Japan, Great Britain, Ireland, Canada and Australia as well as licencing agreements with Vigilenz Medical Devices for orthopaedic implants with Bactiguard's coating, which covers the Southeast Asia ASEAN region
- The sale of BIP products currently relates to BIP Foley Catheters, BIP ETT and BIP CVC.
- Other revenues are largely related to exchange rate differences and other operating revenues.

### Volumes

Approximately 152,000 products were delivered for the full-year 2015, compared to approximately 79,000 for the 2014 full-year.

## Earnings

Operating profit for the full-year totalled TSEK -12,666 (-35,483). The change of TSEK 22,817 compared to the previous year is explained by higher revenues of TSEK 40,169, of which License revenues comprise the largest share of TSEK 35,513, as well as higher operating costs of TSEK 17,352. Operating costs include provisions for bad debts (without cash flow effect) and non-recurrent costs (costs attributable to consultancy support in a strategic market project as well as severance pay for the former CEO), amounting to a total of TSEK 11,178. For the rest, the increase is divided between Raw material and consumables, Personnel costs, Depreciation and Other external expenses while Other operating expenses have declined. In terms of the increase in personnel costs, the organisation has increased according to plan with 7 persons (average number of employees) for 2015, primarily within sales and marketing.

Net financial items amounted to TSEK -18,304 (-80,358) for the full-year. Effects of market valuation of the bond loan were recognised as financial items in the income statement. The market valuation impacted net financial items positively for 2015 by TSEK 2,602 (-32,101).

Consolidated net profit for the full-year 2015 was TSEK -26,501 (-110,737).

## Financial position

The consolidated equity ratio was 62% as per 31 December 2015 (55% as per 31 December 2014). Equity amounted to TSEK 417,443 (442,798 as per 31 December 2014).

Cash and cash equivalents for the Group totalled TSEK 22,119 as per 31 December 2015 (MSEK 105.1 as per 31 December 2014), which was a decrease of TSEK 83,028 compared to 31 December 2014. Of this, repurchase of bonds amounted to TSEK 50,827 in total (equivalent to nominal TSEK 50,500). Net debt including the bond loan totalled TSEK 120,021 (90,422).

Total assets for the Group were TSEK 676,246 (811,128) as per 31 December 2015. The largest asset item in the balance sheet relates to technology associated with the Bactiguard product portfolio which as per 31 December 2015 totalled TSEK 260,418 (284,225).

Accounts receivable (short and long-term) have decreased by TSEK 33,510 as per 31 December 2015 compared to 31 December 2014, of which the net effect can be explained by provisions for bad debts without impact on earnings.

Bactiguard has a bond loan which matures on 12 December 2016 and has an annual coupon of 11% which is due for payment in December of every year. After completion of the set-off issue in connection with the listing of the company's shares on the Nasdaq Stockholm in 2014, when holders of bonds with a total nominal value of MSEK 222.5 chose to offset bonds with shares, the nominal amount of the outstanding bond loan was MSEK 227.5. Thereafter repurchase of bonds has been conducted in the market, which has reduced the outstanding nominal amount further.

## Financial overview

The group's financial performance condensed TSEK	2015-01-01– 2015-12-31 12 M	2014-01-01– 2014-12-31 12 M	2013-01-01– 2013-12-31 12 M	2012-01-01– 2012-12-31 12 M	2010-10-27– 2011-12-31 14 M*
<b>The Group</b>					
Revenues	138,463	98,294	123,895	92,782	4,144
Net sales	131,420	93,528	120,399	89,968	4,122
EBITDA <sup>1</sup>	20,184	-5,352	39,630	9,278	-5,480
EBITDA-margin <sup>2</sup> , %	15	-5	32	10	-132
Adjusted EBITDA <sup>3</sup>	31,362	-1,022	39,630	9,278	-5,480
Adjusted EBITDA-margin <sup>4</sup> , %	23	-1	32	10	-132
Operating profit	-12,666	-35,483	10,792	-18,570	-7,208
Profit before tax	-30,970	-115,841	-6,139	-77,452	-20,020
Net profit	-26,501	-110,737	-3,774	-65,222	-20,020
Total assets	676,246	811,128	717,230	703,632	727,174
Operating cash flow <sup>5</sup>	-32,456	-53,977	-54,151	-62,526	-382,007
Earnings per share <sup>6</sup> , SEK	-0,80	-4,43	-0,19	-3,26	-1,00
Operating cash flow per share <sup>7</sup> , SEK	-0,97	-2,16	-2,71	-3,13	-19,10
Number of shares at the end of period <sup>8</sup>	33,302,373	33,302,373	20,000,000	20,000,000	20,000,000
Weighted average number of shares <sup>8</sup>	33,302,373	25,007,242	20,000,000	20,000,000	20,000,000
Equity ratio, %	62	55	11	12	21
Net debt	120,021	90,422	479,544	459,086	387,260
Average number of employees	65	58	52	39	29

The consolidated figures are stated in accordance with the accounting policies stated in note 2.

1 Earnings before interest, taxes, depreciation and amortisation.

2 EBITDA/Revenues

3 EBITDA adjusted for non-recurrent costs

4 Adjusted EBITDA/Revenues

5 Cash flow from operating activities after investments and changes in working capital

6 Earnings for the period/weighted average number of shares during the period, issue-adjusted

7 Operating cash flow/weighted average number of shares during the period, issue-adjusted

8 Adjusted for split

\* The Bactiguard Holding Group was formed on 8 December 2011 when Bactiguard Holding AB acquired the shares in Bactiguard AB. Consolidated net profit therefore relates to only a single month.

All shares in Bactiguard AB and an internal loan totalling TSEK 180,000 (between Bactiguard Holding AB and Bactiguard AB) have been issued as security for this bond.

The bond loan is listed on the Nasdaq Stockholm. In 2015 Bactiguard repurchased bonds at a total nominal value of TSEK 50,500 and the nominal amount for the repurchased bonds since the third quarter of 2014 amounts to MSEK 89,500 in total.

The bond loan is market valued and the net outstanding bond loan, nominal value of TSEK 138,000, was valued as per 31 December 2015 at TSEK 142,140 (price at 103, which is a slight decrease from 103.75 as per 31 December 2014).

### Investments

Investments in property, plant and equipment for the year totalled TSEK 5,744 (15,692) and are mainly related to the new integrated headquarters and production facility.

Investments in intangible assets totalled TSEK 5,921 (2,397) for the year and are primarily related to capitalised development expenditure.

No investments in financial assets took place during the year TSEK - (145).

### Cash flow

Operating cash flow (cash flow from operating activities after investments and changes in working capital) totalled TSEK -32,456 (-53,977) of which interest payments on the bond loan totalled TSEK 15,180 (20,735)

Total cash flow for the full-year was negative at TSEK -83,283 (97,983). Of this, repurchase of bonds amounted to TSEK 50,827 in total (equivalent to nominal TSEK 50,500).

### Key events during the year

- During the first quarter Bactiguard terminated the distribution agreement for Russia and also evaluated an alternative sales strategy for India, which resulted in a termination of the existing distribution agreement and later a new distributor could be established. In connection with this, the company decided to make provisions for doubtful receivables of net MSEK 23.5 in the interim report for Q1 2015.
- At the end of June 2015, Bactiguard delivered an order of approximately 20,000 infection prevention urinary catheters to Gulf Medical in Saudi Arabia.
- In August Bactiguard received a large extra order from C.R. Bard, intended to raise their safety stock of infection prevention

urinary catheters. The order generated extra revenues of approximately MSEK 28 in the third quarter and contributed positively to the cash flow. In December it was communicated that a part of the additional order, corresponding to a value of MSEK 8, was used for C.R. Bard's ordinary production, which affected Bactiguard's revenues to a corresponding degree and the net effect of the extra order was in the end approximately MSEK 20.

- Two new clinical studies, both independent and randomised, show that urinary catheters and endotracheal tubes with Bactiguard's coating reduce catheter associated urinary tract infections and ventilator associated pneumonia. The first study was conducted in Spain and included 116 patients. The prevalence of catheter associated urinary tract infections was significantly lower (38%) for patients with urinary catheters with Bactiguard's coating (BIP Foley Catheter), compared to patients with standard catheters. The second study was conducted in Romania and covered 100 patients who were intubated for five days. The study shows that the prevalence of ventilator associated pneumonia was 67% lower for patients with endotracheal tubes with Bactiguard's coating (BIP ETT) compared to patients who used standard endotracheal tubes.
- In November the Board of Directors decided to revise the financial targets for the upcoming five year period. The first target is an average growth of 20% per year during a five year period, with 2015 (excluding the additional order from C.R. Bard) as the base year. Further, to achieve an EBITDA margin of at least 30% at the end of the five year period. 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 net profit, taking into account the company's financial position.
- In November Bactiguard entered a credit facility agreement of MSEK 130, consisting of a loan commitment of MSEK 100 and a renewal of bank overdraft facilities of MSEK 30. Combined with the company's cash position, the credit facility secures the refinancing of Bactiguard's bond loan, which matures in December 2016. When utilizing the loan commitment, the credit initially runs until 30 June 2017, unless otherwise agreed.
- In November, Bactiguard and Vigilenz Medical Devices (Vigilenz), manufacturer and supplier of medical and surgical products, entered into a license agreement which entails that Bactiguard's coating is applied on orthopaedic implants, and covers the Southeast Asia ASEAN region (Malaysia, Indonesia, Thailand, the Philippines, Singapore, Brunei, Vietnam, Myanmar, Cambodia and Laos).
- In December Bactiguard received a first order from the new distributors in India for approximately 50,000 infection prevention urinary catheters which generate revenues of close to MSEK 2 in connection with product delivery. At the same time the planned clinical study was initiated in the country. A small part of the order was shipped during the fourth quarter of 2015 and the bulk will be shipped in the first quarter of 2016.
- On 31 December 2015, the China Food and Drug Administration (CFDA) announced the regulatory approval for Bactiguard's urinary catheters. This green light from CFDA is an important breakthrough for Bactiguard and opens one of the

largest and fastest growing markets in the world. The Chinese market for urinary catheters is estimated at more than 50 million units per year (according to industry statistics from the company's distributor) and is steadily growing.

### Key events after the year-end

- Following the Chinese decision on product approval for Bactiguard's infection prevention urinary catheter, the first order was received for 100,000 catheters, corresponding to an order value of approximately MSEK 3, which will be recognised as income at delivery. A part-delivery will take place during the first quarter of 2016, the remainder during the second quarter of 2016.
- A laboratory study, published in the Journal of Biomedical Material, conducted by scientists at Karolinska Institutet and Bactiguard, indicates that Bactiguard's coating which is applied on the catheter's surface, may reduce the risk of thrombosis. A previous clinical study shows that Bactiguard's infection prevention central venous catheters reduce the number of bloodstream infections by 52%.
- In February Bactiguard won a tender to supply urinary tract catheters in the Halland region. The procurement entails a framework agreement starting on 1 October 2016, which enables Region Halland to purchase Bactiguard's infection prevention urinary catheters.
- In connection with the full-year annual accounts of 2015, following careful consideration and consultation with Nasdaq Stockholm, the Board of Directors decided to change the accounting policies for Territorial fees. As of the full-year 2015, the company recognises Territorial fees as income (Sale of BIP products) in line with delivery of products, instead of income at contract signing, which was previously the case. This had a positive impact on earnings for 2015 by approximately MSEK 34 and a negative impact on equity by MSEK 42. The changes have not had any cash flow effect. The revised financial targets which were communicated in connection with the interim report for the third quarter of 2015, are not impacted by the change in accounting policies. See note 36 for detailed information regarding the change of accounting policies.

### Future expectations

Preventive measures are also a priority of both the World Health Organization (WHO), the World Economic Forum, health ministers in the G7 countries and governments across the globe. The increased awareness of the consequences of antibiotic resistance has resulted in greater demand for infection prevention solutions for healthcare, which also contributes to good conditions for Bactiguard's infection prevention products. Growth within this segment is managed by both a desire to reduce the number of healthcare associated infections and reduce the costs which can be related to these. This means that Bactiguard has good conditions to strengthen its position in existing markets and at the same time establish itself in new markets.

### Research and development

Company research and development activities are focused on developing new products, and increasing knowledge of the problem of healthcare associated infections. The company has

## Shareholding as per 31 December 2015

Shareholders	Total series A shares	Total series B shares	Total shares	% of capital	% of votes
Christian Kinch with family and company	2,000,000	8,160,484	10,160,484	30.5	40.6
Thomas von Koch and company	2,000,000	8,160,384	10,160,384	30.5	40.6
Handelsbanken Fonder AB		858,586	858,586	2.6	1.2
Robur Försäkring		831,448	831,448	2.5	1.2
Ståhlberg, Jan		582,544	582,544	1.8	0.8
Nordnet Pensionsförsäkring AB		523,105	523,105	1.6	0.8
Fröafall Invest AB		516,000	516,000	1.6	0.8
Sargas Equity AB		364,090	364,090	1.1	0.5
Cancerfonden		346,297	346,297	1.0	0.5
Avanza Pension		320,219	320,219	1.0	0.5
<b>Total, largest shareholders</b>	<b>4,000,000</b>	<b>20,663,157</b>	<b>24,663,157</b>	<b>74.1</b>	<b>87.5</b>
Total, other	–	8,639,216	8,639,216	25.9	12.5
<b>Total number of shares</b>	<b>4,000,000</b>	<b>29,302,373</b>	<b>33,302,373</b>	<b>100.0</b>	<b>100.0</b>

received regulatory product approval for all three products; BIP Foley (urinary catheters), BIP ETT (endotracheal tube) and BIP CVC (central venous catheters).

### Personnel

The average number of employees in the Group for the year was 65 (58) employees.

### Guidelines for remuneration to senior management

The Board of Directors proposes that the 2016 AGM decides on the following guidelines for remuneration and other employment terms for senior management (unchanged compared to the decision of the 2015 AGM).

#### Guidelines

Senior management includes the CEO and other executives within Bactiguard, and the Board of Directors, to the extent they retain remuneration for assignments other than as directors.

Bactiguard shall have levels of remuneration and terms that are necessary in order to recruit and retain senior managers with the skills, competencies and experience required to achieve the company's operational targets. The total remuneration paid to senior managers shall be competitive, reasonable, and designed for this purpose.

Senior managers shall be offered a fixed salary that is competitive in market conditions and which shall be determined based on the individual's responsibilities and experience. Review of the fixed salary shall be made annually for each calendar year.

Senior managers may, from time to time, be offered variable remuneration that is adjusted to market conditions. Such variable remuneration shall be designed for the purpose of promoting long-term value creation in Bactiguard and be related to pre-determined and measurable criteria. Any variable remuneration shall be limited to 50% of the fixed annual salary. In designing variable remuneration for senior managers that is paid in cash, the Board of Directors shall consider imposing reservations that (i) make payment of a portion of such remuneration conditional to that the performance to which earning such remuneration is based shall be sustainable over time (ii) provide the company the opportunity to recall any such remuneration that has been paid based on information that is later found to be obviously false.

### Pensions

Senior managers are entitled to retirement solutions that are adjusted to market conditions. Defined contribution retirement plans shall be preferred.

### Benefits

Other benefits may include access to a company car, healthcare contribution and other common benefits. Other benefits may not constitute a significant portion of the total remuneration.

### Severance pay

On termination of senior managers by the company, the notice period for such termination may not exceed 6 months. Any severance pay may not exceed the amount of a single year's fixed salary.

### Incentive programme

When the Board of Directors finds it appropriate, company senior managers shall also be offered participation in long-term share or share price-related incentive programmes that shall ensure long-term commitment to the development of the company. Determination of any such share or share price-related incentive programme shall be made by the Board of Directors.

The Board of Directors will evaluate on an annual basis whether a long-term incentive programme should be proposed at the AGM, and if this is the case, whether the proposed long-term incentive programme should comprise transfer of shares in the company.

These guidelines shall apply to agreements that are entered subsequent to the AGM, and to all changes made to existing agreements after that time. The Board of Directors shall be entitled to depart from the above guidelines when, in the assessment of the Board of Directors in a specific case, there are special reasons therefore.

### Environmental impact

The Group engages in notifiable activities under the Swedish Environmental Code (environmentally hazardous activities and health protection) and to the Swedish Work Environment Authority (use of contagions in risk group 2).

The notifiable activities concern portions of the production process and the research and development the company conducts.

## The Bactiguard share

Trade in the Bactiguard share was started at Nasdaq Stockholm on 19 June 2014 with the ticker symbol "BACTI."

The closing price for listed B shares as per 30 December 2015 was SEK 11.20 with a market capitalisation of TSEK 372,987.

