ANNUAL REPORT 2019

Bactiguard

Infection prevention | Saving lives

The Board of Directors and Chief Executive Officer of Bactiguard Holding AB (publ.), corporate identity number 556822-1187, hereby present the annual report for the 2019 financial year for the parent company and Group, which comprises the Board of Directors' report (pages 4-5, 10-21, 24-25 and 30-48) and the financial statements, as well as the notes and comments (pages 48-76). The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be adopted at the Annual General Meeting.

CONTENTS

100 000

PATIENTS IN CLINICAL STUDIES

200

MILLION CATHETERS SOLD

35-90%

LOWER RISK OF INFECTIONS

WE SAVE LIVES

Bactiguard is a Swedish medical device company with a mission to save lives. To achieve this mission, we develop and supply infection prevention solutions that lower the risk of healthcare associated infections, increase patient safety and reduce the use of antibiotics.

Our technology prevents bacterial adhesion and biofilm formation on medical devices. We offer this technology through license agreements and our own BIP (Bactiguard Infection Protection) product portfolio. Urinary catheters with Bactiguard's coating are market leading in the USA and Japan through our license partner BD. Our own product portfolio of urinary catheters, endotracheal tubes and central venous catheters prevents common infections in the urinary tract, the bloodstream and the respiratory tract.

In February 2020 we acquired the Malaysian medical device company Vigilenz with a portfolio of products that comprise surgical sutures, mesh, wound wash, dressings and orthopaedic trauma implants. This acquisition boosts our position in infection prevention and wound care, and gives us greater innovation and product development capacity and expertise.

Our technology plays an important role in reducing the risk of healthcare associated infections (HAIs). This technology has been tested in more than 40 clinical studies including 100,000 patients. It is effective, safe and can be used over a long period of time in the body.

HAIs are infections that patients acquire during hospital care or when seeking other kinds of healthcare. It is currently the third most common cause of death in high income countries. Our technology significantly reduces the risk of HAIs as it lowers the risk of infections by 35-90%.

HAIs result in antibiotics being prescribed, which increases the risk of antibiotic resistance. The World Health Organization, WHO, has stated that antibiotic resistance is a global crisis that must be tackled urgently and that infection prevention is crucial to this work. This is why our mission and technology are so important in saving lives.

Sales in 40 countries

Production in Sweden and Malaysia

Headquarters in Stockholm

Listed on the main list of Nasdaq Stockholm

Our mission

We save lives by developing and offering infection prevention solutions that reduce the risk of healthcare associated infections.

Our vision

Eliminate healthcare associated infections in order to:

- Increase patient safety and save lives.
- Reduce the use of antibiotics and limit the spread of multi-resistant bacteria.
- Reduce healthcare costs.

Revenues, MSEK

197.8

EBITDA, MSEK

61.6

Operating cash flow

49.6

A RECORD YEAR FOR BACTIGUARD

During the year we experienced strong demand for our technology driven by the need to prevent infections. Our financial results showed that our business strategy works and creates value.

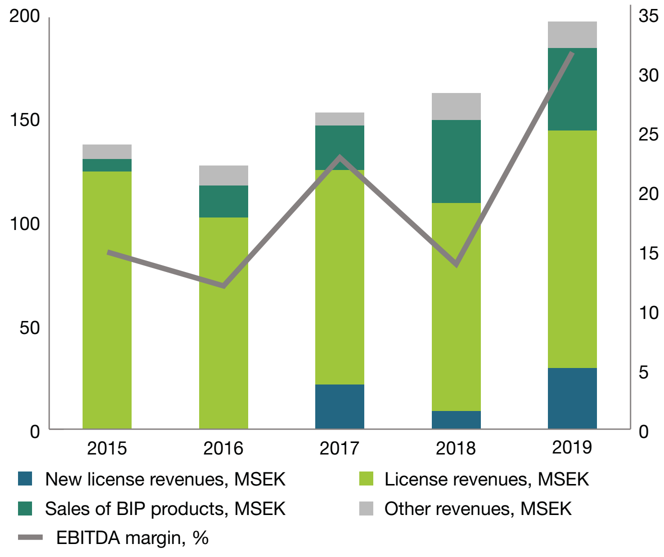
In 2019 we reported several important sales achievements, with a significant improvement in both profitability and cash flow. This growth was generated by both our existing and new license business. In the autumn we signed a global license agreement with the world-leading US medical device company Zimmer Biomet and received two major orders from our Chinese partner Well Lead Medical. During the year we also increased sales of our own product portfolio in Europe, China, India and the Middle East. We expanded our market presence, for example, by the approval for central venous catheters in Mexico and new distribution agreements in Europe.

Key events after the end of the year

In February 2020 Christian Kinch announced to the Board that he would be resigning as the CEO of Bactiguard after close to 16 years. As a result of this, the Board appointed CFO and Deputy CEO Cecilia Edström as the new CEO of Bactiguard, and Stefan Grass, the Chief Medical Officer, as Deputy CEO.

In February 2020 the acquisition of Vigilenz in Malaysia was announced. Bactiguard has had a license agreement with the company since 2015. The acquisition boosts Bactiguard's position in infection prevention and wound care, and adds innovation and product development capacity and expertise. Vigilenz also has a strong distribution network in South East Asia. The consideration comprises a cash payment and new series B shares in Bactiguard (subject to approval by the annual general meeting). In 2019 Vigilenz reported revenues of approximately MSEK 42 and an EBITDA of approximately MSEK 6. The company has over 100 employees. As a result of the acquisition, Bactiguard's revenues are expected to grow faster than on a stand-alone basis, as the product portfolios complement each other and can be sold through the distribution networks of both companies. Bactiguard also expects cost synergies of SEK 5-10 million in the next three to five years.

Revenues and EBITDA margin



Key ratios

MSEK unless otherwise stated	2019	2018
Revenues	197.8	163.2
EBITDA	61.6	22.2
EBITDA margin, %	31.1	13.6
Operating profit/loss	19.5	-12.0
Profit before tax	10.4	-20.7
Net profit/loss for the year	16.3	-14.9
Operating cash flow	49.6	-4.9
Net debt	185.0	155.8
Equity ratio, %	60	63
Return on assets, %	3.1	-1.4
Return on equity, %	2.7	-5.6
Earnings per share, SEK	0.49	-0.45
Average number of employees	60	66

INFECTION PREVENTION – AN INCREASINGLY URGENT GLOBAL ISSUE

Our strong financial performance in 2019 proves that our growth strategy works and that we have a technology that is becoming more in demand as antibiotic resistance is increasing. Preventing infections is a matter of life and death, which has become even more evident in light of the pandemic now spreading across the world. Bactiguard has taken two strategically important steps through our license deal with Zimmer Biomet and the acquisition of Vigilenz. We are now entering a new development phase and well placed for continued profitable growth.

With great joy, I took over the role as CEO of Bactiguard in February this year. I have had different roles in the company over the past six years and have seen how urgent infection prevention is. An average of one in ten patients is afflicted by healthcare associated infections, with sepsis linked to one in five deaths around the world. An increasing number of infections is leading to an increase in the use of antibiotics; and an increase in the use of antibiotics is leading to an increase in antibiotic resistance. This is a dangerous spiral that the World Health Organization has identified as an urgent and serious threat to global public health.

Our unique technology enables us to contribute to the UN's Global Sustainability Goal for good health and well-being. The UN has stated that good health is essential for people to be able to realise their full potential and contribute to social development. This goal is at risk if we do not succeed in preventing healthcare associated infections. Our technology significantly reduces the risk of infections when using medical devices and implants. Our daily activities at Bactiguard contribute to preventing healthcare associated infections, increased patient safety and saves lives. This is how we contribute to the UN's global goals.

Potential for growth

Our strong financial results in 2019 show that we are making good progress on our growth journey and there is a lot of potential for additional growth as we move forward. In 2019 revenues increased by more than 20% to almost MSEK 200, while EBITDA trebled with a margin of more than 30%. The improved profitability meant that we were able to report a positive net profit for the first time in Bactiguard's history. I am also pleased with our strong operating cash flow, which amounted to almost MSEK 50.

Partnerships with leading global companies

As the need for effective infection prevention is so high, we want to make our technology available to as many people as possible. To reach the global market, we sell our own products and license our technology to other medical device manufacturers. We currently have license agreements with two of the largest companies in the world for medical devices – Becton Dickinson and Company, and Zimmer Biomet. These partnerships confirm the strength of our technology, both in a global perspective and for different types of medical applications; for short-term as well as long-term use. This paves the way for new license business.

We signed the agreement with Zimmer Biomet in September 2019 and the pace of the collaboration is high. Zimmer Biomet have a large, dedicated development team and it is obvious that this is a priority project for both parties. Our joint team is working in a very structured way to secure FDA 510k approval in the USA, which we expect next year. As we reach specific milestones in this process, we will receive additional license revenues of MUSD 2. When the products reach the market, Bactiguard will receive recurring royalty revenues.

China our largest market

Revenues from the sale of our own BIP products for infection prevention were at par with the previous year. This is to be expected as we have replaced several of our distributors in Europe and the Middle East over the past few years. It normally takes at least one to one and a half years before a new distribution agreement starts to generate clear results, so we need to show a little patience.

China has become the largest market for our BIP products in a relatively short period of time, and there is a lot of potential for this growth to continue. It has been a few years since we took the strategic decision to target the Chinese market by entering into partnership with a local company. In 2018 we signed an agreement with Well Lead, which is one of the world's largest manufacturers of medical devices, including urinary catheters and endotracheal tubes. Well Lead is focusing on converting a large portion of its own sales and the overall market in China to our infection prevention technology, which will benefit us in the long term.

The preparatory work to register our entire portfolio of BIP products in China has been completed, while the regulatory process will start in 2020. We expect it to take a few more years until locally produced BIP products are approved for sale in China.

> 2019 showed us that our growth strategy works and we see good opportunities for continued profitable growth.

Expanded product portfolio

In February this year we announced the acquisition of the Malaysian medical device company Vigilenz, which we have partnered with since 2015. Just like Bactiguard, Vigilenz focuses on infection prevention. Its portfolio comprises primarily wound care products, where infection is a common complication.

Expanding our portfolio for infection prevention will speed our growth. This acquisition immediately doubles our product revenues, increases our geographic presence and strengthens our platform for new license business. We also achieve considerable synergies by combining distribution networks, product development teams, staff functions and production facilities.

The acquisition is also financially accretive and will significantly increase revenues, profit and cash flow. Vigilenz generated revenues of more than MSEK 40 million in 2019 with an EBITDA margin of 14%.

Increased focus on clinical evidence

We have boosted the medical expertise both in Group management and in the Board to enable us to accelerate the sales of our products and spread knowledge of Bactiguard's technology. In the autumn we recruited Stefan Grass as our Chief Medical Officer. He was also appointed Deputy CEO in February this year. Stefan Grass is a doctor with an extensive medical background, who has been tasked with developing our clinical evidence in a structured way. It is becoming even more important to show how effective our technology is and how it can support a broader use of our products. Professor Anna Martling from Karolinska Institutet has been on the Board since the 2019 Annual General Meeting. She is also a doctor with specialist and research expertise.

Future prospects

As the global spread of the coronavirus has become pandemic with a serious impact on people's lives, the healthcare system and the world economy, infection prevention is more important than ever. To be able to meet the demand for protective medical equipment, we have increased our production capacity of for example HYDROCY aqua, an antimicrobial water based solution for disinfection and wound care. We have also established an air bridge for rapid transport of products from Asia to Europe. No one can currently see what this pandemic will lead to, but we are convinced that the need for infection prevention will increase. We have a unique technology that significantly reduces the risk of healthcare associated infections and there is large, untapped potential. We have also expanded our product portfolio. We have license agreements with two of the leading medical device companies in the world and we see the major potential for new license business. In recent years we have reviewed our partnerships with distributors and signed new agreements. 2019 showed us that our growth strategy works and we see good opportunities for continued profitable growth.

Finally, I would like to thank Christian Kinch, our former CEO, for his significant efforts in Bactiguard since the company was formed in 2005. During Christian's entrepreneurial leadership, the company has grown from three employees to where we are today. I am therefore pleased that we will continue our cooperation with Christian as an active member of the Board. I would also like to take this opportunity to thank all our employees for making 2019 such a groundbreaking year. Our progress has been possible through fantastic teamwork and motivation. I would also like to welcome to Bactiguard our new employees from Vigilenz. Together we will save many more lives.

Cecilia Edström
CEO

ONE IN EVERY TEN PATIENTS AFFLICTED BY HEALTHCARE ASSOCIATED INFECTIONS

Healthcare associated infections are currently the third most common cause of death in high income countries. On average one in every ten patients suffers from healthcare associated infections, which are often caused by medical devices.

High quantities of antibiotics are used to treat these infections, which increases the problem of antibiotic resistance, as the use of antibiotics in itself leads to resistance.

Sepsis, which used to be known as blood poisoning, arises when tissues and organs are damaged as a result of the body's immune system overreacting to an infection, which quickly becomes life threatening. Late diagnosis and antibiotic resistance are making it increasingly difficult to treat bacterial infections and to prevent them from developing into sepsis. Every year 47-50 million people develop sepsis, and one in five of them dies. Those who survive often suffer permanent damage. It is estimated that up to 50% of all cases of sepsis can be attributed to healthcare associated infections. Consequently, preventing healthcare associated infections is crucial for reducing the occurrence of sepsis.

According to the World Health Organization, ten million people will be at risk of dying every year as a result of infections caused by antibiotic resistance by 2050. This can be compared to about eight million people dying of cancer every year.

Antibiotic resistance could result in common infections, such as tonsillitis and inflammation of the ear, becoming difficult to treat in the future and could be fatal in the worst cases. Common operations and cancer treatments also depend on effective antibiotics to supplement a patient's own immune system.

Fewer infections will result in a reduction in the use of antibiotics and better health for patients. Fewer complications will also result in lower healthcare costs, as hospital care will be shorter and treatment costs will fall. In 2017 the OECD published a report stating that the costs for preventing infections are much lower than the costs for healthcare associated infections.

According to the World Health Organization, it is now more important than ever to prevent infections. By preventing infections we can save millions of lives every year, while reducing healthcare costs and the spread of antibiotic-resistant bacteria. If we work effectively on preventing infections, healthcare associated infections could fall by at least 30% according to the World Health Organization.

Viral infections increase the risk of bacterial infections

The spread of the coronavirus has raised awareness of viral and bacterial infections. Viral infections – for example the coronavirus – places the body's immune system under stress, which increases the risk of secondary bacterial infections. One of the most serious bacterial infections is sepsis, or blood poisoning as it used to be called.

In the fight against the coronavirus we donated infection prevention products to Chinese hospitals in March 2020 at a market value of more than MSEK 2. These products came both from Bactiguard and the recently acquired Vigilenz. The donation included HYDROCYN aqua®, a water-based product that kills bacteria, fungi and viruses in a few seconds without damaging or irritating the body. This product has been proven to have a powerful effect on previous variants of coronavirus, making it a useful prevention tool for both the general public and healthcare staff. We also donated infection prevention catheters that protect patients against the bacterial infections that are often complications of viral infections.

HYDROCYN aqua® is a pH neutral and water-based product which, unlike alcohol and chlorhexidin, is not irritating, toxic or harmful to the body. The active substance is hypochlorous acid (HOCl) that kills bacteria, fungi and viruses within a few seconds. HYDROCYN aqua® has been part of Bactiguard's portfolio since the acquisition of Vigilenz and it has been documented to kill 99.9% of previous variants of coronavirus within 15-30 seconds. HYDROCYN aqua® has the CE marking (approved in the EU) and is FDA registered in the USA.

> “HYDROCYN aqua® has been proven to have a powerful effect on previous variants of coronavirus, making it a useful prevention tool for both the general public and healthcare staff.”
>
> **Stefan Grass, Chief Medical Officer and Deputy CEO**


Primo Star

AN URGENT GLOBAL NEED TO PREVENT INFECTIONS

Healthcare associated infections are urgent and a growing problem throughout the world. An increasing number of infections combined with antibiotic resistance presents a global threat to public health. With our technology we can meet the need for medical devices that can effectively help to reduce the risk of healthcare associated infections.

Bactiguard's business is based on our unique technology, which is a very thin coating on medical devices. Our technology reduces the risk of healthcare associated infections by 35-90% and many years of clinical studies have proven it to be safe.

We want our technology to be available to as many people as possible. This is why we have decided to both sell our own products and license our technology to other medical device companies. This enables us to reach out effectively to a large, global market.

We currently have two revenue streams: the sales of our own products and license revenues.

BIP portfolio

We have called our own product portfolio 'BIP' (Bactiguard Infection Protection). This portfolio contains three products: the urinary catheter BIP Foley; the endotracheal tube BIP ETT; and the central venous catheter BIP CVC.

We sell our product portfolio through distributors around the world. When we sign a new distribution agreement for our product portfolio, it normally takes one to one and a half years before the collaboration starts to generate clear results.

We perform clinical studies on our BIP portfolio, enabling us to build up knowledge about the effectiveness and safety of the technology. In addition to this, we are well versed in the approval processes of different countries and jurisdictions. Approval processes often take several years and require extensive clinical studies. Both the clinical studies and our understanding of the approval processes are important factors when developing our distributor network and negotiating license agreements.

The acquisition of our license partner Vigilenz has broadened our product portfolio to include surgical sutures, mesh, wound wash, dressings and orthopaedic trauma implants.

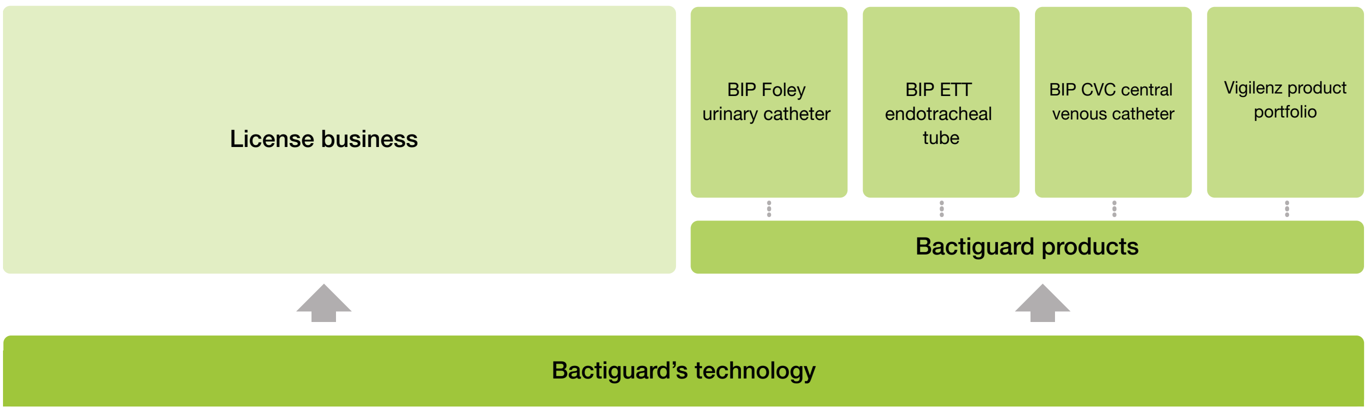
License business

We license our technology to medical device companies throughout the world that apply our technology to their own products and sell them under their own brand.

In our license business we receive initial fees related to the right to use our technology for products within a specific application and geographical area. The license revenues also comprise royalties; this is a variable remuneration when the products reach the market and generate sales revenues.

The licensee gains access to our process expertise, while the coating itself – a concentrate of noble metals – is delivered to them.

Vår affärsmodell



CLEAR GROWTH STRATEGY

We are a growth company that has a clear strategy for growing our business. This strategy involves expanding our own product portfolio and license business, while developing new products and areas of use.

Through license and distribution agreements we are today present on many markets throughout the world. The USA and China represent our largest markets. We will grow on existing markets and enter new markets.

When we sign new distribution agreements for new markets, we have to be persistent as the approval processes take a long time. In recent years we have reviewed our distribution agreements in several countries, primarily in Europe, and started new partnerships.

We currently have five license agreements and our goal is to sign 1-2 new license agreements per year. Our technology is documented as being effective and safe and approved for long-term use in the human body, so we see the potential for new areas of applications and license business.

We are also carrying out product development to expand our BIP portfolio. We are doing this by further developing and expanding our product portfolio, and also developing new products and areas of use.

Growth strategy

SAFE AND EFFECTIVE TECHNOLOGY

Our technology is safe and significantly reduces the risks of healthcare associated infections. This technology has been approved for long-term use on implants, so there are many new applications where it could be used.

For more than 30 years we have been developing our unique coating of noble metals that is applied to medical devices and implants. We performed our first clinical tests back in 1986, and in 1994 a urinary catheter with Bactiguard's coating was registered by the FDA in the USA. To date 200 million catheters have been sold without any reported adverse events related to the technology. Our technology is both tissue-friendly and safe for the patient. It has also been clinically proven to save lives by reducing the risk of infections.

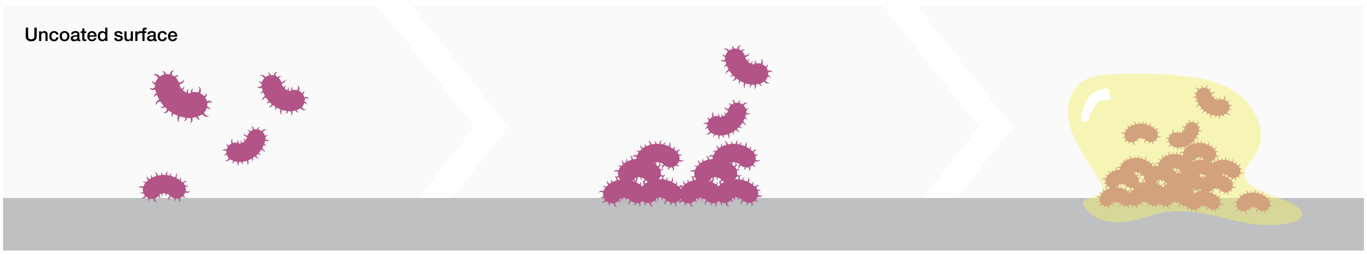
How our technology works

Bacteria and other microbes adhere to the surface of medical devices, for example, catheters and implants, resulting in an increased risk of infection. The microbes often form a biofilm, making them more resistant to antibiotics and the patient's own immune system.

Our technology comprises a very thin coating of gold, silver and palladium. When in contact with fluids, these noble metals create a galvanic effect resulting in fewer microbes adhering to the surface. This reduces the risk of biofilm formation leading to infection.

The amount of noble metals are very low and far below all safety levels. The technology can be used on virtually all kinds of materials that are used for medical devices and implants.

How an infection occurs

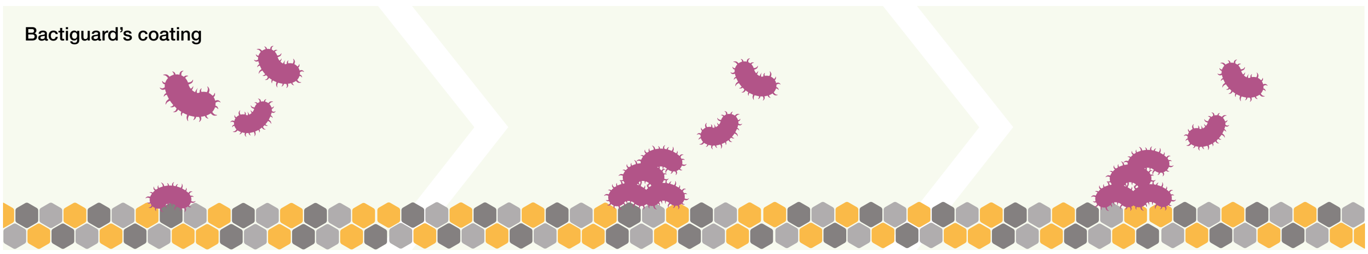


After a few seconds
Bacteria begin to adhere to the surface.

After a few hours
The bacteria begin to multiply.

After a few days
Bacteria form a biofilm. When they begin to disperse, there is an increased risk of infection.

Bactiguard's technology



After a few seconds
Bacteria begin to adhere to the surface.

After a few hours

After a few days

Less bacteria adhere to the Bactiguard coated surface compared to an uncoated surface, which reduces the risk of biofilm formation and subsequent infection.

Our clinical data

200 million catheters with our coating have been used for 25 years.

We have performed more than 40 clinical studies with 100,000 patients.

No adverse events related to the coating have been reported.

Studies show that our technology:

Reduces catheter-related urinary tract infections by 35-90%.

Reduces catheter-related blood infections by 52%.

Reduces ventilator-associated pneumonia by 67%.

Unique technology

There is currently no other technology on the market that is as effective and safe. We also have more than 25 years' experience of applying our coating to a range of products. Over the same period of time, we have also gained knowledge of the regulatory approval processes, which is a strength as we grow our business.

Our technology has been approved for long-term use on orthopaedic trauma implants in metal, which means that it can be used on implants that will remain in the patient for the rest of their life. The properties of this technology and its production process make it suitable for many potential new applications, for example knees, hips and stents.

At the forefront of medical development

Our development activities are focused on developing new products and increasing knowledge of the problems associated with healthcare associated infections. To succeed, we have to collaborate with academia, healthcare, organisations and other companies. We are members of several scientific networks that are funded by the EU and Sweden, including Vinnova and Medtech4Health.

New products

In 2019 we focused our product development on expanding the range of BIP Foley catheters to include a catheter with a built-in thermometer or 'temp sensor'. This kind of catheter allows you to continually monitor a patient's body temperature, which is particularly important following operations or for patients in intensive care.

In 2019 we also started a project to develop stents with our unique technology. We are working with Karolinska Institutet on this project, supported by Vinnova.

Clinical studies increase our knowledge

We perform extensive clinical studies to verify the effect of our technology. The aim of these clinical studies is to generate more data about our products. We particularly want to see how effective our products are in preventing infections, but we also study safety, user-friendliness and patient satisfaction.

We have so far performed more than 40 clinical studies with 100,000 patients. These studies are being performed in Sweden and abroad in collaboration with doctors, nurses and patients.

> "Although new antibiotics are being developed, none of them are expected to be effective against the most dangerous forms of antibiotic-resistant bacteria."
>
> **World Health Organization**

All studies are designed in accordance with international and local laws, rules and ethical principles. They are reviewed and approved by ethical review boards and relevant authorities.

In 2019 we focused on compiling data from a major clinical study of BIP Foley catheters in India and completed the CRITIC study in Brazil in order to improve our knowledge of healthcare associated infections. CRITIC studied intensive care patients suffering, for example from sepsis, who needed all three of our BIP products.

The acquisition of Vigilenz has given us additional innovation and product development capacity, and greater expertise. Vigilenz's research and development focuses on biomaterial for medical applications, urology, cardiovascular products and wound care products in order to reduce healthcare associated infections.

We protect our technology

Patent

The current patent is in force in the USA until 2027 and until 2029 in other countries. Patent applications have been submitted for a new generation of technology. The patent comprises a combination of noble metals deposited on the surface of a product, the application process and most of the medical devices and implants on which the technology can be applied.

Expertise

Both process expertise and pre-treatment tailored to the base material are required to ensure that the coating attaches to the products.

Trade secrets

The recipe is a valuable and well-kept trade secret.

MANY MORE OPPORTUNITIES FOR NEW LICENSE PARTNERSHIPS

Our license business expanded significantly in 2019. We are identifying several more opportunities for new license partnerships and our goal is to sign 1-2 new license agreements per year.

In September 2019 we passed an important milestone when we signed a global license agreement for orthopaedic trauma implants with the US company Zimmer Biomet. Zimmer Biomet is one of the world's largest orthopaedic companies, reporting sales of almost USD 8 billion in 2019. This license agreement entitles Zimmer Biomet to use our technology to coat and sell orthopaedic trauma implants globally, and can be expanded to include other applications.

The agreement comprises a license fee of USD 3 million, which was paid when the agreement was signed, and generated license revenues of MSEK 29.4. When we reach specific milestones in the regulatory process in the USA, the agreement will be able to generate additional revenues, totalling USD 2 million. When the products reach the market, we will receive royalties on Zimmer Biomet's sales. Our partnership with Zimmer Biomet has the potential to significantly expand our license business, both in the short and long term.

Our partner in China, Well Lead Medical, completed the preparatory work to register our entire portfolio of products in China, and the focus is now on training Well Lead's staff in product knowledge. In 2020 the regulatory process will start and we expect it to take a few more years before these locally produced BIP products are approved for sale in China. License revenues from Well Lead amounted to MSEK 2.1 (8.3) in 2019.

We signed our oldest license agreement back in 1995 with the US company Becton Dickinson and Company (BD) for urinary catheters. They have successfully sold this product on several markets, including in the USA and Japan, and we have stable underlying business with BD. The license revenues from BD increased by 12% to MSEK 113.3 (101.2) over the year, with volumes increasing by 4% and a positive currency effect of 6%.

Acquisition of Vigilenz Medical Devices

In February 2020 we acquired our Malaysian license and distribution partner, Vigilenz Medical Devices.

The acquisition is expected to result in considerable revenue and cost synergies by combining distribution networks, product development teams, staff functions and production facilities. We can also see the enormous potential in jointly developing new products and license applications for infection prevention.

New license business

Bactiguard's technology can be used in most areas where there is a need for infection prevention and tissue-friendly properties. So we are continually evaluating new license partnerships where our technology could be of benefit to patients. This increases the value of our underlying product.

We have successfully applied our coating to various types of titanium, stainless steel, latex, silicone, polymers, ceramics and non-woven materials. As the coating is very thin, it does not affect the product's other properties such as thickness, appearance and stiffness.