Share capital in Bactiguard as per 31 December 2015 was TSEK 833 allocated to 29,302,373 series B shares each carrying a single vote (29,302,373 votes) and 4,000,000 series A shares, each with ten votes (40,000,000 votes). The total number of shares and votes in Bactiguard as per 31 December 2015 was 33,302,373 shares and 69,302,373 votes.

There are no restrictions on transferability for these shares.

## Significant risks and uncertainty factors

Bactiguard Holding's operations and profits are affected by several external factors. 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 company is primarily exposed to market related risks, operational related risks and financial risks. The risks Bactiguard is thus exposed to are addressed separately below.

### Financial risk management and financial instruments

Through its activities, the Group is exposed to various types of risk. The Group has a comprehensive risk management programme that concentrates on minimising potential unfavourable effects on financial results. The company's Board of Directors is ultimately responsible for the exposures, management and follow-up of the Group's risks. The frameworks that apply to the exposures, management, and follow-up of financial risks are set by the Board of Directors and revised annually. The Board of Directors has delegated responsibility for daily risk management to the company's CEO, who in turn has delegated this to the company's CFO. The Board of Directors is able to decide on temporary departures from these established frameworks.

Financial risks are described in note 4.

### Macroeconomic risk

Weak economic performance and high national debt may cause both public and private customers to experience difficulty in obtaining financing. As well, this may have a negative impact on some countries' ability and political willingness to invest in and allocate public resources to healthcare. Bactiguard maintains market presence in many geographic markets for the purpose of minimising any country-specific portion of the combined macroeconomic risk.

### Regulatory risk

As manufacturer of medical devices, Bactiguard's operations are subject to requirements and standards that are determined by regulatory authorities for each of the markets where Bactiguard is represented. Regulatory processes in various countries may cause a risk of delays in the launching process of products in these countries. Bactiguard works with its local distributors and regulatory advisors to minimise these risks.

### Technology risk

The medtech industry is generally characterised by swift technological changes and continuous progress in industrial know-how,

which continually brings new products and improved treatment methods. Bactiguard has obtained patents in many of the countries in which we operate in order to protect its technology, and has applied for patents in additional countries. Additionally, Bactiguard has taken several other measures to ensure that company-unique knowledge (such as application and manufacture of the Bactiguard coating) is not disclosed to any competitor.

### Liquidity risk

Liquidity risk is defined as the risk of not having access to cash assets or credit available to cover payment commitments, including interest payments and amortisation. Liquidity risk is especially significant in the event large unanticipated payment commitments arise. Lack of liquidity to cover large payment commitments can have a negative impact on Bactiguard's operations and its financial position. As per 31 December 2015, the Group has liquidity amounting to TSEK 52,119, including approved bank overdraft facility of TSEK 30,000. The liquidity risk is monitored on a monthly basis through rolling forecasts of 3 months which evaluate the liquidity situation and is the base of taking relevant measures (financial or operational).

With a loan commitment and renewed bank overdraft facility at the end of the year, the company also ensured liquidity in order to be able to handle refinancing of the bond loan which matures in December 2016. At the same time the company is continuing to work on ensuring the company's long-term financing on market conditions.

The management deems that current liquidity levels will be sufficient to manage the company's commitments for the coming year.

### Parent company

Revenues consist of invoiced group-wide costs (management fees). The parent company has received interest on its receivables from group companies during 2015. Company costs primarily relate to financial expenses of which the interest due on the bond loan is the single largest item. No investments have been made during 2015.

### Proposed appropriation of profit

#### Parent company

The following retained earnings are at the disposal of the Annual General Meeting (SEK).

Retained earnings	55,209,199
Share premium reserve	473,016,706
Profit/loss for the year	-30 865 167
	<b>497,360,738</b>

The Board of Directors proposes that the profits be distributed as carried forward	497,360,738
	<b>497 360 738</b>

In regard to the Group's and parent company's profit and financial position in general, further reference is made to the following financial statements. All amounts are expressed in thousands of Swedish krona (TSEK), unless otherwise specified.

The Corporate Governance Report 2015 is available on page 31.

# Corporate Governance Report 2015

Bactiguard Holding AB (publ) ('Bactiguard' or 'the company') has prepared this Corporate Governance Report in compliance with Chap.6 § 6 of the Swedish Annual Accounts Act and Chap.10 of the Swedish Code of Corporate Governance ('the Code').

In addition to the principles for corporate governance required by law or other applicable legislation, at Bactiguard corporate governance is based on internal documents such as the articles of association, the Board of Directors' work plan and CEO instruction, and policies and guidelines, as well as external rules such as the Nasdaq Stockholm Rules and regulations for Issuers and the Swedish Code of Corporate Governance. The Code prescribes that the CEO or other members of the company management should not be members of the Nomination committee. During the period 18 November to 10 December 2015, Bactiguard deviated from this rule as the CEO Christian Kinch

was a part of the Nomination committee. The reason for this deviation is that Christian Kinch is also a principal shareholder of the company and consequently Christian Kinch was a member of the Nomination committee as a principal shareholder. Prior to the Nomination committee commencing its work, Christian Kinch was replaced by Jan Lombach who was also elected as Chairman of the Nomination committee. In 2015, the company has not made any other deviations from the Code.

## Shares and shareholders

The Bactiguard series B share is listed on Nasdaq Stockholm. At year-end 2015, the total number of shares was 33,302,373 (of which 4,000,000 non-listed series A shares) and the number of shareholders was 2,593. The five largest shareholders in the company as of 31 December 2015 are:

Shareholders	Total series A shares	Total series B shares	% of Equity	% of Votes
Christian Kinch and family and companies	2,000,000	8,160,484	30.5	40.6
Thomas von Koch and companies	2,000,000	8,160,384	30.5	40.6
Handelsbanken Fonder AB	–	858,586	2.6	1.2
Robur Försäkring	–	831,448	2.5	1.2
Ståhlberg, Jan	–	582,544	1.8	0.8

## General Meetings

The shareholders' right to decide on matters affecting Bactiguard is exercised at the general meeting in accordance with the Swedish Companies Act and is the company's highest decision making organ. The rules that control conducting general meetings are found in the Swedish Companies Act, the Code, and the company articles of association §§ 10–12.

All shareholders registered in the share registry as of the record date and who have provided timely notice of their intention to participate in the general meeting are entitled to participate therein and vote their full shareholding. There are no limitations as to the number of votes shareholders may exercise at the general meeting. Notice for convening the general meeting is published for shareholders on the company's website and announced in Post- och Inrikes Tidningar. Simultaneously with publication of the notice, the company advertises this information in the newspaper Dagens Industri. Shareholders wanting to have a matter considered at the annual general meeting shall request so in writing to the Board of Directors. Such matters shall be brought for consideration at the annual general meeting if the request was submitted to the Board of Directors no later than seven weeks prior to the meeting. All shareholders are entitled to ask questions to the company regarding matters on the agenda for the general meeting, and in relation to the company and the Group's financial position.

An annual general meeting ('AGM') shall be held in Stockholm, Huddinge or Botkyrka within six months of the closing date for the financial year. The company's financial year begins on 1 January and closes 31 December. The AGM determines issues including

adopting the company's annual report, appropriation of the company's profit or loss, and discharging the board members and the CEO from liability. The AGM also appoints board members and auditors, and determines the establishment of a nomination committee, fees for the Board of Directors and auditors, and guidelines for determining salaries and other remuneration to the CEO and other senior managers. Resolutions by the general meeting are normally passed by simple majority vote, except where the Swedish Companies Act imposes requirements for a higher portion of the shares and assigned votes represented at the general meeting, for example, resolutions regarding amendment of the company's articles of association. The general meeting has not authorised the Board of Directors to repurchase company shares.

## The Articles of Association

Bactiguard's articles of association are published in full on the Bactiguard website, [www.bactiguard.se](http://www.bactiguard.se). Changes to Bactiguard's articles of association are made in accordance with the provisions of the Swedish Companies Act. Bactiguard's articles of association stipulate that the Board of Directors shall consist of not less than three and no more than seven members. The board members are elected by the AGM for one year at a time.

## Nomination committee

At the 2015 AGM, rules were adopted for appointment of members to the Nomination committee for the 2016 AGM. These rules, as adopted, provide that the Nomination committee shall be formed by the chairman of the Board of Directors contacting the

three largest shareholders (by votes) as per ownership statistics on 31 August, who each shall be entitled to appoint one member to serve together with the chairman of the Board of Directors on the Nomination committee. For the 2016 AGM, the Nomination committee consists of Jan Lombach, Chairman, (appointed by KK Invest AB, a company controlled by Christian Kinch), Michael Wigge (appointed by Bactiguard B.V., a company controlled by Thomas von Koch), Christian Brunlid (appointed by Handelsbanken Fonder AB) and Stanley Brodén (Chairman of the Board of Directors).

### **Board of Directors**

The Board of Directors is the highest management organ of the company, standing under the authority of the general meeting. The Board of Directors is, *inter alia*, responsible for the company's organisation and management of the company's affairs, ensuring that the company's organisation is designed to adequately control the company's accounts, financial management and other economic conditions. The Board of Directors shall continually assess the company's financial position. The Board of Directors shall primarily address comprehensive and long-term issues, and other issues of unusual character or great significance to the Group and the company.

The Board of Directors' work shall follow a written work plan that shall ensure that the Board of Directors is fully informed and that all control related aspects of the company's operations are addressed. Pursuant to the work plan, the Chairman of the Board of Directors is responsible for monitoring and discussing the developments of Bactiguard in regular contacts with the CEO. The Chairman of the Board of Directors shall also perform duties such as ensuring that the Board of Directors receive continual information from the CEO as necessary to monitor the company's financial position, financial planning and development, and that an annual assessment of the work of the Board of Directors is conducted. The work plan of the Board of Directors stipulates that the Board of Directors shall, in a 12 month cycle, address at least the following areas of importance for the company; accounting and auditing issues; market and market analysis; risk identification; strategy; organisation; assessment of the Board of Directors and the CEO and the system for internal control; and the company's capital structure. The Chairman of the Board of Directors is responsible for the annual evaluation of the work of the Board of Directors. During 2015 the Chairman conducted a written survey evaluation with all board members, comprising 15 different aspects of the work of the Board of Directors. The Chairman of the Board of Directors has presented the results of the evaluation to both the Board of Directors and the Nomination committee.

During 2015 the Board of Directors held a total of 13 meetings where minutes were recorded. All board members attended all board meetings. In addition to customary work of the Board of Directors, during the first six months of 2015, the work of the Board of Directors focused on finding a long-term successor to Johan Rugfelt and thereafter Niels Christiansen, as the company's CEO. This was completed in connection with Christian Kinch taking up the post of CEO on 12 June 2015. In addition to this, during the year the Board of Directors has worked on a long-term strategy for increasing

geographic focus on the company's already established markets, as well as new markets with great potential.

The Board of Directors has also focused on ensuring refinancing of the company's bond loan which matures in December 2016 and revision of the company's financial targets.

Board members Thomas von Koch and Ulf Mattsson declined re-election at the 2015 AGM. Since the 2015 AGM, the Board of Directors has comprised of Stanley Brodén (Chairman since June 2015), Mia Arnhult, Peter Hentschel and Christian Kinch. Additional information on the board members is available on page 34.

### **Board Committees**

The Audit committee is tasked with monitoring the company's financial reporting and the effectiveness of internal controls and risk management in the company, and internal audits as necessary. The committee shall also monitor and review the auditor's independence and impartiality, and especially follow whether the auditor provides other services than purely auditing services to the company. The committee also contributes proposals to the general meeting for adoption regarding the appointment of auditors. Up until May 2015, the Audit committee comprised of the board members Mia Arnhult (Chairwoman), Thomas von Koch as well as Ulf Mattsson, who fulfilled the Code's independence requirement for the committee's members. All members were present when the Audit committee met during 2015. At the statutory board meeting in May 2015, it was decided that the Board of Directors as a whole should fulfill the assignments of the Audit committee. In his capacity as board member, Christian Kinch has participated in the work even after being appointed as CEO in June 2015. In February 2016, the Board of Directors decided to re-established the Audit committee and appoint Mia Arnhult (Chairwoman), Stanley Brodén and Peter Hentschel as members of the Audit committee.

The Remuneration committee shall support the Board of Directors with proposals, advice, and preparation in regard to issues of remuneration principles for the CEO and other senior managers and individual remuneration to the CEO in accordance with remuneration principles. These principles include the relationship between fixed and any variable remuneration, and the relationship between performance and remuneration, the general terms for any bonus and incentive programme, and the general terms for non-monetary benefits, pension, notice of termination and severance pay. The Board of Directors is also responsible as a whole for establishing remuneration levels and other employment terms for the CEO. Share-related incentive programmes for group management are, however, adopted by the AGM. The committee shall also; support the Board of Directors in monitoring the system through which the company complies with publication requirements stipulated by legislation, market regulations and the Code in regard to information related to remuneration of the CEO and other senior managers; monitor and assess any ongoing or concluded incentive programmes for variable remunerations to the CEO and/or other senior managers; evaluate compliance with the guidelines for remuneration to the CEO and other senior managers adopted by the AGM as well as the current structure and levels of remuneration. At the statutory



board meeting in May 2015, board members Christian Kinch (Chairman), Stanley Brodén and Peter Hentschel were elected as members of the Remuneration committee (with the two latter replacing the previous board members Thomas von Koch and Ulf Mattsson). After Christian Kinch took over the role of CEO in June 2015, the Board of Directors decided that the Remuneration committee should consist of the members Stanley Brodén (Chairman) and Peter Hentschel. The Code's requirements for independence have been observed. All members were present when the Remuneration committee met during 2015.

### **Chief Executive Officer**

The CEO is appointed by the Board of Directors and is responsible for the daily administration of the company's operations in accordance with the instructions and regulations of the Board of Directors. The CEO also functions as the Chairman of the executive management, making decisions in consultation with other managers. Johan Rugfelt was CEO of Bactiguard during the period 1 January to 15 March 2015 when he requested to return to his previous role as Chief Operating Officer (COO) and was replaced by Niels Christiansen as CEO. In June 2015 the Board of Directors concluded that the recruitment of Niels Christiansen was not right for Bactiguard and therefore decided to appoint Christian Kinch as CEO of the company as of 12 June 2015. Additional information on the CEO is available on page 34.

### **Internal controls and risk management activities regarding financial reporting**

As the company's financial system is designed to ensure that entering agreements and payment of invoices, and similar, must follow the decision processes, and the signatory and authorisation procedures provided in internal steering documents, the company has a basic control structure to counteract and prevent the risks identified by the company. In addition to these control structures, a series of additional control activities are conducted to further discover and correct any errors and deviations. Such control activities consist of follow-up at various levels in the organisation, for example, follow-up and review by the Board of Directors regarding their formal decisions; review and comparison of income items and account settlement; and approval of the accounting of business transactions in the finance department. In accordance with its work plan, the Board of Directors conducts

an annual review of these internal controls and also, annually, performs risk identification and establishes risk mitigation measures. The auditor is invited to a board meeting to present its auditing measures in regard to internal control.

The division and delegation of responsibility have been documented and communicated in internal steering documents established for the Board of Directors and the company, such as; the work plan of the Board of Directors, the CEO instruction, and the delegation of authority, authorisation procedure and other internal steering documents, such as the financial handbook. All internal steering documents are maintained up-to-date on a regular basis, to reflect legislative changes or revision of reporting standards. Bactiguard has established an organisation for the purpose of ensuring that all financial reporting is correct and efficient.

The internal steering documents define responsibilities and daily interactions between the positions involved so that all necessary information and communication reach all persons as necessary. The group management receives weekly and monthly certain financial information regarding the company and its subsidiaries in regard to developments of upcoming investments and liquidity planning. The company's communication policy is designed to ensure that publication of all information, both internal and external is made correctly and at the appropriate time for all occasions.

Monitoring is conducted at all levels of the organisation. The Board of Directors regularly assesses the information which the company's senior management and auditors submit. In addition, the Board of Directors conducts annual follow-up of previous risk assessments and any measures implemented therefore. The Board of Directors' monitoring of developments in internal controls and ensuring that measures are taken in regard to any shortcomings or suggestions that arise, are particularly important.

### **Internal audit**

Considering the scope of the company's operations and the organisational structure at large, the Board of Directors has not found any reason to implement an internal auditing unit. The Board of Directors has assessed that the monitoring and review process described above is sufficient, in combination with the external audits, to maintain effective internal controls in regard to the financial reporting.

# The Board of Directors



## Stanley Brodén,

Born 1951

Board member since 2015.

**Education:** Economic studies at Linköping University. MIL's Management training.

**Other assignments:** Chairman of the Board of Directors of Frösunda Omsorg AB in Stockholm. Industrial Adviser to EQT.

**Shareholding in the company:** 50,000 call option B (legal person)

*Independent in relation to the company and corporate management and the company's largest shareholders.*



## Christian Kinch,

Born 1966

CEO of the group since June 2015 and during the period 2005 to March 2014. Chairman of the board from March 2014 to June 2015. Board assignments within the group since 2005.