There are no specific packaging requirements for medical devices with our coating and they can be sterilised using standardised methods. Nor are there any specific requirements for handling procedures or waste management. Our production process is also adaptable and can easily be scaled up.

We are therefore very positive about the potential for new license business for many different areas of application.

Licensee

Name	Start year	Geographic market	Products
Becton, Dickinson and Company (BD)	1995	Exclusive agreement for the USA, Japan, UK and Ireland. Non-exclusive agreement for Canada, Australia, Israel, Oman	Urinary catheter Bardex IC and Lubrisil IC
Vigilenz Medical Devices	2015	South-East Asia	Orthopaedic trauma implants
Smartwise Sweden	2018	Sweden	Advanced vascular injection catheters
Well Lead Medical	2018	China	Well Lead Medical is currently at the approval process stage to enable it to sell our entire product portfolio of catheters and tubes
Zimmer Biomet	2019	Global agreement excluding South-East Asia	Orthopaedic trauma implants

144.8

MSEK IN LICENSE REVENUES

OUR PRODUCTS PREVENT INFECTIONS

Our product portfolio significantly reduces the risk of infections in the urinary tract, the respiratory tract and the bloodstream. It is in these three areas that two-thirds of healthcare associated infections occur; and these are often caused by medical devices.

The acquisition of Vigilenz strengthens our position in infection prevention and wound care. Vigilenz has a product portfolio containing surgical sutures, mesh, wound wash, dressings and orthopaedic trauma implants. One product which we consider to have significant potential is HYDROCYN aqua®, for hand and surface disinfection as well as advanced care of acute and chronic wounds. This product has the CE marking and has been registered by the FDA in the USA. Sales in Europe started in March 2020, but it has not yet been launched in the USA. HYDROCON aqua® has been documented as killing 99.9% of previous variants of the coronavirus within 15-30 seconds.

BIP portfolio — Bactiguard Infection Protection

	Urinary catheter BIP Foley	Endotracheal tubes BIP ETT	Central venous catheter BIP CVC
Properties	For patients who need a catheter for more than two days. An unpublished metaanalysis shows that the risk of catheter-related urinary tract infection is reduced by 42%.	It offers twice the protection, both through subglottic secretion drainage and the effect of the coating. Studies have shown a reduction in ventilator-associated pneumonia of 52%.	It has good blood compatibility and has shown a lower risk of thrombosis than uncoated catheters and as well as competetive coatings. Studies have shown a reduction in catheter-related blood infections by up to 52%.
Infection area	Catheter-associated urinary tract infections are the most common healthcare associated infection, accounting for 30% of all HAIs. These infections are often caused by urinary catheters and can result in serious complications that cause a great deal of suffering for the patient, a higher mortality rate and increased healthcare costs.	Ventilator associated pneumonia (VAP) is a common respiratory tract infection that can afflict patients when endotracheal tubes are used. It is the second most common healthcare associated infection in intensive care, affecting up to 25% of patients. The mortality rate is as high as 30-50%.	Catheter-related bloodstream infections are one of the most common, expensive and most fatal complications associated with central venous catheters. According to the World Health Organization, treatment for one individual case can cost up to USD 56,000. The mortality rate is estimated to be 12-25%.
Market position	Market-leading through our own sales and license collaboration with BD. Since the launch in 1995 more than 200 million catheters have been used globally.	We are alone in offering double protection in the form of a drainage function and a coating that prevents bacterial adhesion.	There are similar catheters with different kinds of coating on the market. BIP CVC has the advantage of being effective against infection, while offering good compatibility with blood and tissue. BIP CVC has a lower risk of thrombosis than competing coated products.

40.2

MSEK IN BIP REVENUES

Clinical evidence is a significant competitive advantage

We perform clinical studies using our BIP portfolio, which helps us build up knowledge about the effectiveness and safety of our technology. They also provide us with data that makes it easier to secure regulatory approvals of our products. Approval processes can often take several years, so it is a significant competitive advantage if we can shorten them. Our clinical studies and knowledge of approval processes are also important when developing our distribution network and negotiating license agreements.

Our studies provide us with clinical evidence of the advantages of our non-toxic, stable technology. Extensive studies and data collection have proven that our technology is safe and effective and can be used over a long period of time in the body. We are also studying user-friendliness and patient satisfaction to enable us, for example, to adapt the shape and design of the products.

It is also important for us to study new areas of use and new applications for our technology, as this paves the way for both new BIP products and new license business.

CHINA HAS BECOME OUR LARGEST BIP MARKET

In 2019 our focus was on expanding sales in Europe, India, China and the Middle East. Following a weak start to 2019, BIP revenues increased strongly. Record-high sales in the fourth quarter enabled us to achieve the same accumulated revenues as in the previous year. China played a major role in this.

Europe

In Europe we changed distributors in Italy during the year and set up new partnerships for Switzerland, Slovakia and Czechia. This has resulted in slightly uneven sales, as our experience shows that it takes at least one to one and a half years before a new collaboration starts to generate clear results.

North America

Our technology has been established in North America through our licensee partner BD (Becton, Dickinsson and Company). We reported stable business with BD in 2019 and in September 2019 we signed a new license agreement for orthopaedic trauma implants with Zimmer Biomet.

China

China has become the largest market for our urinary catheters in a relatively short period of time. The rapid spread of coronavirus is a concern, not only for China, but also for global public health and the global economy. However, there is a greater need for healthcare and infection prevention, as patients who are infected with the virus often suffer from secondary infections caused by bacteria. Our partner Well Lead Medical, one of the largest manufacturers of catheters in the world, is focusing on converting a large portion of its own sales and the overall market in China to Bactiguard's infection prevention technology, which will benefit us in the not too distant future. Well Lead's purchases of BIP products amounted to MSEK 21.3 (21.0) in 2019.

Middle East

We performed well in the Middle East in 2019. This is the region where we have been established for the longest period of time, with a steady growth in sales to end customers. We have changed some of our distributors in recent years, which has had a positive impact. 2019 started our launch in Egypt, following delays in the regulatory and administrative process.

India

All of our BIP products are approved for sale in India. In 2019 we started to see more activity on the market after our partner had strengthened its sales organisation and started targeting a broader cross-section of private and public hospitals.

Royal visit

His Majesty King Carl XVI Gustaf and Her Majesty Queen Silvia visited Bactiguard's stand as part of their state visit to India in December 2019.

Bactiguard's Cecilia Edström and Christian Kinch present our infection prevention technology to the royal couple.

MAJOR MARKET POTENTIAL

We see many potential applications for our technology through our license business and by developing our own products.

The CE marking that we received in December 2018 opened up a major potential market for us. Our technology has now been approved in Europe for use on metal implants that will remain in a patient's body over a long period of time, sometimes for the rest of their life. In the future our technology may be used for other implants for example, knees, hips and spine. This has opened up the market for orthopaedic implants, which is worth more than USD 50 billion.

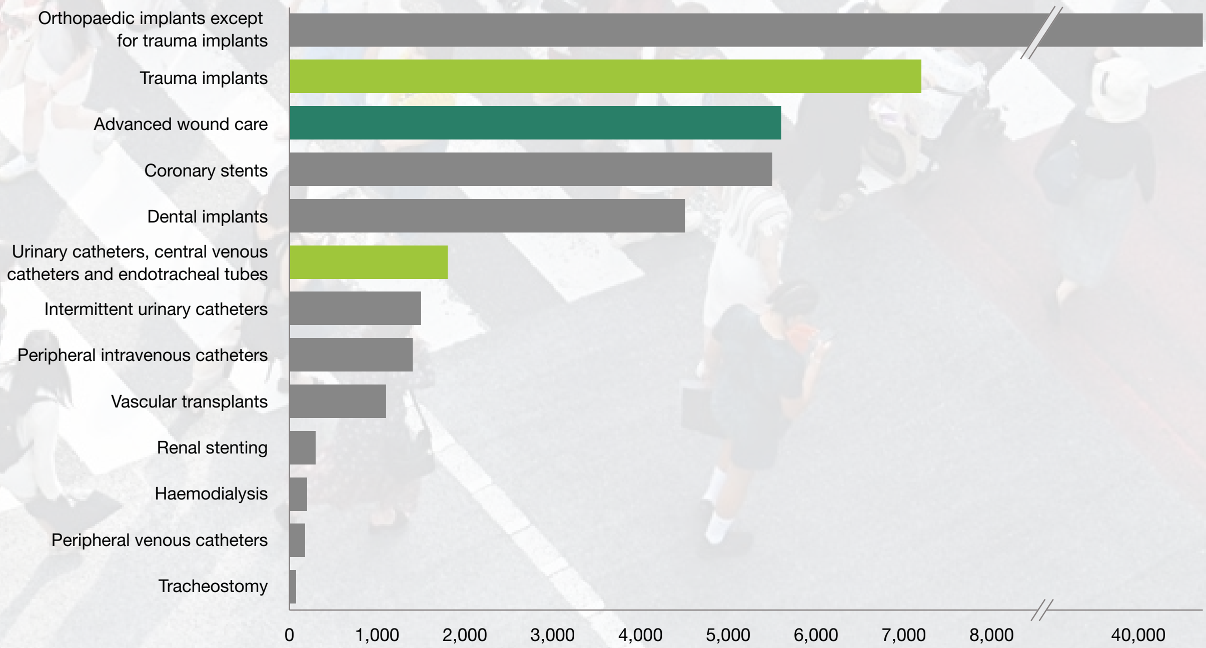
Our own portfolio enables us to reach markets for the short-term use of urinary catheters, central venous catheters and endotracheal tubes. These markets are valued at a total of USD 2 billion.

We have also entered the market for advanced wound care, valued at more than five billion USD, through our acquisition of Vigilenz.

In the long term our technology may also be used for, for example, dental implants and other kinds of catheters.

When looking at applications where our technology could be applied, we can significantly reduce the risk of infections, thereby helping to reduce antibiotic resistance.

Global sales 2017, USD million



- Bactiguard's existing market segments
- New market segment through the acquisition of Vigilenz Medical Devices

Source: The Orthopaedic Industry Annual Report 2019

PROFITABLE GROWTH

In 2019 we showed that our strategy of growing with profitability works. Both license business and sales of our own product portfolio performed well during the year.

Revenues

Total revenues increased by 21.2% to MSEK 197.8 (163.2).

License business increased by 32.2% to MSEK 144.8 (109.5). License revenues from BD remained stable in 2019, with slightly higher volumes reported at the end of the year. A stronger dollar exchange rate had a favourable impact on license revenues in SEK. Total license revenues from BD increased by 12.0% to MSEK 113.3 (101.2).

New license revenues contributed significantly to the development in revenues, increasing by 280% to MSEK 31.5 (8.3). The majority, MSEK 29.4, of the new license revenues came from the agreement with Zimmer Biomet in the USA.

In 2018 a license and distribution agreement was signed with Well Lead in China, which generated license revenues of MSEK 2.1 (8.3) in 2019. This agreement also generated sales of BIP products to Well Lead totalling MSEK 21.3 during the year; this contributed strongly to the total sales of BIP products being on a par with the previous year at MSEK 40.2 (40.6). In 2019 we saw a positive trend in recurring sales to existing markets and distributors, a trend that is obvious in the Middle East, which is one of the markets where the BIP products were launched first.

Operating expenses

Total operating expenses increased during the year, amounting to MSEK -178.3 (-175.2). In 2018 operating expenses were subject to one-off expenses of MSEK 11.5 for terminating the contract with the previous distributor in China. The costs of external analyses and tests, clinical studies and consultants increased during the year as a result of greater activity in both our license business and our own product portfolio.

EBITDA and operating profit

EBITDA increased by 177% to MSEK 61.6 (22.2) and the EBITDA margin rose by 17 percentage units to 31% (14%). The development in EBITDA is mostly due to the increase in new license revenues compared with the previous year. Higher revenues from BD also contributed to this. Adjusted for the transition effect to IFRS 16, EBITDA was MSEK 51.7 and the EBITDA margin was 26%.

Operating profit improved to MSEK 19.5 (-12.0). Depreciation, which is a non-cash item, affected operating profit by MSEK -42,1 (-34.2), which included depreciation for Bactiguard technology of MSEK -23.8 (-23.8), and depreciation for leasing assets of MSEK -10.4 (-1.7).

Profit before tax

Net financial items amounted to MSEK -9.2 (-8.7). Interest on bank loans, leasing and changes in the value of forward hedging had an impact on financial items during the year. Profit before tax for the year amounted to MSEK 10.4 (-20.7).

Taxes

The income tax that is reported refers to changes in deferred tax attributable to temporary differences for the Group's intangible assets; it amounted to MSEK 5.9 (5.8). In Sweden the company already had tax loss carry-forwards that could be used against this year's profit. Therefore, the positive operating profit did not result in any tax for the year.

Profit/loss for the year

Profit for the year amounted to MSEK 16.3 (-14.9).

Earnings per share

Earnings per share amounted to SEK 0.49 (-0.45).

Investments

Investments in property, plant and equipment amounted to MSEK 1.5 (0.7). Investments in intangible assets totalled MSEK 2.9 (5.0) and primarily related to capitalised development expenditure.

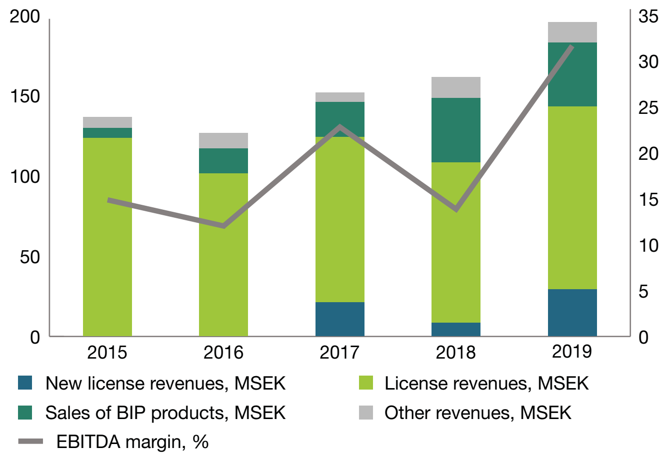
No investments in financial assets took place during the year.

Cash flow

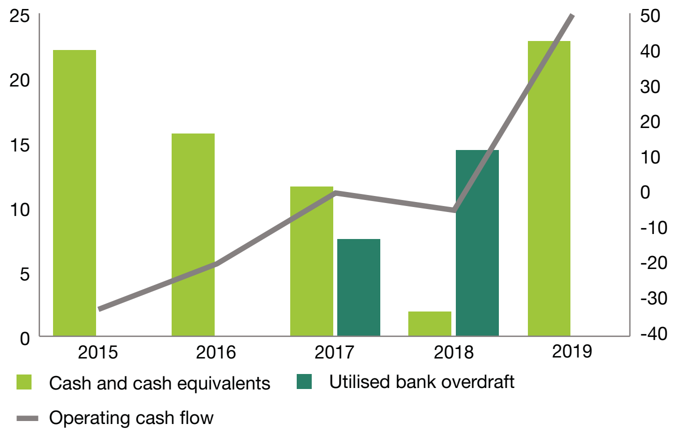
Operating cash flow (cash flow from operating activities after investments and changes in working capital) totalled MSEK 49.6 (-4.9). Cash flow from operating activities before changes in working capital was positive at MSEK 52.7 (17.6). Cash flow from changes in working capital amounted to MSEK 1.3 (-16.7).