**Education:** Studies at the Stockholm School of Economics.

**Other assignments:** Board member of Swecare Aktiebolag and SWIB Holding AB.

**Shareholding in the company:** 2,000,000 shares series A and (legal person) and 8 160 484 shares series B (own, family, legal person).

*Not independent in relation to the company and the executive management or the company's larger shareholders.*



## Mia Arnhult,

Born 1969

Board member since 2014 and chair of the auditing committee. Board assignments within the group since 2014.

**Education:** Degree in Business finance and trade law at Lund University.

**Other assignments:** Board chair for Devyser Holding AB and Devyser AB. Board director for Odd Molly International AB, Footway Group AB, Nanexa AB, M2 Capital Management AB, Suburban Properties Stockholm AB and partner in Utvecklingsbolaget Persson & Persson i Stockholm HB, a trading partnership. Board director and CEO for M2 Gruppen AB, CEO for Locellus AB and Arnhult Invest AB.

**Shareholding in the company:** 50,000 call option B (own) and 516,000 shares series B (legal person).

*Independent in relation to the company, executive management, and the company's larger shareholders.*



## Peter Hentschel,

Born 1949

Board member since 2015.

**Education:** Civil Engineer, Chemistry – Chalmers University of Technology. Studies in corporate economics at Gothenburg University.

**Other assignments:** Chairman of the Board of Directors of Reapplix Aps, Chairman of the Board of Directors of Diasend AB, Director of Lumina Adhesives AB.

**Shareholding in the company:** 72,000 call option B (own)

*Independent in relation to the company and corporate management and the company's major shareholders.*

# Group management



## Christian Kinch,

Born 1966

CEO

**Education:** Studies at the Stockholm School of Economics.

**Other assignments:** Board member of Swecare Aktiebolag and SWIB Holding AB.

**Background:** Founder of Kinchard AB and Netpharma AB and assignments within the Group.

**Shareholding in the company:** 2,000,000 shares series A and 8,160,484 shares series B (own, family and legal person).



## Cecilia Edström,

Born 1966

Vice President Sales & New business

**Education:** BSc Business and Economics, Stockholm School of Economics.

**Other assignments:** Board member of Nordic Public Affairs AB.

**Background:** Communication Director of TeliaSonera AB and Scania AB. Board member of BE Group AB and OJSC MegaFon and member of the Stockholm Chamber of Commerce's governing council.

**Shareholding in the company:** 48,000 call option B (own) and 22,500 shares of series B (own).



## Fredrik Järsten,

Born 1967

CFO

**Education:** BSc Business and Economics, Stockholm School of Economics.

**Other assignments:** Chairman of the Board of Directors of Terroir Suisse AB, board member and CEO of Fredrik Järsten Konsult AB.

**Background:** Assignments within SEB Enskilda, Lazard, Litorina Kapital as well as within the Aleris Group.

**Shareholding in the company:** 150,000 call option B (legal person) and 20,000 shares of series B (legal person).



## Johan Rugfelt,

Born 1967

COO

**Education:** BSc Business and Economics, Stockholm School of Economics.

**Other assignments:** –

**Background:** Assignments within McKinsey, Bain, SEB, the Swedish Trade Council (Exportrådet) and within the Group.

**Shareholding in the company:** 300,000 call option B (own) and 20,000 shares of series B (own).

# Condensed consolidated income statement

Amounts in TSEK	Note	2015	2014
Net sales	5, 6, 36	131,420	93,528
Other revenues	5	7,043	4,766
<b>Total</b>		<b>138,463</b>	<b>98,294</b>
Raw materials and consumables	36	-7,902	-6,499
Other external expenses	7, 8, 36	-56,287	-48,921
Personnel costs	9	-52,942	-44,996
Depreciation and amortisation	14, 16–21	-32,850	-30,131
Other operating expenses		-1,078	-3,161
Profit participations in associates	23	-70	-69
<b>Total operating expenses</b>		<b>-151,129</b>	<b>-133,777</b>
<b>Operating profit/loss</b>		<b>-12,666</b>	<b>-35,483</b>
<b>Profit/loss from financial items</b>			
Financial income	10	2,657	3,641
Financial expenses	11	-20,961	-83,998
<b>Total</b>		<b>-18,304</b>	<b>-80,358</b>
<b>Profit before tax</b>		<b>-30,970</b>	<b>-115,841</b>
Taxes for the period	12	4,469	5,104
<b>Net profit/loss for the year</b>		<b>-26,501</b>	<b>-110,737</b>
<b>Attributable to:</b>			
Shareholders of the parent		-26,501	-110,737
Earnings per share, SEK	36	-0.80	-4.43

# Condensed consolidated statement of comprehensive income

Amounts in TSEK	Note	2015	2014
Net profit/loss for the year		-26,501	-110,737
Other comprehensive income:			
<i>Items that will be reclassified to profit or loss for the year</i>			
Translation differences		1,146	-655
Other comprehensive income, after tax		1,146	-655
<b>Total comprehensive income for the year</b>		<b>-25,355</b>	<b>-111,392</b>
<b>Attributable to:</b>			
Shareholders of the parent		-25,355	-111,392
Total earnings per share, SEK		-0.76	-4.45

# Condensed consolidated statement of financial position

Amounts in TSEK	Note	31/12/2015	31/12/2014	01/01/2014
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Goodwill	13	226,292	226,292	226,292
Technology	14	260,418	284,225	308,032
Brands	15	25,572	25,572	25,572
Customer relationships	16	12,908	14,088	15,268
Capitalised development expenditure	17	12,062	7,772	6,636
Patents	18	1,272	1,454	1,366
<b>Total</b>		<b>538,524</b>	<b>559,402</b>	<b>583,166</b>
<b>Property, plant and equipment</b>				
Improvements, leasehold	19	17,917	15,812	10,877
Machinery and other technical plant	20	7,412	9,763	6,489
Equipment, tools and installations	21	5,432	6,204	2,135
<b>Total</b>		<b>30,761</b>	<b>31,779</b>	<b>19,501</b>
<b>Financial assets</b>				
Accounts receivable	25	6,012	9,531	–
Investments in associates	23	1,298	1,368	1,293
<b>Total</b>		<b>7,310</b>	<b>10,899</b>	<b>1,293</b>
<b>Total non-current assets</b>		<b>576,595</b>	<b>602,080</b>	<b>603,960</b>
<b>Current assets</b>				
Inventory	24	11,687	8,974	3,590
Accounts receivable	25	51,634	81,625	94,137
Other current receivables		4,620	5,018	2,212
Prepaid expenses and accrued income	26	9,591	8,285	7,914
Cash and cash equivalents	27	22,119	105,147	5,417
<b>Total</b>		<b>99,651</b>	<b>209,048</b>	<b>113,270</b>
<b>Total assets</b>		<b>676,246</b>	<b>811,128</b>	<b>717,230</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to shareholders of the parent</b>				
Share capital	28	833	833	500
Translation differences		352	-794	-139
Other capital contribution		675,690	675,690	202,673
Retained earnings including net profit for the year		-259,432	-232,931	-122,298
<b>Sum equity attributable to shareholders of the parent</b>		<b>417,443</b>	<b>442,798</b>	<b>80,736</b>
<b>Total equity</b>	36	<b>417,443</b>	<b>442,798</b>	<b>80,736</b>
<b>Non-current liabilities</b>				
Deferred tax liability	12	34,767	39,237	44,398
Bond loan	29	–	195,569	427,500
<b>Total</b>		<b>34,767</b>	<b>234,806</b>	<b>471,898</b>
<b>Current liabilities</b>				
Bond loan	29	142,140	–	–
Bank overdraft	30	–	–	57,461
Accounts payable		4,017	10,995	7,397
Other current liabilities		3,996	3,938	9,186
Accrued expenses and deferred income	31, 36	73,883	118,591	90,552
<b>Total</b>		<b>224,036</b>	<b>133,524</b>	<b>164,596</b>
<b>Total liabilities</b>		<b>258,803</b>	<b>368,330</b>	<b>636,494</b>
<b>TOTAL EQUITY AND LIABILITIES</b>				
<b>Total equity and liabilities</b>		<b>676,246</b>	<b>811,128</b>	<b>717,230</b>
Assets pledged	32	185,718	308,810	363,546
Contingent liabilities		–	–	–

# Condensed consolidated statement of changes in equity

Amounts in TSEK	Equity attributable to shareholders of the parent					
	Note	Share capital	Other capital contributions	Translation reserve	Retained earnings including net profit for the year	Total equity
<b>Opening balance January 1, 2013</b>		500	202,673	-139	-62,082	140,953
Effect of change in accounting principle	36	-	-	-	-60,217	-60,217
<b>Adjusted opening balance, 1 januari 2014</b>		500	202,673	-139	-122,299	80,736
<b>Comprehensive income</b>						
Profit/loss for the year		-	-	-	-110,737	-110,737
Other comprehensive income:						
Translation differences		-	-	-655	-	-655
Sum other comprehensive income after tax		-	-	-655	-	-655
<b>Total comprehensive income</b>		-	-	-655	-110,737	-111,392
<b>Transactions with shareholders</b>						
Share issue		333	473,017	-	-	473,350
Repurchase of options		-	-	-	105	104
Total transactions with shareholders		333	473,017	-	105	473,454
<b>Closing balance December 31, 2014</b>		833	675,690	-794	-232,931	442,798
<b>Opening balance January 1, 2015</b>		833	675,690	-794	-232,931	442,798
<b>Comprehensive income</b>						
Profit/loss for the year		-	-	-	-26,501	-26,501
Other comprehensive income:						
Translation differences		-	-	1,146	-	1,146
Sum other comprehensive income after tax		-	-	1,146	-	1,146
<b>Total comprehensive income</b>		-	-	1,146	-26,501	-25,355
<b>Transactions with shareholders</b>						
Total transactions with shareholders		-	-	-	-	-
<b>Closing balance December 31, 2015</b>		833	675,690	352	-259,432	417,443

# Condensed consolidated statement of cash flows

Amounts in TSEK	Note	2015	2014
<b>Cash flow from operating activities</b>			
Net profit/loss for the year		-26,501	-110,737
Adjustment for non-cash flow items:			
Depreciation		32,850	30,131
Market valuation bond loan		-2,602	32,101
Other non-cash items		-3,653	-10,055
		<b>94</b>	<b>-58,560</b>
Increase/decrease inventory		-2,628	-5,936
Increase/decrease accounts receivable		-4,747	2,982
Increase/decrease other current receivables		141	-2,270
Increase/decrease accounts payable		-7,371	3,561
Increase/decrease other current liabilities		-6,280	24,479
<b>Cash flow from operating activities</b>		<b>-20,885</b>	<b>22,816</b>
<b>Investing activities</b>			
Investments in intangible assets		-5,921	-2,397
Investments in property, plant and equipment		-5,744	-15,692
Investments in associates		-	-145
<b>Cash flow from investing activities</b>		<b>-11,666</b>	<b>-18,233</b>
<b>Operating cash flow</b>		<b>-32,456</b>	<b>-53,977</b>
<b>Financing activities</b>			
Share issue		-	473,350
Amortisation of debt		-50,827	-321,495
Repurchase of options		-	104
<b>Cash flow from financing activities</b>		<b>-50,827</b>	<b>151,959</b>
Cash flow for the year		-83,283	97,983
Cash and cash equivalents at start of year		105,147	5,417
Exchange difference in cash and cash equivalents		255	1,747
<b>Cash and cash equivalents at end of year</b>		<b>22,119</b>	<b>105,147</b>

# Condensed parent company income statement

Amounts in TSEK	Note	2015	2014
Net sales		–	–
Other revenues	5	7,036	12,287
<b>Total</b>		<b>7,036</b>	<b>12,287</b>
Other external expenses	7, 8	-2,752	-9,563
Personnel costs	9	-12,750	-9,040
<b>Total operating expenses</b>		<b>-15,502</b>	<b>-18,604</b>
<b>Operating profit/loss</b>		<b>-8,466</b>	<b>-6,317</b>
<i>Profit/loss from financial items</i>			
Interest income and similar items	10	5,275	5,869
Interest expenses and similar items	11	-27,674	-52,582
<b>Total</b>		<b>-22,399</b>	<b>-46,713</b>
<b>Profit before tax</b>		<b>-30,865</b>	<b>-53,030</b>
Taxes for the period	12	–	–
<b>Net profit/loss for the year</b>		<b>-30,865</b>	<b>-53,030</b>

# Statement of comprehensive income, parent company

Amounts in TSEK	Note	01/01/2015– 31/12/2015	01/01/2014– 31/12/2014
Net profit/loss for the year		-30,865	-53,030
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		<b>-30,865</b>	<b>-53,030</b>

# Condensed parent company balance sheet

Amounts in TSEK	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Shares in Group companies	22	384,574	384,574
Receivables in Group companies		315,200	272,000
<b>Total</b>		<b>699,774</b>	<b>656,574</b>
<b>Sum non-current assets</b>			
<b>Current receivables</b>			
Receivables from group companies		12,977	13,407
Other current receivables		–	10
Prepaid expenses and accrued income	26	1,457	489
<b>Total</b>		<b>14,434</b>	<b>13,906</b>
<b>Cash and cash equivalents</b>	27	<b>16,052</b>	<b>87,319</b>
<b>Total current assets</b>		<b>30,486</b>	<b>101,225</b>
<b>Total assets</b>		<b>730,260</b>	<b>757,799</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	28	833	833
<b>Total</b>		<b>833</b>	<b>833</b>
<b>Non-restricted equity</b>			
Retained earnings		528,225	581,255
Profit/Loss for the year		-30,865	-53,030
<b>Total</b>		<b>497,360</b>	<b>528,225</b>
<b>Total equity</b>		<b>498,193</b>	<b>529,058</b>
<b>Non-current liabilities</b>			
Bond loan	29	–	222,920
<b>Total</b>		<b>–</b>	<b>222,920</b>
<b>Current liabilities</b>			
Bond loan	29	225,259	–
Liabilities to group companies		–	–
Accounts payable		93	485
Other current liabilities		1,009	1,233
Accrued expenses and deferred income	31	5,706	4,102
<b>Total</b>		<b>232,067</b>	<b>5,820</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>730,260</b>	<b>757,799</b>
Assets pledged	32	564,574	564,574
Contingent liabilities		–	–



# Changes in equity, parent company

Amounts in TSEK	Share capital	Restricted equity	Retained earnings including net profit for the year	Total equity
<b>Opening balance January, 2014</b>	500	–	108,239	108,739
<b>Comprehensive income</b>				
Profit/loss for the year	–	–	-53,030	-53,030
<b>Total comprehensive income</b>	–	–	-53,030	-53,030
<b>Transactions with shareholders</b>				
Share issue	333	–	473,017	473,350
Total transactions with shareholders	333	–	473,017	473,350
<b>Closing balance December 31, 2014</b>	<b>833</b>	<b>–</b>	<b>528,225</b>	<b>529,058</b>
<b>Opening balance January 1, 2015</b>	<b>833</b>	<b>–</b>	<b>528,225</b>	<b>529,058</b>
<b>Comprehensive income</b>				
Profit/loss for the year	–	–	-30,865	-30,865
<b>Total comprehensive income</b>	–	–	-30,865	-30,865
Total transactions with shareholders	–	–	–	–
<b>Closing balance December 31, 2015</b>	<b>833</b>	<b>–</b>	<b>497,360</b>	<b>498,193</b>

# Cashflow statement, parent company

Amounts in TSEK	Note	2015	2014
<b>Cash flow from operating activities</b>			
Net profit/loss for the year		-30,865	-53,030
Adjustment for non-cash flow items		-3,893	-5,043
		<b>-34,758</b>	<b>-58,073</b>
Increase/decrease other current liabilities and receivables		6,691	-6,369
<b>Cash flow from operating activities</b>		<b>-28,067</b>	<b>-64,441</b>
<b>Cash flow from investing activities</b>		<b>-</b>	<b>-</b>
<b>Financing activities</b>			
Share issue		-	250,850
Borrowings group companies		-43,200	-100,611
<b>Cash flow from financing activities</b>		<b>-43,200</b>	<b>150,239</b>
Cash flow for the year		-71,267	85,798
Cash and cash equivalents at start of year		87,319	1,521
<b>Cash and cash equivalents at end of year</b>		<b>16,052</b>	<b>87,319</b>

# Notes

## NOTE 1 General information

Bactiguard Holding AB, corporate identity number 556822-1187, is a limited company registered in Sweden and domiciled in Stockholm. The address of the headquarters is Box 15, 146 21 Tullinge. The operations of the company and its subsidiaries ("the Group") are conducted in south Stockholm (headquarters and production facilities) and in Malaysia (production facilities). The operations cover research and development, production, marketing and sales of the company's products and technical solutions.

## NOTE 2 Significant accounting policies

The consolidated financial statements for Bactiguard Holding AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and the interpretations of the IFRS Interpretations Committee (IFRIC) as per 31 December 2015.

In addition, the Group applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary rules for Group accounting".

Items in the consolidated financial statements have been prepared on a cost basis, except for certain financial instruments which are stated at fair value. The functional currency of the parent company is the Swedish krona, which is also the presentation currency of the Group. All amounts are specified in thousands unless otherwise stated. The significant accounting policies which have been applied are described below.

### New and amended standards and interpretations that enter into force in 2015

New or amended standards and new interpretations have not had any significant impact on the Group's financial reports of 2015.

### New and amended standards and interpretations that have not yet entered into force

New and amended standards and interpretations that have been issued but which enter into force for the financial year starting after 1 January 2016 have not yet been applied by the Group. The new and amended standards and interpretations determined to have an impact on the consolidated financial reporting for the period they are applied for the first time are described below.

Standards	Shall be applied for the financial year starting:
IFRS 9 Financial Instruments	1 January 2018 or later
IFRS 15 Revenue from contracts with customers	1 January 2018 or later
IFRS 16 Leases	1 January 2019 or later

IFRS 9 Financial Instruments issued on 24 July 2014 and shall replace IAS 39 Financial Instruments: Recognition and Measurement. The standard is issued in phases where the version issued in July 2014 replaces all previous versions.

IFRS 9 contains new principles on how financial assets should be classified and valued. The company's purpose of the holding of the asset (i.e. the company's business model) and the financial asset's contractual cash flows are decisive for which valuation category a financial belongs to.

The new standard also contains new rules for impairment testing of financial assets which entails that the previous "incurred loss method" is replaced by a new "expected loss method."

The aim of the new rules for hedge accounting is that the company's risk management should be reflected in the accounting. The standard entails greater opportunities to hedge risk components in non-financial items and for more types of instruments to be included in a hedging relationship. Furthermore, the quantitative requirement for efficiency no longer remains. IFRS 9 is applicable to the financial year which starts on 1 January 2018 and it has not been adopted by the EU yet. The management's assessment is that application of IFRS 9 may impact the recognised amounts in the financial reporting in respect to the consolidated financial assets and liabilities. Management has not yet conducted a detailed analysis of the impact resulting from application of IFRS 9 and can therefore not yet quantify this.

IFRS 15 Revenue from contracts with customers was issued on 28 May 2014 and shall replace IAS 18 Revenue and IAS 11 Construction contracts. IFRS 15 entails a model for revenue recognition for almost all revenue arising from contracts with customers, except lease contracts, financial instruments and insurance contracts. According to IFRS 15, the basic principle for

revenue recognition is that a company should recognise revenue to depict the transfer of promised goods or services to customers, by an amount which the company expects to receive in exchange for the goods or services. Revenue is recognised when the customer obtains control over goods or services. There is significantly more guidance in IFRS 15 for specific areas and the disclosure requirements are extensive. IFRS 15 applies to the financial year starting on 1 January 2018 or later with previous application being permitted. The standard has not been adopted by the EU yet. Management has not yet conducted a detailed analysis of the impact resulting from application of IFRS 15 and can therefore not yet quantify this.

IFRS 16 Leases was issued on 13 January 2016 and shall replace IAS 17 Leases. IFRS 16 introduces a "right of use model" and for the lessee it largely entails that all leases should be recognised in the balance sheet, therefore classification in operational and financial leases should not be conducted. Leases with a leasing period which is 12 months or shorter and leases which amount to smaller values are exceptions. In the income statement depreciation is recognised on assets and interest expenses on liabilities. The standard contains more extensive disclosure requirements compared to the current standard. IFRS 16 does not entail any real differences compared to IAS 17 for lessors. IFRS 16 applies to the financial year which starts on 1 January 2019 with earlier application permitted, provided that IFRS 15 is applied simultaneously. The standard has not been adopted by the EU yet. Management has not yet conducted a detailed analysis of the impact resulting from application of IFRS 16 and can therefore not quantify this.

The management assesses that other new or amended standards and new interpretations, which have not entered into force, are not expected to have any material impact on the Group's financial reports when they are applied the first time.

### Accounting policies for the parent company

#### Amended accounting policies

The amendments to RFR 2 have not had any material impact on the parent company's financial reports for 2015.

#### Amendments to RFR 2 which have not yet entered into force

The amendments to RFR 2 Accounting for Legal Entities which enter into force as of 1 January 2016 mainly refer to the following areas:

#### IFRS 7 Financial Instruments: Disclosures

Increased disclosure requirements for legal entities in order to clarify the significance of "starting point of cost value in accordance with the Swedish Annual Accounts Act." Covers the accounting policies for financial instruments, principles for hedge accounting and principles for derecognition from the balance sheet. Larger companies should also provide disclosures on derivative instruments which are not valued at fair value as well as disclosures on outstanding loans which are convertible or associated with right of option for subscription or similar securities. The amendment will entail extended accounting policies.

The management assesses that other amendments to RFR 2, which have not entered into force, are not expected to have any material impact on the parent company's financial reports when they are applied the first time.

### Consolidated financial statements

The consolidated financial statements cover the parent company Bactiguard Holding AB and those companies over which the parent company has direct or indirect control (subsidiaries). Control involves the entitlement to directly or indirectly design strategies of a company in order to obtain economic benefits. In determining whether control exists, any shareholder agreements or potential voting shares that may be utilised or converted without delay shall be considered. Control normally exists when the parent company directly or indirectly holds shares representing more than 50 % of the votes.

Subsidiaries are consolidated in the financial statements as of the acquisition date, and are excluded from consolidation as of the date when such control ceases.

Group profit and components of other comprehensive income are attributable to the parent company's owners and to holdings without control, even when this leads to negative value of the holding without control.

The accounting policies for subsidiaries have been amended, when necessary, to ensure consistent application of the Group's accounting policies. All intra-group transactions, dealings and unrealised gains and losses attributable to intra-group transactions have been eliminated when preparing the consolidated financial statements.

### Transactions with holdings without control

Changes to the parent company's share of a subsidiary that do not lead to a loss of control are recognised as equity transactions (that is, as transactions with the Group's owners). Any difference between the amounts with which the holding without control is adjusted and the fair value of the paid or received

compensation is recognised immediately in equity and allocated to the parent company's owners.

#### Loss of control

When the parent company loses control over a subsidiary, the gain or loss is measured at the time of disposal as the difference between:

- i) the total of the fair value for the compensation received and the fair value of any remaining holding, and
- ii) the previous carrying amount for the subsidiary's assets (including goodwill), and liabilities, and any holding without control.

#### Business combinations

Business combinations are recognised using the acquisition method.

The cost of business combinations is carried at fair value on the acquisition date, and is measured as the sum of the fair value on the acquisition date for the assets paid, any incurred or assumed liabilities, and the equity interest issued in exchange for control of the acquired business. Acquisition-related costs are recognised in the income statement when they are incurred.

The identifiable acquired assets and assumed liabilities, and contingent assets are recognised at fair value on the acquisition date with the following exceptions:

- Deferred tax assets or liabilities and liabilities or assets attributable to the business combination agreements for remuneration to employees are recognised and valued in accordance with IAS 12 Income taxes and IAS 19 Employees benefits.
- Liabilities or equity instruments attributable to the acquired business' share-based allocations or to the exchange of the acquired businesses' share-based allocations against the acquiring entity's share-based allocations are valued on the acquisition date in accordance with IFRS 2 Share-based payment.
- Non-current assets (or disposal groups) classified as held for sale according to IFRS 5. Non-current assets held for sale and discontinued operations are measured according to the standard.

Contingent liabilities assumed in a business combination are recognised as though they are existing liabilities that are the result of past events, and whose fair value can be measured reliably.

For business combinations where the total purchase price, any holding without control, and fair value on the acquisition date of previous shareholding, exceeds the fair value of identifiable acquired net assets on the acquisition date, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, this is recognised as a profit on an acquisition at a low price immediately in the income statement after testing the difference.

In every business combination, the previous holding without control in the acquired business is carried either at fair value or at the value of the proportional share of the holding without control in the identifiable net assets in the acquired business.

#### Participations in associated companies

Participations in associated companies are recognised using the equity method.

#### Goodwill

Goodwill arising from acquisition of subsidiaries is measured as the amount where the total purchase price, any holding without control and fair value on the acquisition date of previous shareholding exceeds the fair value on the acquisition date of the identifiable acquired net assets. Goodwill that arises during the acquisition of subsidiaries is recognised at cost less any accumulated impairments.

For impairment testing, goodwill is allocated to the cash generating units that are expected to benefit from synergies expected from combining operations. Goodwill shall be tested for impairment annually, or more often whenever events indicate that the carrying amount may not be recoverable. If the recovery value of a cash generating unit is determined to be lower than the carrying amount, the amount of write-down is allocated, first by reducing the carrying amount for goodwill attributable to the cash generating unit and then by the carrying amount for goodwill attributable to the other assets in the unit. A recognised impairment of goodwill cannot be reversed in a later period.

During the sale of a subsidiary, the remaining carrying amount for goodwill is included in the calculation of the capital gain or loss.

#### Operating segments

An operating segment is a component of a company that engages in business activities from which it may earn revenues and incur expenses, whose operating profit/loss is audited regularly by the company's chief operating decision maker, and for which independent financial information is available. The company's reporting of operating segments matches the internal reporting to the chief operating decision maker. The chief operating decision maker is the

function that assesses the operating segment's results and makes decisions on the allocation of resources. The company's assessment is that the group management is the chief operating decision maker.

The company is deemed to operate entirely within a single operating segment.

#### Revenues

Group revenues are mainly derived from license revenues and revenues from the sale of BIP products. Revenues are recognised at the fair value of the compensation received or will be received, less VAT, discounts and similar deductions.

#### Sale of goods

Revenues from the sale of goods are recognised when the goods are delivered and ownership is transferred to the customer when all the following conditions have been fulfilled:

- Risks and benefits associated with the ownership of the goods have been transferred to the buyer
- The Group does not have any continued involvement in the regular management which is associated with ownership and nor does it have control over the sold goods
- Revenues and associated costs can be measured reliably
- It is probable that the economic benefits associated with the transaction will accrue to the Group.

The afore-mentioned entails that each agreement requires an analysis of the circumstances and conditions which impact the transaction.

#### Royalties

Group revenues from royalties are derived from license revenues. Revenues are recognised continuously on an accruals basis on the outcome of sales in accordance with the economic substance of the relevant agreement.

#### Sales of rights

When the Group concludes a distribution agreement with respect to rights for a geographic market and with a right to call the products, they are recognised as accounts receivable and deferred income by the amounts determined in the agreements. The timing of revenue recognition and deduction against deferred income takes place when the products are delivered.

#### Dividends and interest income

Dividends are recognised when the shareholder's right to receive payment has been established.

Interest income is recognised as revenue allocated over the duration using the effective interest method. The effective interest rate is the rate at which the present value of all future receipts and payments over the fixed rate period are equal to the carrying amount of the receivable.

#### Lease agreements

A finance lease agreement is an agreement that substantially transfers all the economic risks and rewards associated with ownership of an object from the lessee to the lessor. Other lease agreements are classified as operating lease agreements. The Group has only concluded operating lease agreements.

Leasing fees from operating lease agreements are charged on a straight-line basis over the lease term unless other systematic methods better reflect the economic utility of users over time.

#### Foreign currencies

Items in the individual financial statements of each group entity are presented in the currency of the primary economic environment in which each entity primarily operates (its functional currency). All amounts in the consolidated financial statements are translated to Swedish krona (SEK), which is the parent company's functional and reporting currency.

Foreign currency transactions in each entity are translated into the entity's functional currency according to prevailing exchange rates on the transaction date. On each balance sheet date, monetary items in foreign currency are translated at the exchange rate on the balance sheet date. Non-monetary items, carried at fair value in a foreign currency, are translated at the prevailing rate that existed when the fair value was determined. Non-monetary items, carried at historical cost in a foreign currency are not translated.

Exchange rate differences are recognised in the income statement for the period in which they arise, except for transactions that are hedges that fulfil the conditions for hedge accounting of cash flows or for net investments, where the gain or loss is recognised in other comprehensive income.

In preparing these consolidated financial statements, foreign subsidiaries' assets and liabilities are translated to Swedish krona using the exchange rate on the balance sheet date. Revenue and cost items are translated to the aver-

age exchange rate for the period, unless the exchange rate has fluctuated significantly during the period, whereby the exchange rate on the transaction date is used instead. Any translation differences that arise are recognised in other comprehensive income and transferred to the Group's translation reserve. On disposal of a foreign subsidiary, such translation differences are recognised in the income statement as a part of the capital gain or loss.

Goodwill and changes to fair value that arise in the acquisition of a foreign business are treated as assets and liabilities of the operations and translated at the exchange rate on the balance sheet date.

#### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to complete for its intended use or sale are included in the cost of the asset up to the time the asset is completed for its intended use or sale. Interest income from the temporary investment of such borrowings is deducted from the borrowing costs that are recognised in the asset's cost.

Other borrowing costs are recognised in the income statement in the period they arise.

#### Employee benefits

Employee benefits in the form of salaries, bonus, paid vacation, paid sick leave, and similar, as well as pensions are reported as they are incurred. Pensions and other benefits after terminated employment are classified as defined contribution or defined benefit pension plans. The Group only has defined contribution pension plans.

Call options have been acquired by employees from the owners at market price. These cannot be considered as share-based payment and consequently no disclosures are provided in accordance with IFRS 2.

#### Defined contribution plans

The company pays fixed fees to a separate independent legal entity for defined contribution plans and has no liability to pay additional fees. Group earnings are charged for costs as the benefits are earned, which normally coincides with the date when the premiums are paid.

#### Taxes

Tax expense is the sum of current and deferred tax.

#### Current tax

Current tax is measured as the taxable earnings for the period. Taxable earnings differ from the profit shown in the income statement, which includes non-taxable revenue and non-deductible expenses, and revenues and costs that were taxable or deductible in other periods. The Group's current tax liabilities are calculated applying the tax rates that have been decided or advised as of the balance sheet date.

#### Deferred tax

Deferred tax is recognised for all temporary differences that arise between the carrying amount of the assets and liabilities in the financial reports and the taxable amounts used when calculating taxable income. Deferred tax is recognised, using the balance sheet liability method. In principle deferred tax liabilities are recognised for all taxable temporary differences, and in principle deferred tax assets are recognised for all deductible temporary differences to the extent it is probable that the amounts can be utilised against future taxable profit. Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill or if it arises from a transaction that is the first reporting of an asset or liability (that is not a business combination) and which, on the transaction date, does not affect reported or taxable income.

Deferred tax liabilities are recognised for taxable temporary differences attributable to investments in subsidiaries, except when the date for reversing the temporary differences can be controlled by the Group and it is probable that such a reversal will not take place in the foreseeable future. The deferred tax assets that are attributable to deductible temporary differences related to such investments shall only be recognised to the extent it is probable that the amounts can be utilised against future taxable profit and it is probable that these will be utilised in the foreseeable future.

The carrying amount for deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be available to be utilised, wholly or partially, against the deferred tax assets.

Deferred tax is measured at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been decided or notified on the balance sheet date.

Deferred tax assets and tax liabilities are offset when they are attributable to

income tax levied by the same authority and when the Group intends to settle the tax with a net amount.

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or revenue in the income statement, except when the tax arises from transactions that are recognised as other comprehensive income or directly against equity. In such cases, the tax is also reported in other comprehensive income or directly against equity. For current and deferred tax that arises during reporting of business combinations, the tax effect should be recognised in the acquisition calculation.

#### Property, plant and equipment

Property, plant and equipment is recognised at cost less accumulated depreciation and any accumulated impairments.

The cost consists of the purchase price, costs directly attributable to bringing the asset to the site and to working condition for its intended use, and the estimated cost of dismantling and removing the asset, and restoring the site where it is located. Additional costs are included only if the asset is recognised as a separate asset, when it is probable that the future economic benefits that can be attributed to the item will flow to the Group and the cost for the same can be measured reliably. All other costs for repairs, maintenance and additional fees are recognised in the income statement for the period they arise.

Depreciation of property, plant and equipment is written off so that the asset's value less the estimated residual value at the end of the useful life, is depreciated on a straight-line basis over the estimated useful life, which is assessed as:

Improvements, leasehold	5–15 years
Machinery and other technical plant	5 years
Equipment, tools and installations	5 years

Estimated useful life, residual values, and depreciation methods are retested at least at the end of each financial period, the effect of any changes to assessments is recognised prospectively.