During the year the bank loan was amortised by MSEK -15.0 (-7.5), which negatively impacted cash flow. The total cash flow was MSEK 21.7 (-9.9).

Revenues and EBITDA margin



Cash and cash equivalents, bank overdraft and cash flow, MSEK



The effect of applying IFRS 16 Leases resulted in operating cash flow being positively affected by MSEK 8.9 (2.1) as a result of a higher EBITDA, and a corresponding negative impact on cash flow from financing activities as a result of an increase in the amortisation of financial leasing debt of MSEK -8.9 (-1.5).

Financial position

The equity ratio was 60% (63%) and equity amounted to MSEK 386.7 (370.8). Cash and cash equivalents amounted to MSEK 22.9 (1.9) and net debt totalled MSEK 185.0 (155.8).

The implementation of IFRS 16 Leases from 1 January 2019 meant that net debt changed significantly as a result of future leasing debt. Leasing debt is interest-bearing, comprising MSEK 81.0 (12.5) of net debt. In addition to the leasing debt, the Group has a bank loan of MSEK 127.5 (142.5) that had an original maturity of three years up to December 2020. The maturity of this bank loan was extended following the financing of the Vigilenz acquisition; the maturity is now three years from February 2020. MSEK 0 (3.9) of the bank overdraft facilities of MSEK 30 was utilised as of 31 December 2019.

Total assets for the Group were MSEK 641.4 (587.5). The largest asset items in the balance sheet refer to goodwill, MSEK 226.3 (226.3) and Bactiguard's technology, which amounted to MSEK 165.2 (189.0) at the end of the period and is being amortised by approximately MSEK 24 per year over 15 years.

Future expectations

The need for infection prevention is increasing throughout the world and we offer a unique technology that significantly reduces the risk of healthcare associated infections. We are positive about the opportunities to grow our business through new license business and by increasing the sales of our own products. We can also see the great potential in developing new products, which will enable us to reach new market segments. The acquisition of Vigilenz is significantly expanding our product portfolio and is expected to result in substantial revenue synergies.

Parent company

Revenues consist of invoiced Group-wide costs (management fees). The parent company received interest on its receivables from Group companies in 2019. The company's financial expenses relate to interest on bank loans. No investments were made in 2019.

FINANCIAL GOALS

Growth

An average growth in revenues of 20% per year over a five-year period using 2015 as the base year, and MSEK 118.5 in adjusted revenue as the base figure.

Profitability

An EBITDA margin of a minimum of 30% at the end of the five-year period (in 2020).

Financial position

Equity ratio of at least 30%.

Dividend

30-50% of earnings after tax based on the company's financial position. The company is at an expansion stage, which means that it will prioritise growth over dividends in the coming years.

SHARE PRICE INCREASED BY 106% IN 2019

The Bactiguard series B share is listed on Nasdaq Stockholm in the Small Cap segment. In 2019 the share price increased by 106%. Nasdaq Stockholm, measured using the OMXSPI index, increased by 29.6% during the year. Since Bactiguard's share was listed in 2014, the price has risen by 117.4%, compared with OMXSPI, which increased by 52.1%.

Share capital

At the end of 2019 the share capital in Bactiguard was SEK 833,559 allocated to a total of 33,302,373 shares, which includes 4,000,000 A shares and 29,302,373 B shares. The A shares have ten votes each and the B shares have one vote each. All shares have identical rights to the dividend and a share in the company's assets and earnings.

Share price development

On the last trading day of the year Bactiguard's closing price was SEK 82.60 with a share value of MSEK 2,751. On the last trading day in 2018, the closing price was SEK 40.20 with a share value of MSEK 1,339. The share increased by 106% during the year. The index for all shares on Nasdaq Stockholm OMXSPI increased by 29.6% in 2019.

During the year the highest closing price was listed on 9 December at SEK 87.00. The lowest closing rate was listed on 5 April at SEK 35.50.

Market history

Bactiguard's B share was listed on Nasdaq Stockholm in the Small Cap segment on 19 June 2014. The introductory price was SEK 38. Since the introduction until the last trading day in 2019 the share price rose by 117.4%. Nasdaq Stockholm, measured with the OMXSPI index, increased by 52.1% in the same period.

Dividend policy

Our long-term goal is to offer a dividend of 30-50% of profit after tax, based on the company's financial position. As Bactiguard is at an expansion stage, it will prioritise growth over dividends in the coming years.

Ownership structure

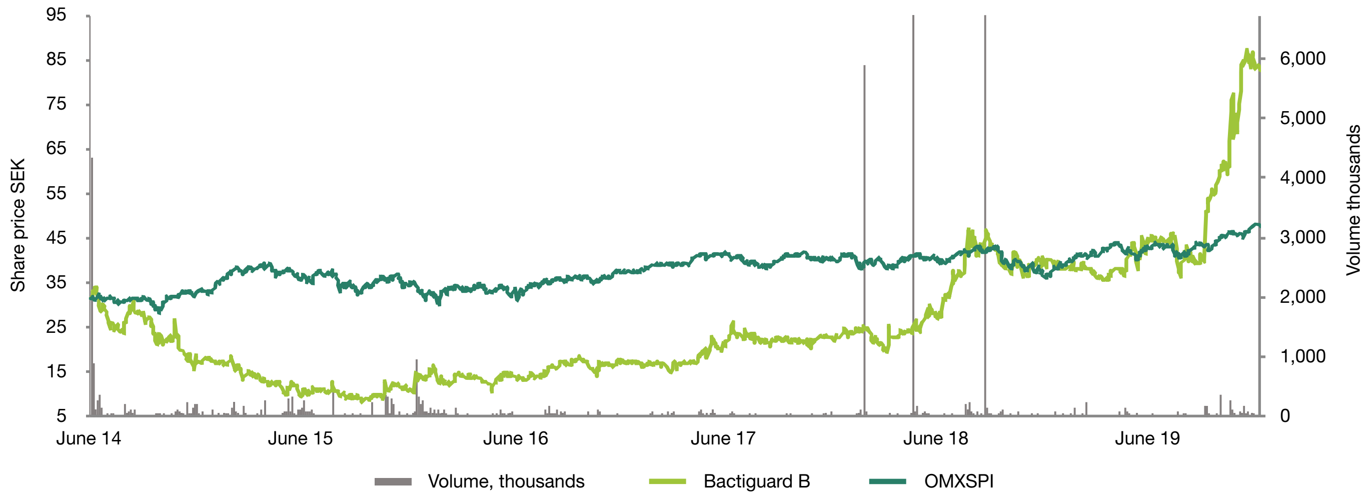
Bactiguard had 3,240 (2,834) shareholders at the end of the year. The ten largest owners' holdings correspond to 79.4% (76.6%) of the share capital and 90.1% (88.7%) of the votes. At the end of the year 20.9% (21.3%) of the shares were owned by private Swedish individuals; 48.1% (47.5%) by Swedish institutions and legal entities; and 31.0% (30.9%) by foreign private individuals and institutions.

Analysts that monitor Bactiguard

Carl Mellerby and Mattias Vadsten, SEB
Andrej Rodionov, Swedbank

Ticker: BACTI B
ISIN: SE0005878741
For data per share, see five year history on page 83

Kursutveckling Bactiguard B sedan notering till och med 31 december 2019



Development of share capital

Year	Transaction	Increase in number of shares	Total number of A shares	Total number of B shares	Increase in share capital, SEK	Total share capital, SEK
October 2010	The company is formed	1,000	-	1,000	50,000	50,000
November 2011	New share issue	9,000	-	10,000	450,000	500,000
March 2014	Split/reclassification	19,990,000	4,000,000	16,000,000	-	500,000
April 2014	Targeted new share issue	516,000	4,000,000	16,516,000	12,900	512,900
June 2014	New share issue	6,305,573	4,000,000	22,821,573	157,639	670,539
June 2014	Set-off issue for bond	6,480,800	4,000,000	29,302,373	162,020	832,559

Ownership structure 31 December 2019

Number of shares	Number of owners	Proportion of owners, %
1-500	2,334	72.0
501-1,000	366	11.3
1,001-5,000	362	11.2
5,001-10,000	79	2.4
10,001-15,000	28	0.9
15,001-20,000	11	0.3
20,001-	60	1.9
Total	**3,240**	**100.0%**

Allocation of the share capital

	Series A	Series B	Total
Shares	4,000,000	29,302,373	33,302,373
Votes	40,000,000	29,302,373	69,302,373
Capital, %	12.0	88.0	100.0
Votes, %	57.7	42.3	100.0

The five largest countries 31 December 2019

	Votes, %	Proportion of owners, %
Sweden	59.2	69.1
Netherlands	34.6	17.9
Finland	4.6	9.6
Luxembourg	0.9	1.9
Belgium	0.3	0.7
Total	**99.6**	**99.2**

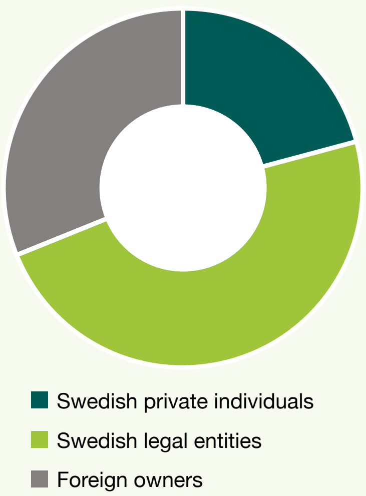
Source: Euroclear Sweden

The ten largest owners 31 December 2019

Owner	Total A shares	Total B shares	Total shares	% of capital	% of votes
Christian Kinch with family and company	2,000,000	4,125,977	6,125,977	18.4	34.8
Thomas von Koch and company	2,000,000	4,125,878	6,125,878	18.4	34.8
Jan Ståhlberg	0	3,290,532	3,290,532	9.9	4.7
Fourth AP Fund	0	3,248,354	3,248,354	9.7	4.7
Nordea Investment Funds	0	3,183,095	3,183,095	9.6	4.6
Handelsbanken Fonder	0	1,630,000	1,630,000	4.9	2.3
Försäkringsaktiebolaget Avanza Pension	0	1,051,312	1,051,312	3.2	1.5
Lancelot Asset Management	0	775,000	775,000	2.3	1.1
Fröafall Invest	0	502,000	502,000	1.5	0.7
Swedbank Försäkring	0	447,863	447,863	1.3	0.6
Total ten largest shareholders	**4,000,000**	**22,380,011**	**26,380,011**	**79.2**	**90.0**
Other shareholders	0	6,922,362	6,922,362	20.8	10.0
Total	**4,000,000**	**29,302,373**	**33,302,373**	**100.0**	**100.0**

Source: Euroclear Sweden | The table shows the largest identified shareholders in terms of capital in order of the number of votes. Some major shareholders may have their shares registered in the name of a nominee.

Ownership categories 31 December 2019



TEN REASONS TO INVEST IN BACTIGUARD

1 We contribute to the UN's Global Sustainability Goal for good health and well-being.

Healthcare associated infections (HAIs) are a growing problem and constitute a major threat to global public health. HAIs are infections that patients acquire in hospital care or when seeking other kinds of healthcare. These infections often occur as a result of medical or surgical procedures. More than half of all HAIs are caused by medical devices.

According to the World Health Organization, WHO, one in every ten patients is afflicted by HAIs, and it is the third most common cause of death in high income countries after cancer and cardiovascular diseases. These infections result in longer hospital stays, greater suffering and more antibiotics being prescribed, which is contributing to higher antibiotic resistance. "Antibiotic resistance is one of the most urgent health risks of our time and threatens to undo a century of medical progress," said Tedros Adhanom Ghebreyesus, Director General of WHO. According to WHO, antibiotic resistance threatens the UN's goal to end the epidemics of, for example, AIDS, tuberculosis and malaria by 2030.

Our technology forms an important link in the value chain for healthcare associated infections, as it reduces the risk of infections when using medical devices such as catheters and implants.

2 Our technology is effective and safe

Bactiguard's technology consists of a unique coating that is applied to medical devices. The coating results in less bacteria attaching to the surface. This reduces the risk of biofilm formation that causes infections on, for example, catheters. More than 200 million catheters have been sold so far, and more than 40 clinical studies including 100,000 patients have been performed on products with the Bactiguard coating. It is clinically proven that this technology significantly reduces the risk of infections and that it is safe.

3 Clinical evidence

Clinical studies are becoming increasingly important to show how effective our technology is and to support a wider use of our products. These studies also increase our knowledge of the problems associated with healthcare associated infections and generate more data about our products. Clinical evidence makes it easier for us to secure regulatory approval for new products and the speed of these approval processes is an important competitive advantage.

Our studies are performed in Sweden and abroad in collaboration with doctors, nurses, other healthcare professionals and patients. All studies are designed in accordance with international and local laws, rules and ethical principles. They are reviewed and approved by ethical review boards and relevant authorities.

4 Significant market potential

Our technology is effective and adaptable to new applications and areas of use where reducing the risk of infections is important. The technology has been approved both for short-term use and for use on metal implants that will remain in a patient's body over a long period of time, sometimes for the rest of their life. This, combined with the fact that we have extensive clinical evidence and that the technology is safe, gives us a competitive advantage over new players aiming to enter the market. This becomes even more evident now that the regulatory framework in Europe is on the way to stricter requirements.

We will continue to grow our business by both developing our own product portfolio and signing new license agreements. We will make effective use of the sizeable market potential that we have identified.

5 Clear growth strategy

We are a growth company that has a clear strategy for growing our business. This strategy involves Bactiguard's developing our own product portfolio and establishing new license agreements for different areas of use.

6 Unique market position

Although new antibiotics are being developed, the WHO says that none of them will be effective against the most dangerous forms of antibiotic-resistant bacteria. This is why it is so important to work on preventing infections. Our offer presents a unique opportunity for manufacturers of medical devices and implants to significantly reduce the risk of HAIs, thereby reducing the amount of antibiotics being prescribed.

7 Broad product portfolio for infection prevention

Our product portfolio comprises urinary catheters, endotracheal tubes and central venous catheters. Using these products reduces the risk of infections in the areas that are most often subject to HAIs, namely the urinary tract, the respiratory tract and the bloodstream. Approximately two third of all HAIs occur in these areas, with medical devices responsible for a high proportion of these infections.

The acquisition of Vigilenz broadens our product portfolio and our market potential by enabling us to enter the market for advanced wound care. The Vigilenz product portfolio comprises surgical sutures, mesh, disinfectants, wound wash, dressings and orthopaedic trauma implants. One Vigilenz product which we consider to have significant potential is HYDROCYN aqua®, for hand and surface disinfection, advanced care of acute and chronic wounds. This product has the CE marking and has been registered by the FDA in the USA.