The carrying amount for property, plant and equipment is derecognised in the statement of financial position when it is retired or disposed, or when no future economic benefits are expected from the use or retirement/disposal of the asset. The gain or loss that arises when the asset is retired or disposed, is the difference between any net revenue during disposal and the carrying amounts recognised in profit for the period when the asset is derecognised in the statement of financial position.

#### Intangible assets

##### Separately acquired intangible assets

Intangible assets with a determinable useful life that are acquired separately are recognised at cost less accumulated depreciation and any accumulated impairments. Depreciation takes place on a straight-line basis over the asset's estimated useful life. Estimated useful life and depreciation methods are retested at least at the end of each financial year, the effect of any changes to assessments is recognised prospectively.

##### Internally generated intangible assets – Capitalised expenses for product development

Internally generated intangible assets that derive from the Group's product development are only recognised when the following conditions are met:

- It is technically feasible to complete the intangible asset so that it is available for use or sale,
- The company intends to complete the intangible asset and to use or sell it,
- Conditions are present to use or sell the intangible asset,
- The company demonstrates how the intangible asset will plausibly generate reliable future economic benefits,
- Adequate technological, financial, and other resources are available to complete development and to use or sell the intangible asset, and
- The expenses directly attributable to the intangible assets during its development can be measured reliably.

If no internally generated intangible assets can be recognised, then expenses for development thereof are recognised as a cost in the period when they are incurred.

After they are first recognised, internally generated intangible assets are carried at cost less accumulated depreciation and any accumulated impairments.

##### Intangible assets acquired in a business combination

Intangible assets acquired through a business combination are identified and recognised separately from goodwill when they meet the definition of an intangible asset and their fair value can be measured reliably. The cost of such intangible assets comprises their fair value on the acquisition date.

After they are first recognised, intangible assets acquired in a business combination are carried at cost less accumulated depreciation and any accumulated impairments in the same way as with separately acquired intangible assets.

#### Estimated useful life for intangible assets

Technology	15 years
Customer relationships	15 years
Patents	20 years
Capitalised expenses for product development	5 years
Brands	Indeterminable useful life

#### Disposals and retirements

An intangible asset is derecognised in the statement of financial position when it is retired or disposed, or when no future economic benefits are expected from the use or retirement/disposal of the asset. The gain or loss that arises when an intangible asset is derecognised in the statement of financial position, comprises of the difference between the payment received during the disposal and the asset's carrying amount, and is recognised in the income statement when the asset is derecognised from the statement of financial position.

#### Impairment of tangible assets and intangible assets excluding goodwill

On each balance sheet date, the Group analyses tangible and intangible assets to determine whether there is evidence that these assets have decreased in value. If so, the asset's recovery value is measured to determine the value of any impairment. If it is not possible to determine the recovery value of an individual asset, the Group measures the recovery value of the cash generating unit to which the asset belongs.

Intangible assets with indeterminable useful life and intangible assets that are not yet finished for use shall be tested for impairment annually, or when there is evidence of loss in value.

The recoverable amount is the higher of the fair value less selling cost and its value in use. When measuring value in use, an estimate of the future cash flows is discounted to present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recovery value of an asset (or a cash generating unit) is determined to be below the carrying amount, an impairment loss is recognised for the carrying amount of the asset (or the cash generating unit) to reflect the recovery value. The impairment loss shall immediately be recognised as an expense in the income statement.

When an impairment loss is reversed, the carrying value of the asset (or the cash generating unit) is revalued to reflect the increase in recovery value, but this increased recovery value may not exceed what the depreciated historical cost would have been if the impairment of the asset had not been recognised (or cash generating unit). Reversal of an impairment loss is recognised directly in the income statement.

#### Financial instruments

Financial assets or liabilities are recognised in the balance sheet when the company becomes a party in the contractual terms of the instrument. A financial asset or a portion of a financial asset is derecognised from the balance sheet when the contractual rights are realised, mature or when the company loses control over it. Financial liabilities or portions of financial liabilities are derecognised in the balance sheet when the agreed obligation is performed or is extinguished in another manner.

On each balance sheet date, the company evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired as a result of past events. Examples of such events include the significant deterioration in the financial position of the counterparty or failure to pay an amount which is due.

Financial assets and financial liabilities that are not measured at fair value through the income statement in a subsequent period, are recognised in the original period at fair value including transaction costs (which are added or deducted, respectively). Financial assets and financial liabilities that are measured at fair value through the income statement in the subsequent period, are recognised in the original period at fair value. In the subsequent period the financial instruments are measured at amortised cost or at fair value depending on the initial classification under IAS 39.

In the original period, financial assets or financial liabilities are classified as one of the following classes:

##### Financial assets

- Fair value through the income statement
- Loans and accounts receivable
- Investments held to maturity
- Financial assets available for sale

##### Financial liabilities

- Fair value through the income statement
- Other financial liabilities measured at amortised cost

#### The fair value of financial instruments

The fair value of financial assets and financial liabilities is measured as follows:

The fair value of financial assets and liabilities that have standard conditions that are traded on an active market is measured in relation to the quoted market price.

The fair value of other financial assets and liabilities is determined according to generally accepted valuation models that are based on information obtained from observable current market transactions.

The carrying amounts of all financial assets and liabilities are deemed to be a reasonable approximation of their fair value, unless otherwise specifically stated in the following notes.

#### Amortised cost

Amortised cost is the amount at which the asset or liability is measured at initial recognition, less principal repayments and plus or minus any accumulated accruals using the effective interest method of the initial difference between the amounts received or paid and amounts to be received or paid on the due date and less depreciation. The effective rate is the interest rate at which, when discounting all estimated future cash flows over the expected maturity, results in the initial carrying amount of the financial asset or the financial liability.

#### Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and recognised as a net amount in the balance sheet when there is a legal right to offset and when the intention is to settle the items on a net basis or to simultaneously realise the asset and settle the liability.

#### Cash and cash equivalents

Cash and cash equivalents include cash assets and bank balances, and other short-term securities that are readily convertible to cash and are subject to an insignificant risk of changes in value. Classification as cash or cash equivalents requires that the maturity does not exceed three months from the date of the acquisition. Cash assets and bank balances are classified as 'Loans and accounts receivable' and these are carried at amortised cost. Since bank deposits are payable on demand, amortised cost equals the nominal amount. Short-term investments are classified as 'Held for trading' and are carried at fair value with value fluctuations recognised in the income statement.

#### Accounts receivable

Accounts receivable are classified as 'Loans and accounts receivable' and these are carried at amortised cost. Accounts receivable with a maturity greater than 12 months are recognised as financial assets and are discounted. Receivables assessed as doubtful are deducted. Any impairments for accounts receivable are recognised as operating expenses.

#### Accounts payable

Accounts payable are classified as 'Other financial liabilities' and these are carried at amortised cost. However, the expected maturity of accounts payable is short, so the liability is recognised at the nominal amount and is not discounted.

#### Borrowing from credit institutions and other loans

Interest-bearing bank borrowings, bank overdraft, and other borrowings are classified as 'Other financial liabilities' and are carried at amortised cost. Any differences between the amount received (net transaction costs) and the repayment amount of the loan is recognised in the income statement over the borrowing period using the effective interest method.

#### Bond loan

The corporate bond comprises a loan contract (a liability component) and an embedded derivative. The liability component is normally recognised at amortised cost and the embedded derivative is carried, under certain conditions, at fair value in the same way as a separate derivative instrument. The embedded derivative arises in that the bond repayment amount is determined by the Group's EBITDA for a specified future period. Rather than carry the liability component and the embedded derivative separately, the Group has chosen to carry the entire combined instrument (both the liability component and the embedded derivative together) at fair value. The value fluctuations that arise are recognised in the net interest income in the income statement. The combined instrument is classified as 'fair value through the income statement'.

#### Derivative instruments

Currency forwards are used to hedge foreign currency flows. The hedge instrument is recognised separately at fair value in the balance sheet with the value fluctuations in the income statement. The Group has not used any derivative instruments during the year.

## Inventories

Inventories are carried at the lowest of cost or net realisable value. Cost is measured by first applying, the FIFO (First in, first out) method. Net realisable value is the expected sales price less expected costs necessary for completion and expected costs necessary for a sale.

## Provisions

Provisions are recognised when the Group has a legal or informal obligation based on past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably measured.

The amount reserved is the best estimate of the amount required to settle the existing obligation on the balance sheet date, considering the risks and uncertainties associated with the obligation. When a provision is measured by estimating the payments expected to be required to settle the obligation, the carrying amount shall correspond to the present value of these payments.

When a part or all of the amount required to settle a provision is expected to be repaid by a third party, the reimbursement shall be separately reported as an asset in the statement of financial position when the realisation of income is virtually certain if the company settles the obligation and the amount can be reliably measured.

## Accounting policies for the parent company

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation (RFR 2) Accounting for legal entities. The application of RFR 2 means that the parent company, to the extent possible, follows all the EU approved IFRS within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and considers the relationship between accounting and taxation. The amendments to RFR 2 Accounting for legal entities that have entered into force and apply to the 2013 financial year have not impacted the parent company's financial reporting.

The differences between the accounting policies of the parent company and the Group are described below.

## Classification and format

The parent company's income statement and balance sheet follow the format specified in the Swedish Annual Accounts Act. The differences from IAS 1 Presentation of Financial Statements that were used in preparing the Group's financial statements are primarily recognising revenues and costs, non-current assets, equity, and the introduction of provisions as a separate item.

## Subsidiaries

Shares in subsidiaries are recognised at cost in the parent company's financial statements. Acquisition-related costs for subsidiaries that are charged in the consolidated financial statements are included as a part of the cost for shares in subsidiaries.

## Group contributions

A group contribution received by the parent company from a subsidiary is recognised using the same policies as regular dividends from that subsidiary, which entails that the group contribution is recognised as financial income.

Group contributions from the parent company to a subsidiary are recognised in the income statement as an appropriation.

## Pensions

The parent company's pension commitments have been calculated and recognised based on the Swedish Pension Obligations Vesting Act. Applying the Swedish Pension Obligations Vesting Act is a prerequisite for tax deductibility.

## Financial instruments

The parent company does not apply IAS 39 Financial instruments: Recognition and measurement. The parent company applies a method based on cost in accordance with the Swedish Annual Accounts Act.

## Definitions for key ratios

### Equity ratio

Equity and untaxed reserves (less deferred tax) in relation to the balance sheet total.

### Net debt

Interest-bearing liabilities less cash and cash equivalents.

### EBITDA

Earnings before interest, taxes, depreciation and amortisation.

### EBITDA margin

EBITDA/revenue.

### Adjusted EBITDA

EBITDA adjusted for non-recurrent costs.

### Adjusted EBITDA margin

Adjusted EBITDA/revenue.

### Earnings per share

Earnings for the period/weighted average number of shares during the period, issue-adjusted

## NOTE 3 Significant accounting estimates and assessments

The most significant assumptions concerning the future, and other important sources of uncertainty in estimations on the balance sheet date, which cause a significant risk for substantial adjustment to carrying amounts for assets and liabilities in the coming financial year are described below.

### Revenue recognition

A basic condition for revenue recognition is that revenues from sales shall be recognised when the significant risks and rewards associated with ownership are transferred to the buyer. The assessment of when these risks and rewards are transferred requires review of each contract and circumstance under which each transaction is conducted. The quantified amounts which are assessed as revenues are recognised in note 5.

### Impairment testing of goodwill and brands

The Group conducts impairment testing annually for goodwill and brand or whenever there is an indication they may be impaired, see note 13.

### Assessment of provisions for doubtful accounts receivable

Accounts receivable are one of the most substantial items in the balance sheet and are recognised at their nominal amount net deductions for doubtful accounts receivable. Accounts receivable with a maturity of more than 12 months are discounted. Provisions for doubtful accounts receivable are therefore subject to accounting estimates and assessments. The Group conducts continual assessments of all outstanding accounts receivable. Provisions are made for past due receivables where payment appears less probable. 61% of accounts receivable refer to territorial fees and correspond to deferred income of the same amount, i.e. these accounts receivable have not been recognised as income yet and any provision of them would reduce deferred income and not earnings.

See note 4 for additional information regarding credit risk.

### Calculating deferred taxes

Deferred tax assets and deferred tax liabilities are balance sheet items that are subject to accounting estimates and assessments. Deferred tax is measured based on the temporary differences that arise between recognised and taxable values of assets and liabilities. Accounting estimates and assessments impact the recognised deferred tax amounts in that the carrying amounts of various assets and liabilities must be determined, and by the fact that forecasts regarding future taxable profit regarding utilisation of deferred tax assets also depend on these.

## NOTE 4 Financial risk management and financial instruments

Through its activities, the Group is exposed to various types of risk. The Group's objective is to create a comprehensive risk management programme that concentrates on minimising potential unfavourable effects on financial results. The company's Board of Directors is ultimately responsible for the exposures, management and follow-up of the Group's risks. The frameworks that apply to the exposures, management, and follow-up of financial risks are set by the Board of Directors and revised annually. The Board of Directors has delegated responsibility for daily risk management to the company's CEO, who in turn has delegated this to the company's CFO. The Board of Directors is able to decide on temporary departures from these established frameworks. The financial risks Bactiguard is thus exposed to are addressed separately below.

### Liquidity and financing risks

Liquidity and financing risks involve the risk of not being able to meet payment obligations due to having insufficient liquidity or difficulties in obtaining external loans. The table below illustrates the Group's liquidity risks using a maturity analysis of financial liabilities. The amounts in these tables are not discounted values and they also contain, where applicable, interest payments, whereby these amounts cannot be reconciled against the amounts reported in the balance sheets. Interest payments are determined based on conditions which apply on the balance sheet date. Amounts in foreign currencies are translated to Swedish krona on the balance sheet date exchange rates.

See note 29 for additional information regarding conditions of the bond contract.

#### Contd. Note 4 Financial risk management and financial instruments

	Within 3 months	3–12 months	2–5 years	Later than 5 years	Total
<b>Group 31/12/2014</b>					
Bond loan	–	20,735	209,235	–	229,970
Accounts payable	10,995	–	–	–	10,995
Bank overdraft	–	–	–	–	–
<b>Total</b>	<b>10,995</b>	<b>20,735</b>	<b>209,235</b>	<b>–</b>	<b>240,965</b>
<b>Group 31/12/2015</b>					
Bond loan	–	153,180	–	–	153,180
Accounts payable	4,017	–	–	–	4,017
Bank overdraft	–	–	–	–	–
<b>Total</b>	<b>4,017</b>	<b>153,180</b>	<b>–</b>	<b>–</b>	<b>157,197</b>
<b>The parent company 31/12/2014</b>					
Bond loan	–	25,025	252,525	–	277,550
Liabilities to group companies	–	–	–	–	–
Accounts payable	485	–	–	–	485
<b>Total</b>	<b>485</b>	<b>25,025</b>	<b>252,525</b>	<b>–</b>	<b>278,035</b>
<b>The parent company 31/12/2015</b>					
Bond loan	–	252,525	–	–	252,525
Liabilities to group companies	–	–	–	–	–
Accounts payable	93	–	–	–	93
<b>Total</b>	<b>93</b>	<b>252,525</b>	<b>–</b>	<b>–</b>	<b>252,618</b>

The company manages liquidity and financing risks through continual monitoring of liquidity forecasts and assessment of alternative financing solutions.

#### Credit and counterparty risk

Credit risk refers to the risk that a counterparty in a transaction causes a loss to the Group by not fulfilling its contractual obligations. The Group's exposure to credit risk is primarily attributable to accounts receivable. To limit the Group's credit risk, every new customer is subjected to a credit analysis. The financial situation for existing customers is also continually monitored to identify warning signals at an early stage.

Accounts receivable are spread to a large number of customers where, however, a few of these represent a substantial amount of total accounts receivable. Accounts receivable are not concentrated to any single geographic area.

No substantial concentration of credit risk. Sales of goods are only made to customers for which the credit risk is assessed as small. Bactiguard uses the Swedish Export Credits Guarantee Board's assessment of credit worthiness in each country. The maximum exposure to credit risk is identified in the carrying amount in the balance sheet for each financial asset respectively.

#### Financial instruments

All financial instruments are classified based on measurement categories in accordance with IAS 39. The table below shows the Group's financial assets for each measurement category and the carrying amount and fair value for each item.