8 License business

One important feature of our business model is our license business. We license our technology and our expertise to leading medical device companies. We have five license agreements and are in discussions with other leading medical device companies throughout the world. The goal is to sign 1-2 new license agreements per year.

9 Profitable growth

2019 was the strongest year in Bactiguard's history. Our financial results confirm that our growth strategy works and creates value.

Our goal is to achieve an annual revenues growth of 20% per year over a 5-year period with 2015 as the base year, and achieve an EBITDA margin of at least 30% by 2020.

10 Long-term owners and dedicated management

The company's founders are its main owners and adopt a long-term approach to their ownership. Swedish institutions also number among our largest owners. The Board of Directors represents wide-ranging experience from industry, entrepreneurship, clinical research and medical expertise. Everyone on the Board of Directors owns shares in the company.

The Group management team has extensive experience of the medical device industry as well as sales and marketing. The management team also has experience from major global companies and medical expertise. The entire Group management team owns shares in the company.

WE ARE CONTRIBUTING TO THE UN'S GLOBAL GOALS

Our unique technology enables us to contribute to the UN's Global Sustainability Goal: Good health and well-being. The UN has set a goal to end diseases like AIDS and tuberculosis by 2030. Preventing healthcare associated infections is important in achieving this goal.

Bactiguard's unique technology plays a key role in the fight to prevent healthcare associated infections and reduce antibiotic resistance. According to the World Health Organization (WHO), antibiotic resistance has reached dangerously high levels throughout the world and is a global crisis that has to be tackled urgently.

By 2050 ten million people are expected to die every year from infections that cannot be cured with antibiotics unless the increase in resistance is limited. People who are infected with antibiotic resistant bacteria are at a 64% higher risk of dying than those infected by bacteria that are receptive to antibiotics.

Healthcare associated infections (HAIs) are a growing problem and constitute a major threat to global public health. HAIs are infections that patients acquire in hospital care or when seeking other kinds of healthcare. The urinary tract, the respiratory tract and the bloodstream are the most common areas where HAIs occur. These infections often occur as a result of medical or surgical procedures. Over half of all HAIs are caused by bacterial growth on medical devices.

According to WHO, one in every ten patients is afflicted by healthcare associated infections, and HAIs are the third most common cause of death in high income countries after cancer and cardiovascular diseases. These infections result in antibiotics being prescribed, and the use of antibiotics increases resistance.

"Antibiotic resistance is one of the most urgent health risks of our time and threatens to undo a century of medical progress," said Tedros Adhanom Ghebreyesus, Director General of WHO.

Healthcare associated infections pose a major threat to public health

The third most common cause of death in high income countries.

One in every ten patient dies.

Half of all healthcare associated infections are caused by medical devices.

Significant contribution to the UN's global goals

According to WHO, antibiotic resistance is a threat to achieving the UN's global sustainability goals. The lack of effective treatments for TBC, pneumonia and urinary tract infections poses a serious threat to global public health.

Our unique technology enables us to contribute to the UN's Global Goal 3: Good health and well-being. The UN has stated that good health is essential for people to be able to realise their full potential and contribute to social development. The aim is to end the epidemics of AIDS, tuberculosis and malaria by 2030 and to combat hepatitis, waterborne diseases and other contagious diseases. This goal is at risk if we do not succeed in our work to prevent healthcare associated infections.

Bactiguard's products form an important link in the value chain for healthcare associated infections. Viral infections – for example the coronavirus – places the body's immune system under stress, which increases the risk of secondary bacterial infections. One of the most serious bacterial infections is sepsis, which kills 11 million people every year. We offer significantly improved infection protection when using our medical devices and implants in the urinary tract, the respiratory tract and the bloodstream. Our daily activities at Bactiguard are focused on preventing healthcare associated infections. This is how we contribute to achieving the UN's global goals.

The most important measure of success will be when the WHO is in a position to report that the levels of HAIs are decreasing in the world.

Trust is our most important sustainability issue

Trust is the most important sustainability issue for us. Bactiguard's reputation and the trust we have gained from our customers, business partners, employees, suppliers, shareholders and other stakeholders are fundamental for our ability to succeed.

We strive to be a reliable, long-term partner for both existing and new customers. We strive to be a reliable and trustworthy partner for healthcare providers around the world. Our goal is to supply high-quality, safe products and services that help to reduce healthcare associated infections and improve health economics.

To protect our ethics and our reputation, our business relationships must always be defined by honesty, integrity and compliance with laws and regulations.

Every day we are in dialogue with a high number of stakeholders. The most important stakeholders are our customers, business partners, employees, governments and regulators, shareholders and competitors, as well as the societies where we operate. Our stakeholder relationships and dialogues must be honest, factual and transparent without risking our commercial confidentiality.

Risks and risk management

Our main risk in terms of sustainability is any damage to the trust people have in us. The main risks that we have identified are:

Product safety

We must supply safe products to patients, customers and healthcare. It is therefore of utmost importance for all employees to carry out high-quality work. We are also continually performing clinical studies in order to generate more data about our products. We particularly want to see how effective our products are in preventing infections, but we also study safety, user-friendliness and patient satisfaction. We have so far performed more than 40 clinical studies with 100,000 patients.

We comply with all legal and regulatory requirements for clinical studies, product development, production, goods declarations, sales, marketing, etc.

Our CE markings, and other regulatory approvals, are proof of our quality, showing our ability to maintain a high level of standards for our products and processes.

Environment

Our activities are notifiable under the Swedish Environmental Code. Our environmental work focuses on safe management of chemicals and waste in product development and production. Our unique coating contains very small amounts of noble metals and dose not require any special disposal procedures. The metals in the coating are not destroyed during incineration and are collected at the incineration plant.

Our environmental management system is based on ISO 14001 to ensure we adhere to laws and requirements on the environment and that we conduct internal audits in a satisfactory manner.

Corruption

We operate in many different countries – either through licensees or distributors. We adopt a zero-tolerance approach to bribes and undue influence to mitigate the risk of corruption.

Human rights

We have employees in countries where violations of human rights may occur. It is therefore important for all our employees to be well-versed in our code of conduct and ensure compliance. All employees must be aware of their rights as set out in the code of conduct.

Sustainability governance

The governance of sustainability in Bactiguard is based on the UN Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the OECD's principles and standards for multinational enterprises on responsible business conduct. We have adopted two policies for sustainability that regulate how the company, its subsidiaries and employees are to behave and act in order to build a business that is sustainable in the long term. These policies are the code of conduct and the environmental policy. The code of conduct has been adopted by the Board, while the environmental policy has been adopted by Group Management. The environmental policy is revised annually.

The code of conduct and the other policies must be communicated to every employee; it is the responsibility of every manager to ensure that this takes place within their own function. It is also the responsibility of each manager to ensure that employees who need to be made aware of specific goals, rules and procedures, or any other information, are told about this. It is up to every employee to comply with the code of conduct, as well as the rules and procedures that the company has set for its environmental work. The managers are responsible for monitoring compliance with these policies. The employees are encouraged to report any deviations and highlight any good examples. These policies are monitored through internal and external audits, meetings of the Board of Directors and Group management, and, in the organisation, at group meetings and employee appraisals.

This is a report on our policies for the following areas: the environment, employees and social aspects, respect for human rights and anti-corruption:

Environment

We have identified the following areas to be the most important for the environment:

Production

As far as possible, our production must recycle waste, collect and sort hazardous items, and maintain a low scrap rate. We strive to be economical with water and electricity.

Chemicals

Any chemicals that are used in production and laboratory activities must be approved by the person responsible for chemicals internally, and these chemicals must have the lowest environmental impact.

Recycling

We have a variety of waste in our operations, including paper and packaging. Waste for laboratory activities and production includes chemicals and non-durable goods. We strive to reduce the amount of waste and ensure that waste is recycled in an environmentally sound manner.

Purchases

The environment is a parameter that must be considered for all purchases and negotiations of products and systems.

Any comsumables that are purchased must, where possible, bear a well-established environmental marking.

Energy

We consume energy through heating, hot water and electricity. We are working to reduce energy consumption and to make sure that the energy that we use has an ecolabel.

Travel

For travel, we must always consider whether it is possible to choose a more eco-friendly alternative, whether it is possible to replace a trip with a video conference, and whether the most eco-friendly means of transport has been chosen.

Notifiable activities

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 parts of the production process and the research and development the company conducts.

Employees and social aspects

We rely on motivated employees to be successful in our business and help to prevent healthcare associated infections. To ensure that we have motivated employees, it is important for our culture to be defined by innovation, entrepreneurship and diversity. Our core values form an integral part of everything we do and create a positive work environment.

We work together to achieve our goals and therefore create a work environment where employees can experience job satisfaction and feel a sense of commitment. We utilise our employees' individual skills, which span a wide range of areas, including product and business development, production, clinical studies, marketing and sales.

Every employee must receive correct and fair remuneration based on their individual performance and their contribution to the company's success. Employees should be offered suitable training to develop relevant competence, grow within the company and progress in their career.

The employees are encouraged to report any breaches of the code of conduct. Any reports must be dealt with quickly and fairly, and be subject to a detailed investigation. In 2019 no breaches were reported and there are no reports under investigation.

We promote a healthy lifestyle

A healthy lifestyle also plays an important role in preventing infections. This is why Bactiguard sponsors young tennis players who can inspire other young people to lead a healthy lifestyle and to do sports.

We have been sponsoring our own team of promising young players at the Good to Great tennis academy since 2012. The members of Team Bactiguard are Måns Dahlberg, Isac Strömberg, Arslan Temirhanov, Tsegai Gebremeskel and Henrik Bladelius. This sponsorship enables them to have full-time tennis training in parallel with their studies. It allows them to train and compete under the best possible conditions both in Sweden and abroad. Sweden's highest ranked tennis players, the promising Elias and Mikael Ymer brothers, were both members of the initial Team Bactiguard, which helped them climb the ranks.

Our core values

Everything we do is permeated by:

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

And is characterised by empathy, respect and communication.

Our employees

Total number of employees	60
Number of employees in Stockholm	35
Number of employees in Malaysia	18
Number of employees in the rest of the world	7
Number of employees in production	22
Number of employees in sales and marketing	11
Number of employees in development	9
Total number of women/men	36/24

Respect for human rights

Every employee should be treated equally and fairly. Recruitments and promotions are based on competence alone. We strive to create a work environment where everyone is respected, irrespective of their individual differences, abilities or personalities. No employee or potential employee should face discrimination or harassment because of their age, ethnicity, gender, religion, neurodiversity, nationality, sexual orientation, family situation or political beliefs.

We do not accept child labour or forced labour.

Every employee is entitled to choose whether or not they want to be represented by a trade union and negotiate collectively. No employee may be discriminated on the grounds of trade union membership.

Anti-corruption

We adopt a zero tolerance approach to bribes. We do not allow anyone to be offered payments or other benefits to influence them to recommend, use or buy our products or services. We do not negotiate or sign agreements with business partners, where we have reason to believe that they pay bribes or make unsolicited payments. We do not discuss with competitors or enter agreements with them about pricing, market shares or other similar illegal activities.

Samhall – a valuable partner

We have a cooperation agreement with Samhall for Samhall's employees to manufacture our high-tech products at the facility in Stockholm. Samhall is owned by the Swedish state and its core mission is to create meaningful work that furthers the development of people with neurodiversity and to overcome exclusion, to strengthen self-belief among the employees and to contribute to greater diversity at work.

In 2018 we were awarded the 'Visa vägen' (Showing the Way) prize as Employer of the Year. This is considered to be the most important labour market prize in Sweden and is awarded by Samhall to companies and organisations that are showing the way on the labour market by creating opportunities for people with neurodiversity.

CORPORATE GOVERNANCE REPORT

In 2019 we focused on new business opportunities and continued product development. This development is highly driven by sustainability and the urgent need to prevent infections.

Bactiguard Holding AB (publ.) is a public limited company listed on the main list of Nasdaq Stockholm. Corporate governance within Bactiguard is based on the Swedish Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code), statements issued by the Swedish Securities Council, as well as other applicable Swedish and foreign laws and regulations.

This corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act and the company's application of the Code. The auditors have performed an examination of this report. There was no non-compliance with the Code in 2019.

Corporate governance

The articles of association were adopted by the Annual General Meeting on 21 May 2015 and can be found in its entirety on the website bactiguard.se.

The company's registered office is Stockholm and the financial year is the calendar year.

The articles of association do not contain any provisions for the dismissal of Board members or changes to the articles of association.

Shares and share capital

Bactiguard has two share series, A and B. Both share series carry the same right to dividends. One A share has ten votes, while one B share has one vote.

The articles of association stipulate the rules for the shares' pre-emptive rights for cash issues, set-off issues and bonus issues, as well as the right for holders of A shares to convert them into B shares. The articles of association also contain rules of the right of first refusal for A shares.

The Bactiguard B share is listed on Nasdaq Stockholm, Small Cap, since 2014. At the end of 2019 the share capital amounted to SEK 832,559 allocated among a total of 33,302,373 shares of which 4,000,000 were unlisted A shares and 29,302,373 B shares. The total number of votes amounted to 69,302,373.

The annual general meeting has not authorised the Board of Directors to repurchase company shares.

Shareholders

At the end of the year the number of shareholders was 3,240 (2,834) and the five largest owners were (in brackets state the proportion of capital and votes respectively):

Christian Kinch with family and companies (18.4%, 34.8%); Thomas von Koch with companies (18.4%, 34.8%); Jan Ståhlberg (9.9%, 4.8%); Fjärde AP Fonden (9.8%, 4.7%); and Nordea Investment Funds (9.6%, 4.6%).

Annual General Meeting

The annual general meeting is the highest decision-making body in the company and it is at the annual general meeting and any extraordinary general meetings that all shareholders can exercise their voting rights and decide on matters affecting the company and its operations.

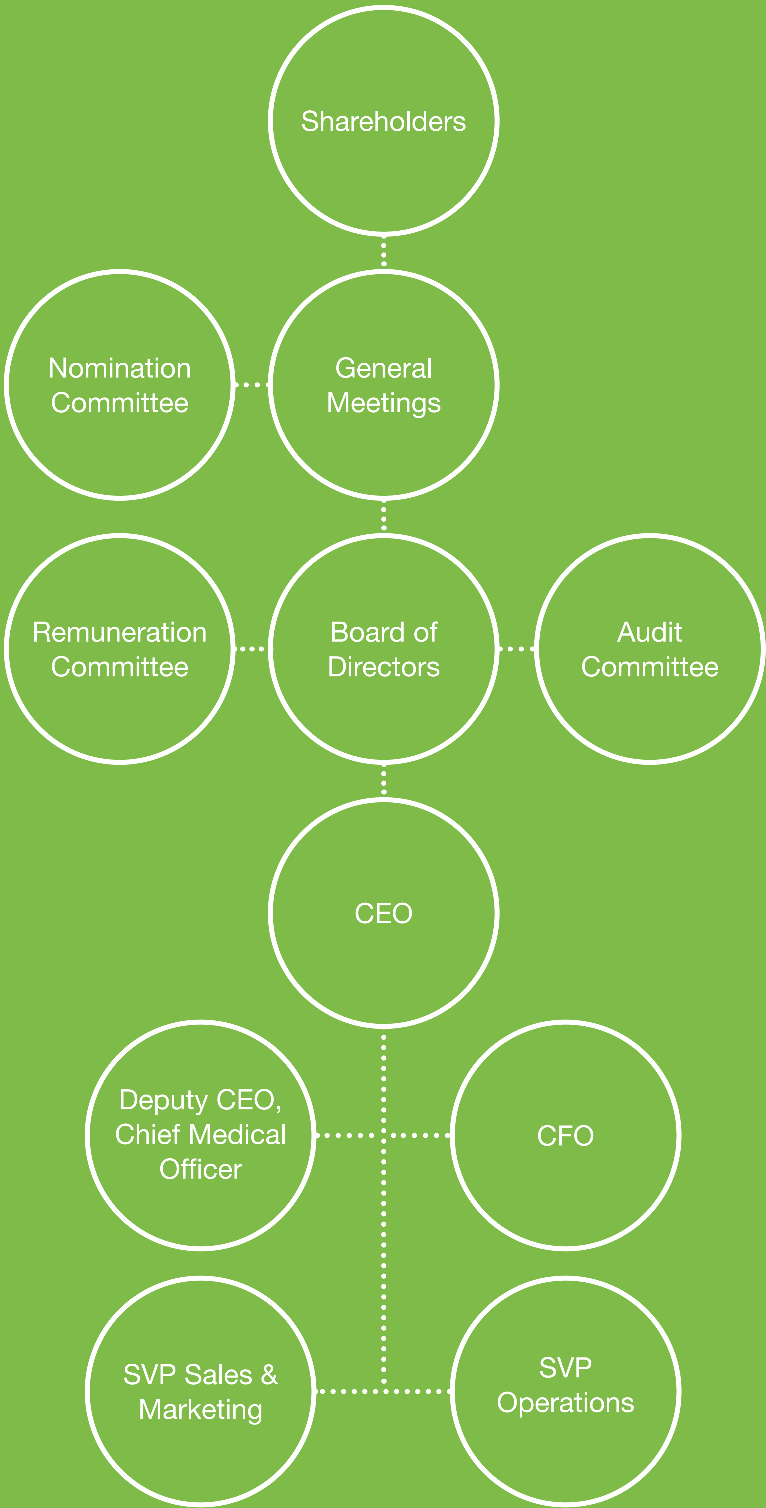
Notice to attend a general meeting shall be issued no earlier than six and no later than four weeks prior to the meeting. Notice to attend an extraordinary general meeting, in which a matter concerning amendments to the articles of association will not be dealt with, shall be issued at the latest three weeks before the general meeting.

Notice to attend a general meeting shall be issued in the form of an announcement in Post- och Inrikes Tidningar and on the website bactiguard.se. The fact that notice has been issued is announced in the daily newspaper.

The annual general meeting may be held in Stockholm, Huddinge or Botkyrka.

At the annual general meeting resolutions shall be passed with respect to the adoption of the income statement and balance sheet, the appropriation of the profit or loss for the year, dividends, and the discharge of liability for the Board members and the CEO. Resolutions are also passed on the fees for the Board of Directors and the auditors. The Board of Directors and auditor are elected until the next annual general meeting. Other statutory matters are also addressed, such as the adoption of guidelines for compensation to executive management.

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 annual general meeting in accordance with the provisions of the articles of association are entitled to participate



Organisation and governance

The shareholders exercise their influence on Bactiguard at the annual general meeting and other general meetings. The general meeting is the company's highest decision-making body. The Board of Directors and the CEO are responsible for the company's organisation and administration in accordance with the Swedish Companies Act, other laws and regulations, Nasdaq Stockholm's Rule Book for Issuers, the articles of association and the Board's internal steering instruments.

at the meeting and vote proportionally to their shareholdings. Shareholders may be represented by proxies, provided that the number of proxies has been registered by the shareholder by the day specified in the notice to attend the general meeting.

Annual General Meeting 2019

Bactiguard's Annual General Meeting (AGM) was held on 15 May 2019 at the company's headquarters in Tullinge. The Annual General Meeting was attended by the Board members Jan Ståhlberg, Svante Östblom, Christian Kinch and Mia Arnhult. The lawyer Magnus Lindstedt was elected Chairman of the AGM. The AGM adopted, for instance, the following resolutions in line with the proposals of the Board of Directors and the Nomination Committee:

- Adoption of the income statement and balance sheet for the 2018 financial year.
- No dividend shall be paid for the 2018 financial year and the loss for the year shall be carried forward.
- The remuneration to the Chairman of the Board shall be SEK 400,000, and SEK 200,000 for each of the other members who are not employed by the company, except for Thomas von Koch who shall not receive any fee; no fee shall be payable for committee work, except for the Chairman of the Audit Committee, who shall receive SEK 100,000 for this committee work.
- The re-election of Board members Jan Ståhlberg, Mia Arnhult and Christian Kinch, and the election of the new members Anna Martling and Thomas von Koch.
- The re-election of Jan Ståhlberg as Chairman of the Board.
- The re-election of Deloitte as the company's auditor for the period up to the next annual general meeting and that fees shall be paid in accordance with approved invoices.
- Guidelines for remuneration to senior management.

Annual General Meeting 2020

Bactiguard's 2020 Annual General Meeting will be held on Tuesday 28 April 2020 at 14.00 at the company's headquarters on Alfred Nobels allé 150, Tullinge, Sweden. For more information about the Annual General Meeting, refer to page 85 and the company's website bactiguard.se.

Nomination Committee

At the 2018 Annual General Meeting instructions were adopted for the Nomination Committee of Bactiguard. According to these instructions, the Nomination Committee is to comprise five members. The Chairman of the Board shall contact the four largest shareholders of Bactiguard in terms of voting rights based on Euroclear Sweden AB's print-out of the share register on 31 August. Each of the four largest shareholders shall be offered the opportunity to, within a reasonable amount of time, appoint a member who, together with the Chairman of the Board, will constitute the Nomination Committee.

The Nomination Committee is tasked with preparing proposals for the annual general meeting regarding the Chairman of the meeting, the Board of Directors, the Chairman of the Board, remuneration to the Board members, the auditor, auditor fees, and, where necessary, proposals for amendments to the current instructions for the Nomination Committee.

The Nomination Committee for the 2020 Annual General Meeting was announced on 23 October 2019 and comprises:

Jan Ståhlberg, Chairman of the Board; Helena Borglund, appointed by KK Invest AB and Chair of the Nomination Committee; Thomas von Koch, appointed by Bactiguard B.V.; Mats J Andersson, appointed by Nordea Fonder; and Per Colleen, appointed by Fjärde AP Fonden.

The shareholders were able to submit proposals and opinions to the Nomination Committee until 31 January 2020.

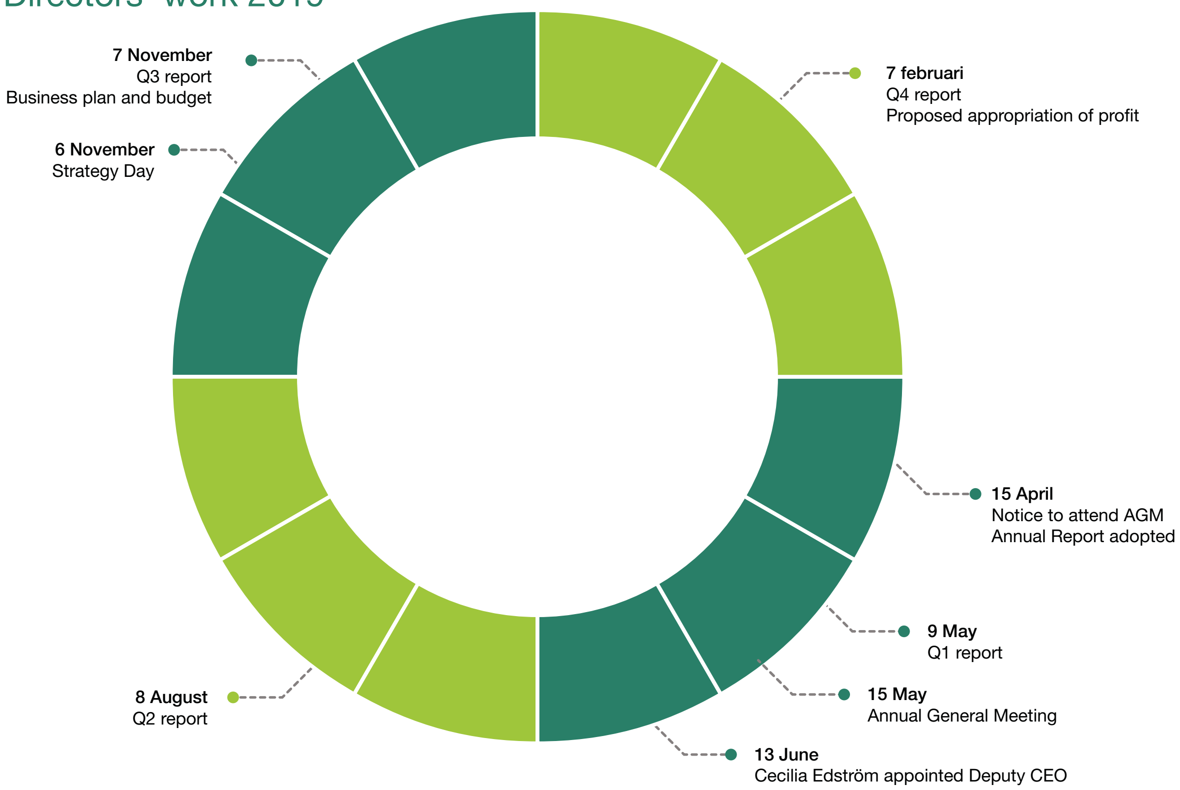
Board of Directors and its governance

Board of Directors

The Board of Directors is, for instance, responsible for Bactiguard's organisation and management, and appoints a CEO who is responsible for the daily administration in accordance with guidelines and instructions. The Board of Directors shall also ensure 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 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 procedure to ensure that the Board of Directors is fully informed and that all Board-related aspects of the company's operations are addressed. Every quarter the Board of Directors receives information from management in the form of business reports, in accordance with the CEO instructions. The company's external auditors report their observations from the examination of the company accounts and their assessment of the company's internal procedures and controls to the Board of Directors.

Board of Directors' work 2019



Every year the Board adopts the articles of association at a statutory Board meeting. The current articles of association were adopted on 15 May 2019. Pursuant to the work procedure, six ordinary Board meetings are normally held per year in addition to the statutory meeting. The work procedure for the Board of Directors regulates the division of responsibility between the Board of Directors, the Chairman of the Board and the CEO. The articles of association also regulate the responsibilities of the Board, the meeting schedule, and the tasks that must be performed by the Board. These tasks include, for instance, accounting and auditing issues, market and market analysis, risk identification, strategy, organisation, evaluation of the Board and the CEO, and the internal control system.

The Board has also prepared instructions for the CEO and the authorisation procedure. The Board has adopted six Groupwide policies that regulate how the company, its subsidiaries and employees are to behave and act in order to conduct business that is sustainable in the long term. These policies are revised and adopted on an annual basis at the statutory meeting or – if necessary – during the year. Internal controls and the company's external auditors monitor compliance with these policies. Non-compliance or risks of compliance breaches result in management taking immediate action, while more serious cases are reported to the Board.

The Board's attendance, independence and remuneration 2019

Member	Board meeting	Audit Committee	Remuneration Committee	Independent in relation to the company	Independent in relation to the major shareholders	Remuneration, SEK
Jan Ståhlberg, Chairman	8/8	1/2	2/2	Yes	Yes	483,000
Mia Arnhult	8/8	2/2	-	Yes	Yes	300,000
Christian Kinch	8/8	-	-	No	No	-
Anna Martling[1]	5/5	1/1	-	Yes	Yes	117,000
Thomas von Koch[1]	5/5	1/1	1/2	Yes	No	-[3]
Marie Wickman Chantereau[2]	3/3	1/1	1/2	Yes	Yes	83,000
Svante Östblom[2]	3/3	1/1	-	Yes	Yes	83,000
Total number of meetings and remuneration	**8**	**2**	**2**	**-**	**-**	**1,066,000**

[1] Elected at the AGM on 15 May 2019.
[2] Left the Board at the AGM on 15 May 2019.
[3] Thomas von Koch has declined a fee.

Chairman of the Board

According to the Board's work procedure, the Chairman of the Board of Directors has specific responsibility for monitoring and discussing the company's development in regular contact with the CEO. The Chairman shall also ensure that the CEO keeps the Board's members informed of Bactiguard's financial position, financial planning and evaluation. The Chairman of the Board is also responsible for the Board's work being evaluated every year.

Composition of the Board

According to the articles of association, the Board is to comprise a minimum of three members and a maximum of seven members. The Board is elected annually at the annual general meeting until the next annual general meeting has been held.

The Board comprises five members. The CEO and CFO attend all Board meetings except when the work of the CEO is being evaluated.

The Board is presented in more detail on pages 44-45.

Policies adopted by the Board

- Finance policy
- Insider policy
- IT policy
- Communication policy
- Currency policy
- Code of conduct

The Board's work in 2019

In 2019 the Board held six ordinary meetings and one extraordinary meeting, as well as one statutory meeting in conjunction with the annual general meeting.

At these meetings the Board discussed standing items, including the commercial and market situation, financial reporting, budgets and projects. General strategic issues were also analysed, including market issues, growth opportunities and sustainability. In 2019 the focus was on new commercial opportunities, primarily driven by sustainability, and continued product development.

The Board met the company's auditor once in 2019, without presence of the management team.

Board Committees

Members of the committees and their chairmen are appointed at the statutory Board meeting for a period of one year at a time. Work in the committees is carried out based on the instructions adopted for each committee. The work of these committees is primarily preparatory and advisory in each area. However, the Board can delegate the decision-making authority to the committees for certain issues.

Remuneration 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 management, and individual remuneration to the CEO in accordance with the guidelines for remuneration for executive management adopted by the general meeting. 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 programmes, and the general terms for other benefits, pensions, notice of termination and severance pay. The Board of Directors as a whole is also responsible for establishing remuneration levels and other employment terms for the CEO. Share-related incentive programmes for Executive management are adopted by the annual general meeting.

The committee shall also support the Board of Directors in monitoring the system through which the company complies with disclosure requirements stipulated by legislation, market regulations and the Code in regard to information related to remuneration of the CEO and other executive managers. The committee shall also monitor and assess any ongoing or concluded incentive programmes for variable remunerations to the CEO and other executive managers; evaluate compliance with the guidelines for remuneration to the CEO and other executive managers adopted by the general meeting as well as the current structure and levels of remuneration.