	31/12/2015		31/12/2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<i>Loans and accounts receivable:</i>				
Accounts receivable	57,646	57,646	91,156	91,156
Cash and cash equivalents	22,119	22,119	105,147	105,147
<b>Total financial assets</b>	<b>79,765</b>	<b>79,765</b>	<b>196,303</b>	<b>196,303</b>
<b>Financial liabilities</b>				
<i>Financial liabilities valued at fair value through profit or loss:</i>				
Long-term interest-bearing liabilities	–	–	195,569	195,569
<i>Other financial liabilities:</i>				
Short-term interest-bearing liabilities	142,140	142,140	–	–
Accounts payable	4,017	4,017	10,995	10,995
Other liabilities	77,879	77,879	122,529	122,529
<b>Total financial liabilities</b>	<b>224,036</b>	<b>224,036</b>	<b>329,093</b>	<b>329,093</b>

#### Measurement of financial instruments at fair value

Financial assets and financial liabilities measured at fair value in the balance sheet consist of non-current accounts receivable and the bond loan. The Group's other financial assets and financial liabilities are assessed as having carrying amounts that reasonably approximate their fair value. A measure of fair value based on discounted future cash flows, where a discount rate that reflects the counterparty's credit risk provides the most important input data, is seen as not showing a substantial difference compared to the carrying value.

The table on page 49 presents the Group's financial assets and liabilities measured at fair value and how they were classified in the fair value hierarchy. The different levels are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access on the measurement date. A market is considered as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Other input data than the quoted prices included in Level 1, which is directly or indirectly observable for the asset or liability.

Level 3 – Unobservable input data for the asset or liability.



## Contd. Note 4 Financial risk management and financial instruments

	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Accounts receivable	-	-	6,012	-	-	9,531
<b>Total financial assets</b>	-	-	<b>6,012</b>	-	-	<b>9,531</b>
<b>Financial liabilities</b>						
Bond loan	142,140	-	-	195,569	-	-
<b>Total financial liabilities</b>	<b>142,140</b>	-	-	<b>195,569</b>	-	-

### Bond loan

The bond is listed on the Nasdaq Stockholm and is traded through Carnegie, Nordea, Swedbank, SEB and others. The bond is carried at its market price.

### Accounts receivable

Non-current accounts receivable with maturity longer than 12 months have been discounted.

### Capital risk management

The Group's objective of managing capital is to ensure the Group's capability to continue its operations, in order to generate reasonable returns to the shareholders and benefit other stakeholders.

The Group monitors its capital structure based on its gearing ratio. The gearing ratio is determined as the net debt divided by EBITDA (Operating result adjusted for depreciation). Net debt is calculated as interest-bearing liabilities less cash and cash equivalents.

### Currency risk

Currency risk relates to the risk that the fair value or future cash flows fluctuate due to changes in exchange rates. The exposure for currency risk primarily derives from payment flows in foreign currencies, referred to as 'transaction exposure,' and from translating balance sheet items in foreign currency and during translation of foreign subsidiaries' income statements and balance sheets to the Group's presentation currency which is Swedish krona, referred to as 'currency exposure.'

The Group's outflows primarily consist of SEK and USD while the primary inflows are USD and EUR. The Group is thereby highly affected by changes in these currency exchange rates.

Under the Group's currency policy such transaction exposure can be reduced through the use of derivative instruments. Pursuant to the currency policy, the Group may use forward contracts, swaps and currency options. If such instruments are used, hedging should take place by 40-80% of the forecasted cash flows in USD for the next twelve months. However, as of 31 December 2015 the Group held no outstanding currency contracts (-).

The Group's consolidated profit is primarily affected by exchange rates which are mostly attributable to USD and EUR. Under the Group's finance policy, translation exposure shall not be hedged.

### Sensitivity analysis

Based on the year's revenues, cost, and currency structures, a general one percent point change in the exchange rate between SEK and USD would impact the Group's operating profit by approximately MSEK +/- 1.1 (1.0). A similar change to the rate of SEK in relation to the EUR (one percentage point) would impact the Group's operating profit by approximately MSEK +/- 0.3 (0.9).

### Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows fluctuate due to changes in market rates of interest. The Group is primarily exposed to interest rate risk through its bond financing. These bonds carry a fixed coupon rate of interest, but the bond is market quoted whereby the bond price is impacted by changes in market rates of interest.

As the bond has a fixed interest rate, Bactiguard has no direct exposure against interest rate risk. The interest rate risk in a future scenario with external long-term loans should primarily be handled through the spread of fixed rate periods.

## NOTE 5 Revenues

	Group		Parent company	
	2015	2014	2015	2014
License revenues	125,292	89,779	-	-
Sales of BIP products	6,128	3,749	-	-
Exchange rate differences	3,716	3,142	-	-
Other revenues	3,327	1,624	7,036	12,287
<b>Total</b>	<b>138,463</b>	<b>98,294</b>	<b>7,036</b>	<b>12,287</b>

### Intra-group purchases and sales

Intra-group purchasing in the parent company for 2015 was TSEK 7,036 (12,287) and purchases were TSEK 0 (-).

## NOTE 6 Segment reporting

### Group

The information reported to the chief operating decision makers as bases for distribution of resources and assessing segment profit, is not separated into different operating segments. The Group is therefore seen as a single operating segment.

Of the Group's total revenues, sales to C.R. Bard represent 93% (76%). Net revenues totalled TSEK 131,420 (93,528) allocated to the following geographic markets: America 95% (93%), MEA 3% (6%), Asia 0.5% (-), Europe 1.5% (1%) of which Sweden 0.3% (0.2%).

Of the Group's total non-current assets of TSEK 569,285, less than 1% are attributable to foreign companies.

### Parent company

No sales of goods were made in the parent company for the period.

## NOTE 7 Remuneration to auditors

	Group		Parent company	
	2015	2014	2015	2014
<b>Deloitte</b>				
Audit engagements	532	475	532	475
Audit-related services	45	483	–	483
Tax consultancy	27	239	–	239
Other services	231	452	160	452
<b>Total</b>	<b>835</b>	<b>1,649</b>	<b>692</b>	<b>1,649</b>
<b>Other auditors</b>				
Audit engagements	51	47	–	–
Audit-related services	–	–	–	–
Tax consultancy	–	–	–	–
Other services	–	140	–	140
<b>Total</b>	<b>51</b>	<b>187</b>	<b>–</b>	<b>140</b>

The audit assignment refers to fees charged for the statutorily required audit. The assignment includes auditing the annual accounts and financial statements, reviewing the administration of the Board of Directors and Chief Executive Officer, and the fees for audit advice provided to the company during the audit engagement. Other auditing services refer to quality assurance services and include a review of the Group's interim financial statements and review of projects funded by the EU. Other assignments for 2015 included work on, among other things, the Group's Transfer Pricing policy.

## NOTE 8 Operating leases

On the balance sheet date, the parent company and the Group had outstanding commitments in the form of minimum lease fees for non-cancellable operating lease agreements, with due dates as below:

	Group		Parent company	
	2015	2014	2015	2014
Within 1 year	9,580	8,046	–	–
Between 1 year and 5 years	36,113	30,160	–	–
After more than 5 years	67,029	70,332	–	–
<b>Total</b>	<b>112,722</b>	<b>108,538</b>	<b>–</b>	<b>–</b>

The rental commitment is the largest portion of the amounts above.

Expenses for operating lease agreements for the year totalled TSEK 8,716 (7,962) for the Group and TSEK 39 (4,273) for the parent company.

## NOTE 9 Number of employees, salaries, other remuneration and social security costs

### Employees

	2015		2014	
	Number of employees	Of which men	Number of employees	Of which men
Parent company	4	3	3	2
Swedish subsidiaries	35	15	39	19
Foreign subsidiaries	26	11	16	5
<b>Group total</b>	<b>65</b>	<b>29</b>	<b>58</b>	<b>26</b>

	2015			2014		
	Salaries and other remuneration	Social security costs	Total	Salaries and other remuneration	Social security costs	Total
<b>Total salaries and other remuneration to employees</b>						
Parent company	8,271	4,412	12,683	5,750	2,785	8,535
– of which pension costs	–	2,145	2,145	–	978	978
Swedish subsidiaries	27,376	10,428	37,804	22,330	9,160	31,490
– of which pension costs	–	3,898	3,898	–	3,601	3,601
Foreign subsidiaries	3,190	490	3,679	3,085	483	3,568
– of which pension costs	–	–	–	–	–	–
<b>Group total</b>	<b>38,836</b>	<b>15,330</b>	<b>54,166</b>	<b>31,164</b>	<b>12,429</b>	<b>43,593</b>
– of which total pension costs	–	6,043	6,043	–	4,580	4,580

Salaries and remuneration to employees excludes consultant fees (not employees). Severance pay of TSEK 4,171 to the former CEO is included in the parent company's total salaries and social security costs.

Other personnel costs totalled TSEK -1,224 (1,403) including capitalised personnel costs of TSEK -3,946 (-1,346) for time spent on ongoing projects.

Contd. NOTE 9 Number of employees, salaries, other remuneration and social security costs

Board of Directors and senior management

	2015		2014	
	Board of Directors	Senior management	Board of Directors	Senior management
<b>Gender distribution in Board of Directors and senior management</b>				
Men	3	7	3	6
Women	1	6	1	4
<b>Total</b>	<b>4</b>	<b>13</b>	<b>4</b>	<b>10</b>
	Salaries/ Remuneration	Other benefits	Pension	Total
<b>Remuneration and other benefits to senior management</b>				
<b>Senior management 2015</b>				
Chief Executive Officer	4,791	–	1,576	6,367
Other senior management	11,483	–	1,992	13,475
<b>Total</b>	<b>16,274</b>	<b>–</b>	<b>3,568</b>	<b>19,842</b>
<b>Senior management 2014</b>				
Chief Executive Officer	1,981	–	304	2,285
Other senior management	8,764	–	897	9,661
<b>Total</b>	<b>10,745</b>	<b>–</b>	<b>1,201</b>	<b>11,946</b>

The CEO was employed for the year in Bactiguard Holding AB. During the year the item CEO comprised of three people, see further under the heading CEO in the corporate governance report. No agreements regarding severance pay are in effect between the company and the current CEO or other senior management. The table above includes contracted severance pay of in total TSEK 4,171 with the previously employed CEO. Other senior management includes, in addition to group management, the Production and Purchasing Manager, three regional sales managers, the Marketing Manager, the Finance Manager, the Research and Development Manager, the Communication Director and the Manager for Regulatory Affairs.

	2015				2014			
	Salary/ Board fee	Audit committee fee	Pension	Total	Salary/ Board fee	Audit committee fee	Pension	Total
<b>Board of Directors</b>								
Stanley Brodén, Chairman of the Board	122	–	–	122	–	–	–	–
Peter Hentschel, member of the board	122	–	–	122	–	–	–	–
Christian Kinch, Chairman of the Board up to and including May	1,538	–	288	1,826	2,933	–	471	3,404
Ulf Mattson, member of the board up to and including May	63	–	–	63	164	–	–	164
Mia Arnhult, member of the board	186	–	–	186	124	–	–	124
<b>Total</b>	<b>2,033</b>	<b>–</b>	<b>288</b>	<b>2,320</b>	<b>3,221</b>	<b>–</b>	<b>471</b>	<b>3,692</b>

Bonuses, included in the afore-mentioned salaries and remuneration to the Board of Directors and CEO totalled TSEK - (-). Defined benefit plans do not form any portion of the total pension costs of the Group parent company.

**NOTE 10** Financial income

	Group		Parent company	
	2015	2014	2015	2014
Interest income	3	130	–	128
Interest income, group company	–	–	5,275	5,741
Market valuation of the bond loan	2,602	–	–	–
Exchange rate gains	52	3,511	–	–
<b>Total financial income</b>	<b>2,657</b>	<b>3,641</b>	<b>5,275</b>	<b>5,869</b>

All interest income is attributable to financial assets that are measured at their amortised cost.

**NOTE 11** Financial expenses

	Group		Parent company	
	2015	2014	2015	2014
Interest expenses	19,145	36,716	27,365	38,510
Interest expenses, group company	–	–	–	72
Market valuation of the bond loan	–	32,101	–	–
Exchange rate loss	1,816	–	–	–
Other financial expenses	–	15,181	309	14,000
<b>Total financial expenses</b>	<b>20,961</b>	<b>83,998</b>	<b>27,674</b>	<b>52,582</b>

All interest expenses in the Group are attributable to the bond loan, the bank overdraft has been valued at amortised cost. The bond loan is carried at market value.

## NOTE 12 Taxes

	Group		Parent company	
	2015	2014	2015	2014
Nominal tax (22%)	6,813	25,485	6,790	11,667
Tax effect non-deductible expenses	-429	-812	-	-
Tax effect non-deductible income	-	-	-	-
Tax effect of loss carry-forwards for which no deferred tax assets are reported	1,223	-	-	-
Tax effect for which no deferred tax loss carry-forwards are reported	-3,137	-19,569	-6,790	-11,667
<b>Total</b>	<b>4,470</b>	<b>5,104</b>	<b>-</b>	<b>-</b>

The Group has tax loss carry-forwards as per 31 December 2015 of TSEK -334,399 (-320,140) corresponding to the maximum deferred tax asset of TSEK 73,568 (70,431), of which TSEK 33,606 (33,606) is recognised as deferred tax assets. The Group's tax loss carry-forwards will be adjusted as a result of the changed accounting policies in connection with the tax declaration.

The Group has not recognised the effects of temporary differences related to the market valuation of the bond loan and tangible assets.

	Group		Parent company	
	2015	2014	2015	2014
Current taxes	-	-	-	-
Deferred taxes	4,469	5,104	-	-
<b>Total</b>	<b>4,469</b>	<b>5,104</b>	<b>-</b>	<b>-</b>

### Deferred tax

Temporary differences occur whenever the carrying amounts and taxable values of assets and liabilities differ. The temporary differences of the Group and the parent company have resulted in deferred tax liabilities and deferred tax assets in regard to the following items:

	Group	
	2015	2014
<b>Deferred tax assets</b>		
Loss carry-forwards	33,606	33,606
Liability bond loan	-	-
<b>Total deferred tax assets</b>	<b>33,606</b>	<b>33,606</b>
<b>Deferred tax liabilities</b>		
Intangible assets	68,373	72,843
<b>Total deferred tax liabilities</b>	<b>68,373</b>	<b>72,843</b>
<b>Total net deferred tax liabilities</b>	<b>34,767</b>	<b>39,237</b>

The deferred tax assets occurred when Bactiguard Holding acquired Bactiguard AB as a reduction of deferred tax liabilities attributable to the acquired surplus value in intangible assets. The year's change to deferred tax liabilities is attributable to temporary differences related to depreciation of intangible assets.

## NOTE 13 Goodwill

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening acquisition value	226,292	226,292	-	-
<b>Closing accumulated acquisition value</b>	<b>226,292</b>	<b>226,292</b>	-	-
<b>Net carrying amount</b>	<b>226,292</b>	<b>226,292</b>	-	-

The carrying amount of goodwill is attributable to Bactiguard Holding's acquisition of Bactiguard AB.

### Impairment testing intangible assets with indeterminable useful life

Impairment testing of goodwill and brands with indeterminable useful life is conducted annually in the Group and, when indications arise of the necessity for impairment testing. Goodwill that arose in connection with a business combination was allocated on the transfer date to the cash generating units in the Group that were expected to obtain benefits of the combination. Bactiguard Holding has a single cash generating unit.

The recoverable amount for a cash generating unit is established based on estimations of value in use. These estimations are based on expected future cash flows identified in financial forecasts that were approved by the company management that cover a 5 year period. The assessment of future cash flows includes assumptions regarding primarily sales growth, operating margins and discount rates. The discount rate of 13.7% (12.4%) before taxes reflects specific risks tied to the asset. The forecasted operating margin was based on previous performance and the management's expectations of the market. Growth beyond the forecasted 5 year period is expected to be 1.5% (1.5%) per year, which matches the Group's long-term assumptions for inflation. These assumptions are in line with the previous year's impairment testing.

The assumptions of impairment testing follow the company's growth strategy which is divided into four phases (as illustrated in the company's growth strategy on page 12);

#### Phase 1

- Stable revenues from the licencing agreement with C.R. Bard
- Development of the BIP portfolio

#### Phase 2

- Develops the BIP portfolio
- Sign distribution agreements with several countries
- Obtain product approval in several countries and initiate deliveries

#### Phase 3

- Expansion to new markets
- Obtain product approvals for several countries and initiate deliveries
- Additions to the existing BIP portfolio with new variants of current products
- Develop new products
- Sign two or three new licencing agreements in the next five years

#### Phase 4

- Sign additional licencing agreements
- Increase sales generated by the BIP portfolio
- Develop new products

Bactiguard is in a growth and build-up phase, with market expansion. Investments have been made in the sales and marketing function, the product portfolio has been developed, and opportunities for new licencing deals have been investigated. The rewards of these investments are now expected to have greater impact.