In 2019 the Remuneration Committee reviewed the salary of the CEO, evaluated the terms and conditions of management to ensure that they comply with the guidelines for remuneration to executive management adopted by the annual general meeting, and that the template agreements for the employment of executive management are appropriate, and reflect the principles for remuneration and other employment terms and conditions for executive management.

Following the 2019 Annual General Meeting the Remuneration Committee comprised Jan Ståhlberg and Thomas von Koch. Until the Annual General Meeting of 2019, the Remuneration Committee comprised Jan Ståhlberg and Marie Wickman-Chantereau.

In 2019 the committee held two minuted meetings and had informal contacts where necessary in between. Attendance of the Remuneration Committee is shown on the table on page 37.

Audit Committee

The Audit Committee is tasked with monitoring the company's financial reporting and the effectiveness of internal controls and risk management in the company, as well as internal audits as necessary. The committee shall also keep itself informed of the audit of the annual accounts and consolidated accounts, as well as the conclusions of the auditor's quality control, inform the Board of the results of the audit, how the audit contributed to the reliability of the financial reporting, and the function that the committee has had. 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 for the general meeting's decision on the election of auditors.

In 2019 the committee held two minuted meetings. The interim report was discussed at the meeting in February 2019 as well as the effectiveness of the work in the company's management team and finance function. Items discussed at the meeting in November 2019 included the interim report, with the auditor reporting on the audit that had been performed, and providing information about the new features in IFRS and the new EU rules that affect the company.

Following the 2019 Annual General Meeting, the Audit Committee has comprised Mia Arnhult, Chair, Thomas von Koch, Anna Martling and Jan Ståhlberg. Until the 2019 Annual General Meeting, the Audit Committee comprised Mia Arnhult, Chair, Marie Wickman-Chantereau, Jan Ståhlberg and Svante Östblom. The Board believes that the members are competent in the areas of the Audit Committee and comply with the requirements for independence in accordance with the Swedish Annual Accounts Act.

Attendance of the Board members at the Audit Committee is shown on the table on page 37. As well as the members of the committee, the CFO is also invited to the meetings of the Audit Committee, and, when so required, the auditor, CEO and other salaried employees of the company. The CFO and auditor attended both meetings in 2019. The company's Financial manager attended the meeting in November 2019.

Evaluation of the Board's work

The company evaluated the work of the Board in November 2019 and this was presented at the Board meeting in December 2019. The evaluation was performed using a questionnaire that covered 18 different aspects of the Board's work and its measures to create value. This evaluation shows what the Board members think of how the work of the Board is conducted and whether measures should be taken to develop and improve the Board's work. The results of this questionnaire also provide important data for the Nomination Committee's work for the next annual general meeting. The results of this survey were therefore presented to both the Board and the Nomination Committee.

Chief Executive Officer

The Chief Executive Officer 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 most recent CEO instructions were adopted by the Board on 15 May 2019. The instructions for the CEO state what is included in the daily administration and what should be referred to the Board for decisions to be made. The CEO keeps the Board and Chairman continually informed of the company's financial position and development, and provides essential information and decision-making data for Board meetings. The CEO also functions as the Chairman of Group management and makes all decisions in consultation with other members of Group management. The Board evaluates the CEO's work and performance on an annual basis. Christian Kinch was the company's CEO in 2019. On 13 June 2019 the CFO Cecilia Edström was appointed Deputy CEO.

On 4 February 2020 Christian Kinch announced that he was resigning as CEO after close to 16 years. On the same day the Board appointed Deputy CEO and CFO Cecilia Edström as the new CEO; and Chief Medical Officer Stefan Grass as the Deputy CEO.

Group management

Group management is an advisory body for the CEO and is responsible for general strategy and development issues as well as day-to-day operations. Group management meets once a month and is in continual contact to discuss current business, strategies and discussions. Group management is presented on pages 46-47.

Guidelines for remuneration to the CEO and other senior management

Remuneration issues are discussed by the Board's Remuneration Committee and decided by the Board. The Board produces proposals for guidelines for remuneration to executive management which it passes to the Annual General Meeting, where a decision is made. Executive management refers to the CEO and other executives within Bactiguard, and the Board of Directors, to the extent they receive remuneration for assignments other than as directors. At the 2019 Annual General Meeting the following guidelines for remuneration to the CEO and other executive management were adopted.

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

Executive 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.

Executive 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 predetermined and measurable criteria. Any variable remuneration shall be limited to 50% of the fixed annual salary. In designing variable remuneration for executive 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

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

Other 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 executive 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 executive 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 general meeting or not, 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 general meeting, 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.

Proposals for the 2020 Annual General Meeting on the guidelines for remuneration to the CEO and other senior management

The Board of Directors proposes that the Annual General Meeting adopts the following guidelines for compensation and other employment terms and conditions for the executive management.

Executive management means the CEO and other members of the executive management of Bactiguard. The guidelines shall apply to remuneration that is agreed upon, and changes made to already agreed remuneration, after the guidelines have been adopted by the 2020 Annual General Meeting. The guidelines do not include remuneration decided by the general meeting, such as board fees and other remuneration to the board.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

In short, the company's business strategy is to develop and supply infection prevention solutions which reduce the risk of healthcare associated infections. Fewer infections reduces the number of infections, shortens hospital stays and the usage of antibiotics. This saves significant resources and costs for the healthcare system and society at large, and contributes to decreased transmission of multi-resistant bacteria.

A prerequisite for the successful implementation of Bactiguard's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can offer competitive remuneration. These guidelines enable the company to offer executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting Bactiguard's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The total remuneration from Bactiguard to executive management shall be at market terms, reasonable and appropriate, and may consist of the following components: fixed salary, variable salary, pension and other benefits.

Executive management shall be offered a fixed salary at market terms, which shall be determined based on the individual's area of responsibility and experience. A review of the fixed salary shall be carried out on an annual basis for each calendar year.

Executive management may, from time to time, be offered variable salary at market terms. Such variable salary must be designed with the purpose of promoting Bactiguard's business strategy, long-term interests, including its sustainability, and linked to predetermined and measurable criteria. Such variable salary may not exceed 50 percent of the annual fixed salary.

Executive management shall be entitled to pension benefits at market terms, typically fee-based pension schemes. The pension premiums for premium defined pensions may not exceed 30 per cent of the fixed annual salary.

Other benefits for executive management may include company car, wellness contibutions, medical insurance, interest compensation linked to financing acquisition of shares in Bactiguard, and other conventional benefits. Other benefits shall not constitute a substantial part of total remuneration. Premiums and other costs arising from such benefits may amount to a maximum of five per cent of the annual fixed salary.

Employment conditions that are governed by rules other than Swedish, may be appropriately adjusted to comply with mandatory local rules and practice, and the general purpose of these guidelines should be met as far as possible.

Criteria for awarding variable cash remuneration

Any variable remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualized, function-based, quantitative or qualitative objectives. The criteria shall be designed to contribute to Bactiguard's business strategy and long-term interests, including its sustainability.

The variable salary shall, to the greatest part, be linked to Bactiguard's revenues, EBITDA and/or cash-flow, and therby aligned with the company's long-term financial targets. The remaining part of the variable salary may be based on individual and function-based objectives.

To which extent the criteria for awarding variable cash salary have been satisfied shall be evaluated when the measurement period, one or several years, has ended. The Remuneration Committee is accountable for the assessment of variable cash salary to the CEO. The CEO is accountable for the assessment of variable cash salary to the other members of executive management. As regards financial targets, the assessment shall be based on the latest financial information disclosed by the company.

To the extent permitted under applicable laws and agreements, the Board of Directors is entitled to reclaim, fully or in part, any variable salary paid on incorrect grounds.

Termination of employment

The notice period for executive management may not exceed six months, if notice of termination of employment is made by the company. Any severance pay may not the fixed annual salary for one year.

In addition, compensation for non-competition may be paid. Such remuneration shall only compensate for any loss of income resulting from the non-competition obligation and shall be based on the remuneration that the executive had at the time of termination of employment.

Long-term share-related incentive plans

Resolutions regarding long-term, share-related incentive programs shall be adopted by the general meeting. On an annual basis, the Board of Directors will assess whether a long-term incentive program should be proposed to the Annual General Meeting or not, and if so, whether amendments to these guidelines are required for this reason.

The decision-making process to determine, review and implement the guidelines

The tasks of the Remuneration Committee include preparing the Board of Directors' proposed guidelines for remuneration to executive management and, where applicable, the Board of Directors' decision to deviate from the guidelines.

In preparing these remuneration guidelines, the employees' total compensation have been taken into account. The components of the total compensation, the increase and development of the compensation over time has formed part of the decision criteria for the Remuneration Committee and the Board of Directors when evaluating the fairness of the guidelines and the limitations that follow.

The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall remain in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall - where applicable – also follow and evaluate programs for variable remuneration to executive management, the application of the guidelines for remuneration to executive management as well as current remuneration structures and levels of remuneration in the company.

These guidelines apply to agreements concluded after the Annual General Meeting, and in the event that changes are made to existing agreements after this date. The Board of Directors shall be entitled to, temporarily, resolve to deviate from the guidelines, in whole or in part, if in a specific case, there is special cause for the deviation and it is necessary to serve Bactiguard's long-term interests, including its sustainability, or to ensure the company's financial viability.

Auditor

According to the articles of association, the annual general meeting shall appoint not less than one and not more than two auditors.

At the Annual General Meeting on 15 May 2019, the registered accounting firm Deloitte AB was elected as auditor for the period through the Annual General Meeting that will be held in 2020. Therese Kjellberg, Authorised Public Accountant, was appointed as the auditor in charge. The auditors attend the Audit Committee meetings where necessary to provide information about the ongoing audit work and to brief the entire Board on at least one occasion. In 2019 the auditor attended two meetings of the Audit Committee and one Board meeting. The auditor attends the annual general meeting and reports their examination of Bactiguard's management and annual accounts. In addition the auditors examine the interim report for the period January-September, remuneration to executive management, the corporate governance report and the sustainability report.

Internal controls for financial reporting

According to the Swedish Companies Act and the Code, the Board is responsible for ensuring that the company has good internal control.

The Board shall ensure that the company has formalised procedures in place to ensure compliance with the adopted principles for financial reporting and internal control, and that the financial reporting is prepared in accordance with the law, relevant accounting standards and other requirements for listed companies.

Control environment

Internal control of financial reporting is based on the overall control environment.

The control structure is based on the company's finance system. It is designed to ensure that entering agreements and paying invoices, etc., follow the decision-making processes, and the signatory and authorisation procedures provided in the internal steering documents. This counteracts and prevents 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 with the finance department. In accordance with its work plan, the Board of Directors conducts an annual review of these internal controls

Risk assessment

Identification is made of the risks that are assessed to exist and measures are taken to mitigate these risks. Bactiguard works continually and actively to identify, assess and manage the risks that the company is subject to in its financial reporting. The Board of Directors conducts an annual follow-up of previous risk assessments and any measures implemented. It is particularly important for the Board of Directors to monitor the development of this internal control, to ensure that actions are taken in the event of any shortcomings and to make proposals where necessary. The follow-up and evaluation of the internal control takes place regularly in collaboration with the auditor. The auditor is invited to a board meeting to present its auditing measures in regard to internal control.

Control activity

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 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 procedure 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. Group management receives monthly financial information regarding the company and its subsidiaries in regard to developments of upcoming investments and liquidity planning. The Board of Directors regularly assesses the information which the company's senior management and the auditor submits.

Information and communication

Internal steering documents, including rules and manuals, are kept continually updated in the finance handbook and communicated through internal meetings and other targeted dissemination. General strategic issues are communicated to the entire organisation through the intranet and employee meetings.

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. This policy aims to ensure compliance with the disclosure requirements in a correct and comprehensive way. If shareholders and other external stakeholders want to monitor the company's development, current financial information is published regularly on the website bactiguard.se.

Monitoring

The Board of Directors continually monitors the effectiveness of the internal controls and discusses important issues relating to accounting and reporting. The CEO reports regularly to the Board in order to monitor the operational goals in the business plan. The CEO presents the interim and year-end reports, which are approved by the Board before they are published. The Board also continually evaluates reports from the CEO and CFO, which includes results, budgets and an analysis of the key ratios.

The Audit Committee is continually involved in the internal control work and financial reporting processes. The Audit Committee also reviews the external auditors' report on its examination and recommendations of internal controls, which are then reported to management and the Board.

Policies, guidelines and procedures are updated and evaluated when necessary, but as a minimum on an annual basis. The Board is responsible for maintaining the general steering documents and the CEO, or a person appointed by the CEO in his/her place, is responsible for the other documents.

Internal audit

In 2019 the Board evaluated the Group's need for internal audits. This resulted in the Board making the assessment that Bactiguard does not need to introduce its own internal audit function in 2020 in addition to the existing processes and functions for internal control. The Board of Directors has assessed that the monitoring and review programme that is carried out internally, in combination with the external audit, is enough to maintain effective internal control for the financial reporting.

Investor relationships

The company's CEO and CFO are responsible for contacts with the shareholders. The company provides information to the shareholders through the annual report, year-end report, interim reports, press releases and the website bactiguard.se. Bactiguard also attended investor meetings and other investor activities, both in Sweden and abroad.

More about corporate governance

The website www.bactiguard.se contains further information, including material for the annual general meetings, the articles of association and corporate governance reports.

BOARD OF DIRECTORS

Jan Ståhlberg

Chairman of the Board

Membership of committees: Chair of the Remuneration Committee and member of the Audit Committee

Elected to the Board: 2018

Born: 1962

Education: BSc Business and Economics, Stockholm School of Economics. Studies at the MBA programme at New York University, Stern School of Business.

Background: Deputy CEO and Deputy Chairman of EQT

Other assignments: Board member of Trelleborg AB and ITB-Med AB. Founder and CEO of Trill Impact AB.

Shareholdings: 3,290,532 B shares as personal holdings.

Mia Arnhult

Board member

Membership of committees: Chair of the Audit Committee.

Elected to the Board: 2014

Born: 1969

Education: Degree in Business Finance and Trade Law, Lund University.

Background: Former CFO of Corem Property Group AB and M2 Gruppen. Many years' experience as an auditor at companies including Lindebergs Grant Thornton.

Other assignments: CEO and Board member of M2 Asset Management AB, M2 Gruppen AB and M2 Gruppen 1 AB. CEO of Locellus AB and Arnhult Invest AB. Board member of Odd Molly International AB, Devyser Holding AB and M2 Capital Management AB.

Shareholdings: 50,000 B shares as personal holdings and 502,000 B shares via companies.

Christian Kinch

Board member

Membership of committees: -

Elected to the Board: 2005

Born: 1966

Education: Stockholm School of Economics.

Background: Co-founder of Bactiguard. CEO of the Bactiguard Group since June 2015, and the periods 2005-2014 and 2015-2020. Resigned as CEO in February 2020. Chairman of the Board 2014-2015 and Board assignments in the Group since 2005. Founder and CEO of Kinchard AB and Netpharma AB.