Based on the assumptions presented above, the value in use exceeds the carried goodwill. Conducting sensitivity analyses of the above assumptions indicates that it requires greater changes to the assumptions (more than 10% reduction in future cash flows, in combination with at least 5% increase in the discount rate) in order to cause any impairment requirement in regard to goodwill and brands. The impairment testing does not include any effects of potential future restructuring or future improvements to the bulk of assets. The forecast revenue is based on the present and existing condition of the assets.

## NOTE 14 Technology

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening acquisition value	357,100	357,100	-	-
<b>Closing accumulated acquisition value</b>	<b>357,100</b>	<b>357,100</b>	-	-
Opening accumulated depreciation	-72,876	-49,069	-	-
Depreciation for the year	-23,807	-23,807	-	-
<b>Closing accumulated depreciation</b>	<b>-96,683</b>	<b>-72,876</b>	-	-
<b>Net carrying amount</b>	<b>260,418</b>	<b>284,225</b>	-	-

The item technology includes Bactiguard's patented and unique coating technology which can be applied to a broad spectrum of products.

## NOTE 15 Brands

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening acquisition value	25,572	25,572	-	-
<b>Closing accumulated acquisition value</b>	<b>25,572</b>	<b>25,572</b>	-	-
<b>Net carrying amount</b>	<b>25,572</b>	<b>25,572</b>	-	-

The carrying amount for brands is attributable to Bactiguard Holding's acquisition of Bactiguard AB as Bactiguard was identified as an intangible asset. The brand is known, established and enjoys trademark protection for an indeterminate period in relevant markets where the company operates. The Group conducts impairment testing annually for the brand or whenever there is an indication that it may be impaired, see note 13.

**NOTE 16** Customer relationships

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening acquisition value	17,700	17,700	-	-
<b>Closing accumulated acquisition value</b>	<b>17,700</b>	<b>17,700</b>	-	-
Opening accumulated depreciation	-3,612	-2,432	-	-
Depreciation for the year	-1,180	-1,180	-	-
<b>Closing accumulated depreciation</b>	<b>-4,792</b>	<b>-3,612</b>	-	-
<b>Net carrying amount</b>	<b>12,908</b>	<b>14,088</b>	-	-

**NOTE 17** Capitalised development costs

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening acquisition value	8,796	6,900	-	-
Capitalisation for the year	5,637	1,896	-	-
<b>Closing accumulated acquisition value</b>	<b>14,433</b>	<b>8,796</b>	-	-
Opening accumulated depreciation	-1,024	-264	-	-
Depreciation for the year	-1,347	-760	-	-
<b>Closing accumulated depreciation</b>	<b>-2,371</b>	<b>-1,024</b>	-	-
<b>Net carrying amount</b>	<b>12,062</b>	<b>7,772</b>	-	-

Capitalised development costs refer to ongoing development projects. Depreciation commences when the project is completed.

**NOTE 18** Patent registrations

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening acquisition value	2,274	1,773	-	-
Capitalisation for the year	285	501	-	-
<b>Closing accumulated acquisition value</b>	<b>2,559</b>	<b>2,274</b>	-	-
Opening accumulated depreciation	-821	-407	-	-
Depreciation for the year	-466	-414	-	-
<b>Closing accumulated depreciation</b>	<b>-1,287</b>	<b>-821</b>	-	-
<b>Net carrying amount</b>	<b>1,272</b>	<b>1,454</b>	-	-

**NOTE 19** Improvements, leasehold

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening acquisition value	15,976	12,581	-	-
Purchases	4,406	6,868	-	-
Sales/scraping	-	-3,420	-	-
Reclassifications	-	-53	-	-
<b>Closing accumulated acquisition value</b>	<b>20,382</b>	<b>15,976</b>	-	-
Opening accumulated depreciation	-164	-1,704	-	-
Depreciation for the year	-2,301	-1,645	-	-
Sales/scraping	-	3,185	-	-
<b>Closing accumulated depreciation</b>	<b>-2,465</b>	<b>-164</b>	-	-
<b>Net carrying amount</b>	<b>17,917</b>	<b>15,812</b>	-	-

**NOTE 20** Machinery and other technical plant

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening acquisition value	14,131	9,469	-	-
Purchases	580	4,170	-	-
Sales/scrapping	-	-303	-	-
Exchange rate differences	-1,229	794	-	-
<b>Closing accumulated acquisition value</b>	<b>13,482</b>	<b>14,131</b>	-	-
Opening accumulated depreciation	-4,369	-2,986	-	-
Depreciation for the year	-2,221	-1,680	-	-
Sales/scrapping	-	303	-	-
Reclassifications	-	247	-	-
Exchange rate differences	520	-253	-	-
<b>Closing accumulated depreciation</b>	<b>-6,070</b>	<b>-4,369</b>	-	-
<b>Net carrying amount</b>	<b>7,412</b>	<b>9,763</b>	-	-

**NOTE 21** Equipment, tools and installations

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening acquisition value	6,864	3,619	-	-
Purchases	1,260	4,661	-	-
Sales/scrapping	-504	-1,470	-	-
Reclassifications	-	53	-	-
Exchange rate differences	-	1	-	-
<b>Closing accumulated acquisition value</b>	<b>7,620</b>	<b>6,864</b>	-	-
Opening accumulated depreciation	-660	-1,483	-	-
Depreciation for the year	-1,528	-646	-	-
Sales/scrapping	-	1,470	-	-
<b>Closing accumulated depreciation</b>	<b>-2,188</b>	<b>-660</b>	-	-
<b>Net carrying amount</b>	<b>5,432</b>	<b>6,204</b>	-	-

**NOTE 22** Shares in subsidiaries

	Parent company		Share of equity %	Share of voting power %	Book value
	31/12/2015	31/12/2014			
Opening acquisition value		384,574			384,574
<b>Closing acquisition value</b>		<b>384,574</b>			<b>384,574</b>
<b>Subsidiaries</b>	<b>Corp.ID. no.</b>	<b>Domicile</b>			
Bactiguard AB	556668-6621	Stockholm	100	100	384,574
Bactiguard International AB	556754-7731	Stockholm	100	100	-
Bactiguard China Limited	1403452	Hongkong	100	100	-
Bactiguard Malaysia SDN. BHD.	970618-V	Malaysia	100	100	-
Bactiguard Singapore Pte. Ltd.	201135972E	Singapore	100	100	-
Bactiguard Israel Ltd.	514794247	Israel	100	100	-
Avisere Technology Private Ltd.	U72200WB2004PTC098738	India	99	99	-
<b>Total</b>					<b>384,574</b>

## NOTE 23 Shares in associates

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening balance 1 January	1,368	1,293	-	-
Investments	-	145	-	-
Profit participations in associates	-70	-69	-	-
<b>Closing balance</b>	<b>1,298</b>	<b>1,368</b>	<b>-</b>	<b>-</b>

The investment is related to 50% ownership in BG Casil Ltd (Ahmedabad, India). The holding has not been deemed as material for further disclosures.

## NOTE 24 Inventory

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Raw material	969	1,269	-	-
Products in progress	925	1,438	-	-
Finished goods	9,793	6,267	-	-
<b>Total inventory</b>	<b>11,687</b>	<b>8,974</b>	<b>-</b>	<b>-</b>

## NOTE 25 Accounts receivable

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Accounts receivable, gross	103,604	101,312	-	-
Provision for doubtful accounts receivable	-45,958	-10,156	-	-
<b>Total accounts receivable, net after provision for bad debts</b>	<b>57,646</b>	<b>91,156</b>	<b>-</b>	<b>-</b>

Of which non-current accounts receivable are TSEK 6,012 (9,531).

61% of accounts receivable refer to territorial fees and correspond to deferred income of the same amount and have thereby not impacted the income statement. The management has assessed that the carrying amount for accounts receivable, net after provisions for bad debts, corresponds to the fair value.

Age analysis of accounts receivable	Group	
	2015	2014
Not due	11,615	12,717
Overdue 1–30 days	4,761	2,026
Overdue 31–90 days	617	5,721
Overdue > 90 days	86,611	80,848
of which provision for doubtful accounts receivable	-45,958	-10,156
<b>Total</b>	<b>57,646</b>	<b>91,156</b>

Provision for doubtful accounts receivable	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Opening balance	-10,156	-9,111	-	-
Provision for doubtful receivables	-35,802	-1,337	-	-
Realised loss	-	292	-	-
<b>Closing balance</b>	<b>-45,958</b>	<b>-10,156</b>	<b>-</b>	<b>-</b>

The company's assessment is that payment will be received for accounts receivable that are past due but not impaired, as the customers' payment history is good.

## NOTE 26 Prepaid expenses and accrued income

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Prepaid rent	2,497	2,128	-	-
Other items	7,094	6,157	1,457	489
<b>Total</b>	<b>9,591</b>	<b>8,285</b>	<b>1,457</b>	<b>489</b>

## NOTE 27 Cash and cash equivalents

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Cash and bank balances	22,119	105,147	16,052	87,319
<b>Total</b>	<b>22,119</b>	<b>105,147</b>	<b>16,052</b>	<b>87,319</b>



## NOTE 28 Share capital

Share capital in Bactiguard as per 31 December 2015 was TSEK 833 allocated to 29,302,373 series B shares each carrying a single vote (29,302,373 votes) and 4,000,000 series A shares, each with ten votes (40,000,000 votes). The total number of shares and votes in Bactiguard as per 31 December 2015 was 33,302,373 shares and 69,302,373 votes. The shares have a quotient value of SEK 0.025.

The disclosures are unchanged compared to 31 December of the previous year.

## NOTE 29 Bond loan

The company issued a bond loan at a nominal value of TSEK 450,000 carrying 11% annual interest in December 2011. The bond loan has a duration of five years and thus matures on 12 December 2016. The amount due on maturity is the higher of the nominal value and EBITDA for the period from 30 September 2015 to 30 September 2016 multiplied by three. However, the amount due may not exceed 166.67% of the nominal value.

In the event of a change of control, Bactiguard is liable to settle all outstanding bonds for an amount equal to maximum 166.67% of the nominal value plus accrued interest. The bond's conditions include financial conditions that the company shall fulfil throughout its duration. In the event that any of these conditions are not met, the company may be liable for immediate repayment of all bonds. The conditions include that the company may not take up further

financial indebtedness (a) at any time when the relationship between net indebtedness and EBITDA exceeds 5.00 or (b) if the relationship between net indebtedness and EBITDA due to taking up such financial indebtedness exceeds 5.00. Furthermore, the company may not transfer, assign, cancel or significantly change the entire or parts of the agreement with C.R. Bard or the patent portfolio as this is defined in the bond conditions if it is a drawback for the holders of the claim.

In the consolidated financial statements, the bond loan is carried at fair value in accordance with level 1. The bond is listed on the Nasdaq Stockholm and is estimated at quoted price and all fluctuations in value are recognised in the income statement. The share of the period's change in value which is attributable to changed credit risk amounts to zero. The accumulated change in value attributed to changed credit risk is zero.

In the parent company the bond loan is estimated at cost after deductions for financial expenses.

The bond is listed on the Nasdaq Stockholm and is traded through Carnegie, Nordea, Swedbank and others.

At the time of Bactiguard's listing on the Nasdaq Stockholm on 19 June 2014, bondholders of a nominal value of TSEK 222,500 chose to offset their bonds against class B shares. After the offset share issue, the total outstanding nominal value of the bond loan was TSEK 227,500.

Bonds were repurchased on the market for a nominal value of TSEK 50,500. On 31 December 2015, the outstanding nominal value and netted amount was TSEK 138,000 (188,500).

## NOTE 30 Bank overdrafts

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Bank overdraft facilities granted	30,000	60,000	-	-
Unutilised bank overdrafts	30,000	60,000	-	-
<b>Utilised bank overdrafts</b>	-	-	-	-

## NOTE 31 Accrued expenses and deferred income

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Accrued interest expenses	732	1,025	1,251	1,251
Accrued holiday pay	7,642	6,694	3,046	2,312
Deferred income	61,955	108,054	-	-
Other items	3,554	2,818	1,409	539
<b>Total</b>	<b>73,883</b>	<b>118,591</b>	<b>5,706</b>	<b>4,102</b>

Deferred income mainly refers to the sale of rights to sell BIP products in an agreed geographic market and is taken up as income during product delivery.

## NOTE 32 Pledged assets and contingent liabilities

	Group		Parent company	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
<b>Pledged assets</b>				
Shares in subsidiaries	155,718	172,898	384,574	384,574
Floating charge	30,000	60,000	-	-
Pledged loans	-	-	180,000	180,000
<b>Total</b>	<b>185,718</b>	<b>232,898</b>	<b>564,574</b>	<b>564,574</b>

Shares in subsidiaries are pledged as security for the bond loan. See note 29 for additional information regarding conditions of the bond loan. There are no contingent liabilities in effect.

### **NOTE 33** Related party transactions

Transactions between the company and its subsidiaries, which are related to the company, have been eliminated in the consolidation, and disclosures regarding these transactions are therefore not provided in this note. Disclosures regarding transactions between the Group and other related parties are presented below.

Services and other transactions between companies within the group are charged based on commercial principles. Bactiguard has received a loan commitment of MSEK 100. If the loan commitment is utilised, the board member – also CEO and principal shareholder – Christian Kinch as well as the principal shareholder Thomas von Koch have undertaken to, without compensation, stand surety for Bactiguard Holding AB's obligations during the loan agreement.

Besides that stated above, neither Bactiguard nor its subsidiaries have provided loans, guarantees or guarantee commitments to or for the benefit of any board members or senior management in the Group. None of these people have had any direct or indirect participation in another business transaction with any company within the Group which is or was uncustomary in its nature or with respect to the conditions.

Details of remuneration and benefits for key individuals in a managerial position are provided in note 9.

### **NOTE 34** Key events after the balance sheet date

After the Chinese decision on product approval for Bactiguard's infection prevention urinary catheter, the first order was received for 100,000 catheters, equating to an order value of approximately MSEK 3, which will be recognised as income during delivery. A small part-delivery will take place during the first quarter of 2016, the remainder during the second quarter of 2016.

A laboratory study, published in the Journal of Biomedical Material, conducted by researchers at Karolinska Institutet and Bactiguard, indicates that Bactiguard's coating which is applied on the catheter's surface, can reduce the risk of thrombosis. A previous clinical study shows that Bactiguard's infection prevention central venous catheters reduce the number of blood infections by 52%.

In February Bactiguard won a procurement of urinary tract catheters in Halland region. The procurement entails a framework agreement starting on 1 October 2016, which enables Region Halland to now purchase Bactiguard's infection prevention urinary catheters.

In connection with the full-year annual accounts of 2015, following careful analysis and in consultation with Nasdaq Stockholm, the Board of Directors decided to change the accounting policies for Territorial fees. As of the full-year 2015, the company recognises Territorial fees as income (Sale of BIP products) in line with delivery of products, instead of income at contract signing, which was previously the case. This had a positive impact on earnings for 2015 by approximately MSEK 34 and a negative impact on equity by MSEK 42. The changes have not had any cash flow effect. The revised financial targets which were communicated in connection with the interim report for the third quarter of 2015, are not impacted by the change in accounting policies. See note 36 for detailed information regarding the change of accounting policies.

### **NOTE 35** Dividends

No dividends were issued during 2015 and no dividends are proposed to the 2016 AGM.

### **NOTE 36** Change in accounting policies

Pursuant to the company's accounting policies in previously submitted annual reports and consolidated financial statements, Territorial fees, i.e. income from the sale of rights through distribution agreements, was recognised upon signing the agreement. The reason for this earlier income recognition of Territorial fees has been that the compensation is not repayable and consequently the company is not deemed as having any remaining commitments besides providing marketing grants, which are recognised as a liability upon signing the agreement. Following careful analysis and in consultation with Nasdaq Stockholm, the Board of Directors has decided to change the accounting policies for Territorial fees. As of the full-year 2015, the company recognises Territorial fees as income (Sale of BIP products) in line with delivery of products, instead of income at contract signing, which was previously the case.

The method which the company applies as of the financial year 2015 provides a more direct link between recognised income and cash flows, which increases the transparency and improves opportunities for shareholders to analyse the company's annual earning capacity. The previously applied method was based on that income was recognised at contract signing, while the cash flow was linked to de facto payment of Territorial fees. At the same time, certain product deliveries were offset against agreed market contribution, which resulted in that income did not increase in line with delivered volumes. This method is certainly accepted in terms of accounting, but makes it more difficult to analyse income flows.

For the changed accounting policies, IAS 8 Accounting Policies has been applied. The changed accounting policies entail that retrospective recalculation has taken place of the financial year 2014 and financial years 2011-2013, which are a part of the multi-year review in order to provide comparability between the years. Consequently, Bactiguard has recalculated all comparison figures which are impacted by the changed accounting policies for the years 2015, 2014, 2013, 2012, 2011 and the related opening balance sheet for 2011, i.e. since the Group was formed on 8 December 2011 in accordance with IAS 8.

The change in accounting policies is attributed to recalculation of Territorial fees and related marketing contribution. Retrospective recalculation has taken place in accordance with IAS 8. This means that changes have been made in the income statement in the submitted annual report for the year 2014, as well as the balance sheet, statement of changes in equity and cash flow statement as well as the related note disclosures for notes 2, 3, 5, 6 and 31 as well as the earnings per share for the years 2011 up to and including 2014. The change results in an impact on the balance sheet and earnings in accordance with the bridges on pages 59 and 60 (the effect is expressed in TSEK). The change in accounting policies has not had any effect on the cash flow.

Contd. NOTE 36 Change in accounting policies

**Bridge for new accounting policies per quarter 2015**

	Q1			Q2			Q3			Q4		
	Old policies	Adjustment	New policies	Old policies	Adjustment	New policies	Old policies	Adjustment	New policies	Old policies	Adjustment	New policies
<b>Income statement</b>												
Revenues												
License revenues	26,790	-	26,790	25,820	-	25,820	56,783	-	56,783	15,899	-	15,899
Territorial fees	-	-	-	-	-	-	-	-	-	-	-	-
BIP products	98	149	247	1,023	1,290	2,313	563	557	1,120	1,270	1,177	2,447
Other revenues	1,946	-	1,946	890	-507	383	4,099	-1,592	2,507	108	2,099	2,207
<b>Total revenues</b>	<b>28,834</b>	<b>149</b>	<b>28,983</b>	<b>27,733</b>	<b>783</b>	<b>28,516</b>	<b>61,445</b>	<b>-1,035</b>	<b>60,410</b>	<b>17,277</b>	<b>3,277</b>	<b>20,553</b>
Raw material and consumables	-1,498	-37	-1,535	-1,886	-322	-2,208	-2,892	-139	-3,031	-833	-294	-1,127
Other external expenses	-40,199	23,513	-16,686	-14,806	1,159	-13,647	-12,568	-	-12,568	-15,316	1,930	-13,386
Personnel costs	-12,203	-	-12,203	-18,469	-	-18,469	-10,191	-	-10,191	-12,080	-	-12,080
Depreciation and amortisation	-8,109	-	-8,109	-8,155	-	-8,155	-8,279	-	-8,279	-8,307	-	-8,307
Other operating expenses	-1,746	3,417	1,671	-2,583	-	-2,583	-1,854	1,759	-95	192	-193	-70
Profit participations in associates	-	-	-	-	-	-	-	-	-	-70	-	-70
<b>Total operating expenses</b>	<b>-63,754</b>	<b>26,892</b>	<b>-36,862</b>	<b>-45,899</b>	<b>836</b>	<b>-45,063</b>	<b>-35,784</b>	<b>1,620</b>	<b>-34,164</b>	<b>-36,414</b>	<b>1,443</b>	<b>-35,040</b>
<b>Operating profit/loss</b>	<b>-34,920</b>	<b>27,041</b>	<b>-7,879</b>	<b>-18,166</b>	<b>1,619</b>	<b>-16,547</b>	<b>25,662</b>	<b>585</b>	<b>26,246</b>	<b>-19,137</b>	<b>4,719</b>	<b>-14,487</b>
<b>Profit/loss from financial items</b>												
Financial income	8,418	-	8,418	11,100	-	11,100	1	-	1	1,058	-	1,058
Financial expenses	-5,283	-	-5,283	-6,139	-	-6,139	-20,550	-	-20,550	-6,909	-	-6,909
<b>Total</b>	<b>3,135</b>	<b>-</b>	<b>3,135</b>	<b>4,961</b>	<b>-</b>	<b>4,961</b>	<b>-20,549</b>	<b>-</b>	<b>-20,549</b>	<b>-5,851</b>	<b>-</b>	<b>-5,851</b>
<b>Profit before tax</b>	<b>-31,785</b>	<b>27,041</b>	<b>-4,743</b>	<b>-13,205</b>	<b>1,619</b>	<b>-11,586</b>	<b>5,113</b>	<b>585</b>	<b>5,697</b>	<b>-24,988</b>	<b>4,719</b>	<b>-20,338</b>
Tax for the period	1,173	-	1,173	1,388	-	1,388	940	-	940	969	-	969
<b>Net profit/loss for the year</b>	<b>-30,612</b>	<b>27,041</b>	<b>-3,571</b>	<b>-11,817</b>	<b>1,619</b>	<b>-10,198</b>	<b>6,053</b>	<b>585</b>	<b>6,637</b>	<b>-24,019</b>	<b>4,719</b>	<b>-19,369</b>
<b>Attributable to:</b>												
Shareholders of the parent	-30,612	-	-3,571	-11,817	-	-10,198	6,053	-	6,637	-24,019	-	-19,369
Earnings per share, SEK (no dilution)	-0.92	-	-0.11	-0.35	-	-0.31	0.18	-	0.20	-0.72	-	-0.58
<b>Balance sheet</b>												
Intangible assets	553,232	-	553,232	547,373	-	547,373	542,967	-	542,967	538,525	-	538,525
Property, plant and equipment	32,421	-	32,421	32,746	-	32,746	31,417	-	31,417	30,761	-	30,761
Financial assets	10,666	-	10,666	9,330	-	9,330	9,512	-	9,512	7,310	-	7,310
<b>Total non-current assets</b>	<b>596,319</b>	<b>-</b>	<b>596,319</b>	<b>589,449</b>	<b>-</b>	<b>589,449</b>	<b>583,896</b>	<b>-</b>	<b>583,896</b>	<b>576,596</b>	<b>-</b>	<b>576,596</b>
Inventory	11,883	-	11,883	10,422	-	10,422	11,209	-	11,209	11,687	-	11,687
Accounts receivable	49,679	-	49,679	48,098	-	48,098	57,053	-	57,053	51,634	-	51,634
Other current receivables	15,189	-	15,189	12,982	-	12,982	11,795	-	11,795	4,620	-	4,620
Prepaid expenses and accrued income	-	-	-	-	-	-	-	-	-	9,591	-	9,591
Cash and cash equivalents	91,851	-	91,851	84,034	-	84,034	48,803	-	48,803	22,119	-	22,119
<b>Total current assets</b>	<b>168,602</b>	<b>-</b>	<b>168,602</b>	<b>155,536</b>	<b>-</b>	<b>155,536</b>	<b>128,860</b>	<b>-</b>	<b>128,860</b>	<b>99,651</b>	<b>-</b>	<b>99,651</b>
<b>Total assets</b>	<b>764,921</b>	<b>-</b>	<b>764,921</b>	<b>744,985</b>	<b>-</b>	<b>744,985</b>	<b>712,756</b>	<b>-</b>	<b>712,756</b>	<b>676,246</b>	<b>-</b>	<b>676,246</b>
<b>Equity</b>	<b>487,554</b>	<b>-48,872</b>	<b>438,682</b>	<b>476,345</b>	<b>-47,320</b>	<b>429,025</b>	<b>484,364</b>	<b>-46,735</b>	<b>437,629</b>	<b>459,460</b>	<b>-42,017</b>	<b>417,443</b>
Deferred tax liabilities	38,064	-	38,064	36,677	-	36,677	35,736	-	35,736	34,767	-	34,767
Bond loan	183,500	-	183,500	172,490	-	172,490	140,390	-	140,390	-	-	-
<b>Long-term liabilities</b>	<b>221,564</b>	<b>-</b>	<b>221,564</b>	<b>209,167</b>	<b>-</b>	<b>209,167</b>	<b>176,126</b>	<b>-</b>	<b>176,126</b>	<b>34,767</b>	<b>-</b>	<b>34,767</b>
Bond loan	-	-	-	-	-	-	-	-	-	142,140	-	142,140
Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	11,681	-	11,681	6,367	-	6,367	3,276	-	3,276	4,017	-	4,017
Other current liabilities	3,484	-	3,484	2,869	-	2,869	2,599	-	2,599	3,996	-	3,996
Accrued expenses and deferred income	40,638	48,872	89,510	50,237	47,320	97,557	46,391	46,735	93,126	31,866	42,017	73,883
<b>Total current liabilities</b>	<b>55,803</b>	<b>48,872</b>	<b>104,675</b>	<b>59,473</b>	<b>47,320</b>	<b>106,793</b>	<b>52,266</b>	<b>46,735</b>	<b>99,001</b>	<b>182,019</b>	<b>42,017</b>	<b>224,036</b>
<b>Total liabilities</b>	<b>277,367</b>	<b>-</b>	<b>326,239</b>	<b>268,640</b>	<b>-</b>	<b>315,960</b>	<b>228,392</b>	<b>-</b>	<b>275,127</b>	<b>216,786</b>	<b>-</b>	<b>258,803</b>
<b>Total equity and liabilities</b>	<b>764,921</b>	<b>-</b>	<b>764,921</b>	<b>744,985</b>	<b>-</b>	<b>744,985</b>	<b>712,756</b>	<b>-</b>	<b>712,756</b>	<b>676,246</b>	<b>-</b>	<b>676,246</b>

Contd. NOTE 36 Change in accounting policies

	2011			2012			2013			2014		
	31 Dec	Adjust- ment	31 Dec after ad- justment	31 Dec	Adjust- ment	31 Dec after ad- justment	31 Dec	Adjust- ment	31 Dec after ad- justment	31 Dec	Adjust- ment	31 Dec after ad- justment
<b>Balance sheet (extract)</b>												
Retained earnings including net profit for the year	-20,020	-32,987	-53,007	-58,620	-59,850	-118,470	-62,082	-60,217	-122,299	-157,019	-75,912	-232,931
<b>Total equity</b>	<b>183,154</b>	<b>-32,987</b>	<b>150,167</b>	<b>144,600</b>	<b>-59,850</b>	<b>84,750</b>	<b>140,953</b>	<b>-60,217</b>	<b>80,736</b>	<b>518,710</b>	<b>-75,912</b>	<b>442,798</b>
Accrued expenses and deferred income	20,126	32,987	53,112	29,589	59,850	89,439	30,335	60,217	90,552	42,679	75,912	118,591
<b>Total liabilities</b>	<b>544,020</b>	<b>32,987</b>	<b>577,007</b>	<b>559,032</b>	<b>59,850</b>	<b>618,882</b>	<b>576,277</b>	<b>60,217</b>	<b>636,494</b>	<b>292,418</b>	<b>75,912</b>	<b>368,330</b>
<b>Total equity and liabilities</b>	<b>727,174</b>	<b>-</b>	<b>727,174</b>	<b>703,632</b>	<b>-</b>	<b>703,632</b>	<b>717,230</b>	<b>-</b>	<b>717,230</b>	<b>811,128</b>	<b>-</b>	<b>811,128</b>
	2011			2012			2013			2014		
	31 Dec	Adjust- ment	31 Dec after ad- justment	31 Dec	Adjust- ment	31 Dec after ad- justment	31 Dec	Adjust- ment	31 Dec after ad- justment	31 Dec	Adjust- ment	31 Dec after ad- justment
<b>Income statement (extract)</b>												
Net sales	4,382	-260	4,122	129,005	-39,037	89,968	126,733	-6,334	120,399	109,047	-15,519	93,528
Other revenues	22	-	22	2,814	-	2,814	4,366	-870	3,496	9,811	-5,045	4,766
<b>Total revenues</b>	<b>4,404</b>	<b>-260</b>	<b>4,144</b>	<b>131,819</b>	<b>-39,037</b>	<b>92,782</b>	<b>131,099</b>	<b>-7,204</b>	<b>123,895</b>	<b>118,858</b>	<b>-20,564</b>	<b>98,294</b>
Raw material and consumables	-316	-37	-353	-2,767	-221	-2,988	-10,290	-211	-10,501	-6,102	-397	-6,499
Other external expenses	-2,654	207	-2,447	-45,040	10,350	-34,690	-41,262	7,048	-34,214	-54,187	5,267	-48,921
Other operating expenses	-583	90	-493	-4,484	2,044	-2,440	-315	-	-315	-3,160	-	-3,160
<b>Profit before tax</b>	<b>-20,020</b>	<b>-</b>	<b>-20,020</b>	<b>-50,589</b>	<b>-26,863</b>	<b>-77,452</b>	<b>-5,772</b>	<b>-367</b>	<b>-6,139</b>	<b>-100,146</b>	<b>-15,695</b>	<b>-115,841</b>
Taxes for the period	-	-	-	12,230	-	12,230	2,365	-	2,365	5,104	-	5,104
<b>Profit/loss for the year</b>	<b>-20,020</b>	<b>-</b>	<b>-20,020</b>	<b>-38,359</b>	<b>-26,863</b>	<b>-65,222</b>	<b>-3,407</b>	<b>-367</b>	<b>-3,774</b>	<b>-95,042</b>	<b>-15,695</b>	<b>-110,737</b>
Attributable to:												
Shareholders of the parent	-20,020	-	-20,020	-38,359	-26,863	-65,222	-3,407	-367	-3,774	-95,042	-15,695	-110,737
Earnings per share, SEK	-1.00	-	-1.00	-1.92	-	-3.26	-0.17	-	-0.19	-3.80	-	-4.43
	2011			2012			2013			2014		
	31 Dec	Adjust- ment	31 Dec after ad- justment	31 Dec	Adjust- ment	31 Dec after ad- justment	31 Dec	Adjust- ment	31 Dec after ad- justment	31 Dec	Adjust- ment	31 Dec after ad- justment
<b>Statement of comprehensive income (extract)</b>												
Profit/loss for the year	-20,020	-	-20,020	-38,359	-26,863	-65,222	-3,407	-367	-3,774	-95,042	-15,695	-110,737
Other comprehensive income	-	-	-	-195	-	-195	-185	-	-185	-655	-	-655
<b>Total comprehensive income</b>	<b>-20,020</b>	<b>-</b>	<b>-20,020</b>	<b>-38,554</b>	<b>-26,863</b>	<b>-65,417</b>	<b>-3,592</b>	<b>-367</b>	<b>-3,959</b>	<b>-95,697</b>	<b>-15,695</b>	<b>-111,392</b>

## Signing the annual report

The Board of Directors and Chief Executive Officer hereby certify that these consolidated financial statements were prepared in accordance with the international financial reporting standards, as referenced in the European Parliament and of the Council regulation (EC) No. 1606/2002 of 19 July 2002 on the application of international accounting standards and provide a fair representation of the parent company's and the Group's operations, financial position and performance and describe the material risks and uncertainties facing the parent company and group companies.

Stockholm 15 April 2016

Christian Kinch  
Chief Executive Officer and Director

Stanley Brodén  
Chair of the Board of Directors

Peter Hentschel  
Director

Mia Arnhult  
Director

Our auditor's report was submitted on 15 April 2016  
Deloitte AB

Kent Åkerlund  
Certified Public Accountant

# Auditor's report

To the annual meeting of the shareholders of Bactiguard Holding AB Corporate identity number 556822-1187

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of Bactiguard Holding AB (publ) for the financial year 2015-01-01 – 2015-12-31 with the exception of the corporate governance report on pages 31–34. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 26–60.

## **Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The corporate governance report on pages 31–34 is not included in our opinion. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Bactiguard Holding AB for the financial year 2015-01-01 – 2015-12-31. We have also performed a statutory review of the corporate governance report.

## **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance report on page 31–34 is consistent with the Annual Accounts Act.

## **Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions. In addition, we have read the corporate governance report and based on our knowledge of the company and the consolidated accounts, we have concluded that we have sufficient basis for our opinion. This implies that our statutory review of the corporate governance report has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices in Sweden.

## **Opinions**

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance report has been prepared, the statutory information presented is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm 15 April 2016  
Deloitte AB

*Signature on Swedish original*

Kent Åkerlund  
Authorized Public Accountant

# Glossary and references

## Antibiotic resistance

Microorganisms, such as bacteria, that have developed a resistance to antibiotics, which makes infections and diseases caused by these bacteria no longer be able to be treated with antibiotics.

BIP CVC

Bactiguard Infection Protection (BIP) central venous catheter.

## BIP ETT

Bactiguard Infection Protection (BIP) endotracheal tube.

## BIP Foley

Bactiguard Infection Protection (BIP) foley catheter.

## Clinical study

A study designed to determine the effects that medical technical devices have on human.

## Multi-resistant bacteria

Bacteria that are resistant towards several antibiotic treatments, so that established antibiotic alternatives no longer can be used for treatment or preventive purposes.

## Healthcare associated infections (HAI)

Infections that occur while Healthcare associated infections (HAI) affect patients while treated at hospital, healthcare unit or at home.

## Note References

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