Other assignments: Board member of Swecare AB. Chairman of the Board of SWIB Holding AB (holding company for Smartwise Sweden AB and Procella Therapeutics AB). Owner and Board member of KK Consult AB and KK Invest AB.

Shareholdings: 2,000,000 A shares via companies and 4,125,977 B shares through family, personal holdings.

Anna Martling

Board member

Membership of committees: Audit Committee

Elected to the Board: 2019

Born: 1969

Education: MD, Karolinska Institutet. Board Certified Surgeon, Ph.D., Karolinska Institutet. Professor of Surgery, Karolinska Institutet.

Background: Dean Campus North, Karolinska Institutet, Senior Consultant Surgeon, Karolinska University Hospital, Research Group Leader, Karolinska Institutet. Previous board member of Radiumhemmets Forskningsfonder, the Cancer Association in Stockholm, and the Swedish Cancer Society. Member of the Board of Research at Karolinska Institutet and member of the Board of Research KI/SLL.

Other assignments: Board member of KI Cancer, StratCan and CIMED, Karolinska Institutet. Member of the Faculty Board, Karolinska Institutet.

Shareholdings: 3,423 B shares as personal holdings.

Thomas von Koch

Board member

Membership of committees: Remuneration Committee and Audit Committee.

Elected to the Board: 2019

Born: 1966

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

Background: Co-founder of Bactiguard and Chairman of the Board 2005-2013. CEO of EQT.

Other assignments: Deputy Managing Partner in EQT Partners AB, EQT Partners AB, Board member Kochcompany AB and TomEnterprise AB.

Shareholdings: 2,000,000 A shares via companies and 4,125,878 B shares as personal holdings.

GROUP MANAGEMENT

Cecilia Edström

CEO

Employed 2014

Born: 1966

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

Background: Various positions at SEB, as well as in Group Management of Scania AB and TeliaSonera AB

Other assignments: Board member of Nordic Public Affairs AB.

Shareholdings: 243,264 B shares as personal holdings.

Stefan Grass

Deputy CEO and Chief Medical Officer

Employed 2019

Born: 1972

Education: MD PhD at Karolinska Institutet, Stockholm

Background: Specialist in anaesthesia and intensive care, Karolinska University Hospital. Medical officer, CSL Behring

Other assignments: -

Shareholdings: 8,750 B shares as personal holdings.

Jonas Östregård

SVP Sales & Marketing

Employed 2018

Born: 1975

Education: BSc Business and Economics, Stockholm University

Background: Various sales positions at AstraZeneca, officer in the reserve.

Other assignments: -

Shareholdings: 75,235 B shares as personal holdings.

Daniel Lund

SVP Operations

Employed 2019

Born: 1976

Education: Civil Engineer, Luleå University of Technology

Background: Senior positions in product development, quality, logistics and supply chain management at AstraZeneca, Medivir and Pfizer.

Other assignments: -

Shareholdings: 28,948 B shares as personal holdings.

On 4 February 2020 Christian Kinch announced to the Board that he was resigning as CEO after close to 16 years. The Board appointed Deputy CEO and CFO Cecilia Edström as the new CEO; and Chief Medical Officer Stefan Grass as the Deputy CEO. Until a permanent CFO is recruited, the Financial manager Lina Arverud, will step in as the acting CFO.

RISKS AND RISK MANAGEMENT

Bactiguard's operations and profits are affected by many external factors. The company is engaged in a continual process at all levels of the organisation to identify risks that may arise and assessing how each of these risks should be managed.

Bactiguard is primarily exposed to market related risks, operational and financial risks. The risks Bactiguard is exposed and how they are managed to are addressed below.

Financial risk management and financial instruments

Through its activities, the Group is exposed to various types of risk and therefore 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 exposure, management and follow-up of the Group's financial risks. The frameworks that apply to the exposure, management, and follow-up of financial risks are established 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 developments and high national debt may cause both public and private customers to experience difficulty in obtaining financing. This may also 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 macroeconomic risk.

Regulatory risk

As a 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 launch of products in these countries. Bactiguard works with its local distributors and regulatory advisors to minimise these risks.

Technology risk

There are technological advances in medical technology, which result in new products and improved treatment methods being launched continuously. Bactiguard has obtained patents in many of the countries in which the company operates in order to protect its technology, and has applied for patents in additional countries. Bactiguard has also 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 for large payment commitments can have a negative impact on Bactiguard's operations and its financial position. As per 31 December 2019, the Group had liquidity amounting to MSEK 52.9, including approved bank overdraft facilities of MSEK 30. The liquidity risk is monitored on a monthly basis through rolling forecasts of three months which evaluate the liquidity situation and provides the basis for taking relevant financial or operational measures. The management currently deems that liquidity levels will be sufficient to manage the company's commitments for the coming year.

Covid-19

In connection with the publication of this annual report, the world is going through an uncertain time with the spread of the Covid-19 pandemic, with serious impact on people's lives, health care systems and the world economy. No one can currently grasp what the consequences of this pandemic will be, but we are convinced that the need for infection prevention will increase. The interest in Bactiguard 's products has already increased and the company's employees are focused on increasing production capacity and transport logistics.

Bactiguard has manufacturing in Malaysia and suppliers of raw materials in Malaysia and China, among others. The spread of the pandemic has complicated the logistics, but new ways and opportunities for shipping products are evaluated daily.
In addition, work on expanding production capacity in Sweden has begun to get closer to customers in the European market.

When communities and companies are quarantined, the risk of payments being delayed or canceled increases. The company continuously monitors payments from all customers. The close cooperation and contact with the largest customers have so far not given any indications that there is a risk of missing payments, rather that there is an increased demand for the company's products.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

Amounts in TSEK	**Note**	**2019**	**2018**
Net sales	5.6	184,987	150,097
Other operating revenues	7	12,824	13,063
Total		**197,811**	**163,160**
Capitalized expenses for own account[1]		2,731	4,867
Raw material and consumables		-32,062	-25,717
Other external expenses	8.9	-46,242	-58,799
Personnel costs	10	-58,082	-56,335
Depreciation	15, 17-23	-42,128	-34,194
Other operating expenses	7	-2,516	-5,022
Total		**-178,300**	**-175,201**
Operating profit/loss		**19,511**	**-12,040**
Profit/loss from financial items			
Financial revenues	11	151	3,698
Financial expenses	12	-9,309	-12,353
Total		**-9,158**	**-8,655**
Profit/loss before tax		**10,353**	**-20,695**
Current tax	13	-16	-8
Deferred tax	13	5,919	5,772
Profit/loss for the year		**16,256**	**-14,931**
Attributable to:			
The parent company's shareholders		16,256	-14,931
Earnings per share in SEK[2]		0.49	-0.45

Condensed consolidated statement of comprehensive income

Amounts in TSEK	**2019**	**2018**
Profit/loss for the year	16,256	-14,931
Other comprehensive income:		
Items that will be reclassified to profit or loss for the year		
Translation differences	-406	-421
Other comprehensive income, after tax	**-406**	**-421**
Total comprehensive income for the year	**15,850**	**-15,352**
Attributable to:		
The parent company's shareholders	15,850	-15,352

1) In the previous statements, the Capitalized expenses for own account item has been recognised as net in relation to other external costs as well as personnel costs.

2) No dilution is applicable

Consolidated statement of financial position

Amounts in TSEK	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	14	226,292	226,292
Technology	15	165,192	188,998
Brands	16	25,572	25,572
Customer relationships	17	8,188	9,368
Capitalised development expenditures	18	21,555	21,494
Patent	19	355	414
Total		**447,153**	**472,138**
Property, plant and equipment			
Right of use lease assets	20	79,266	11,931
Improvements, leasehold	21	9,536	10,896
Machinery and other technical plant	22	4,410	4,830
Equipment, tools and installations	23	1,886	2,133
Total		**95,099**	**29,790**
Financial assets			
Other non-current accounts receivable		1,837	477
Total		**1,837**	**477**
Total non-current assets		**544,090**	**502,405**
Current assets			
Inventories	25	14,351	14,266
Accounts receivable	26	45,414	54,492
Other current receivables		2,547	3,224
Prepaid expenses and accrued income	27	12,087	11,197
Cash and cash equivalents	28	22,878	1,893
Total		**97,277**	**85,072**
TOTAL ASSETS		**641,367**	**587,477**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent			
Share capital	29	833	833
Translation reserve		-711	-305
Other capital contribution		675,690	675,690
Retained earnings including net profit for the year		-289,120	-305,396
Total		**386,691**	**370,821**
Total equity		**386,691**	**370,821**
Non-current liabilities			
Deferred tax liabilities	13	13,553	19,471
Liabilities to credit institutions	30.31	-	130,805
Leasing liability	20	71,760	10,938
Total		**85,313**	**161,214**
Short-term liabilities			
Liabilities to credit institutions	30	126,900	14,400
Leasing liability	20	9,223	1,538
Accounts payable		8,588	7,051
Other short-term liabilities		2,528	14,183
Accrued expenses and prepaid income	32	22,122	18,270
Total		**169,362**	**55,442**
Total liabilities		**254,675**	**216,655**
TOTAL EQUITY AND LIABILITIES		**641,367**	**587,477**

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent				
Amounts in TSEK	**Share capital**	**Other capital contribution**	**Translation reserve**	**Retained earnings including net profit for the year**	**Total equity attributable to shareholders of the parent company**
Opening balance 1 January 2018	**833**	**675,690**	**116**	**-290,465**	**386,173**
Comprehensive income					
Profit/loss for the year	-	-	-	-14,931	-14,931
Other comprehensive income:					
Translation differences	-	-	-421	-	-421
Total other comprehensive income, after tax	-	-	-421	-	-421
Total comprehensive income	**-**	**-**	**-421**	**-14,931**	**-15,352**
Transactions with shareholders					
Total transactions with shareholders	-	-	-	-	-
Closing balance 31 December 2018	**833**	**675,690**	**-305**	**-305,396**	**370,821**
Opening balance 1 January 2019	833	675,690	-305	-305,396	370,841
Adjustment of equity for previous year				20	
Comprehensive income					
Profit/loss for the year	-	-	-	16,256	16,256
Other comprehensive income:					
Translation differences	-	-	-406	-	-406
Total other comprehensive income, after tax	**-**	**-**	**-406**	**-**	**-406**
Total comprehensive income	**-**	**-**	**-406**	**16,276**	**15,850**
Transactions with shareholders					
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-**
Closing balance 31 December 2019	**833**	**675,690**	**-711**	**-289,120**	**386,691**

Consolidated statement of cash flows

Amounts in TSEK	**Note**	**2019**	**2018**
Cash flow from operating activities			
Profit/loss for the year		16,256	-14,931
Adjustment for non-cash flow items:			
Depreciation		42,128	34,194
Deferred tax		-5,918	-5,772
Unrealised exchange rate adjustment		137	-1,216
Anticipated bad debt losses		-498	4,676
Accrued interest		575	604
		52,680	**17,555**
Increase/decrease inventory		150	-427
Increase/decrease accounts receivable		8,215	-1,162
Increase/decrease other current receivables		-884	-2,884
Increase/decrease accounts payable		1,536	2,213
Increase/decrease other current liabilities		-7,715	-14,431
Cash flow from change in working capital		**1,302**	**-16,691**
Investing activities			
Investments in intangible assets		-2,882	-5,020
Investments in property, plant and equipment		-1,541	-725
Cash flow from investing activities		**-4,423**	**-5,745**
Operating cash flow		**49,559**	**-4,881**
Financing activities			
Amortisation of financial leasing liability		-8,921	-1,466
Amortisation of loan		-15,000	-7,500
Change to bank overdraft		-3,905	3,905
Cash flow from financing activities	**34**	**-27,826**	**-5,061**
Cash flow for the year		**21,733**	**-9,942**
Cash and cash equivalents at start of year		1,893	11,550
Exchange difference in cash and cash equivalents		-748	285
Cash and cash equivalents at end of year		**22,878**	**1,893**

PARENT COMPANY STATEMENTS

Parent company income statement

Amounts in TSEK	Note	2019	2018
Net sales		-	-
Other operating revenues	5.7	5,081	6,967
Total		**5,081**	**6,967**
Other external expenses	8.9	-1648	-1740
Personnel costs	10	-6,662	-8,700
Total		**-8,310**	**-10,440**
Operating profit/loss		**-3,229**	**-3,473**
Profit/loss from financial items			
Interest income and similar items	11	3,383	3,073
Interest expenses and similar items	12	-4,821	-5,122
Total		**-1,438**	**-2,049**
Profit/loss after financial items		-4,667	-5,522
Deferred tax	13	15,255	-
Profit/loss for the year		**10,588**	**-5,522**

Statement of comprehensive income, parent company

Amounts in TSEK	2019	2018
Profit/loss for the year	10,588	-5,523
Other comprehensive income	-	-
Total comprehensive income	**10,588**	**-5,523**

Parent company balance sheet

Amounts in TSEK	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Financial assets			
Shares in subsidiaries	24	414,574	414,574
Receivables from group companies		178,286	192,915
Deferred tax assets		15,255	-
Total		**608,114**	**607,489**
Current assets			
Current receivables			
Other current receivables		385	146
Prepaid expenses and accrued income	27	1,321	201
Total		**1,706**	**347**
Cash and bank balances	28	2,063	648
Total current assets		**3,769**	**995**
TOTAL ASSETS		**611,883**	**608,484**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	29	833	833
Total		**833**	**833**
Non-restricted equity			
Retained earnings		456,453	461,976
Profit/loss for the year		10,588	-5,523
Total		**467,041**	**456,453**
Total equity		**467,873**	**457,286**
Non-current liabilities			
Liabilities to credit institutions	30	-	126,900
Total		**-**	**126,900**
Short-term liabilities			
Liabilities to credit institutions	30	126,900	14,400
Liabilities to group companies		14,575	7,656
Accounts payable		115	181
Other short-term liabilities		288	343
Accrued expenses and prepaid income	32	2,131	1,718
Total		**144,010**	**24,298**
Total liabilities		**144,010**	**151,198**
TOTAL EQUITY AND LIABILITIES		**611,883**	**608,484**

Changes in equity, parent company

Amounts in TSEK	Share capital	Restricted equity	Non-restricted equity	Total equity
Opening balance 1 January 2018	833	-	461,976	462,809
Comprehensive income				
Profit/loss for the year			-5,523	-5,523
Total comprehensive income	**833**	**-**	**-5,523**	**-5,523**
Total transactions with shareholders	**-**	**-**	**-**	**-**
Closing balance 31 December 2018	**833**	**-**	**456,453**	**457,286**
Opening balance 1 January 2019	**833**	**-**	**456,453**	**457,286**
Comprehensive income				
Profit/loss for the year	-	-	10,588	10,588
Total comprehensive income	**-**	**-**	**10,588**	**10,588**
Total transactions with shareholders	**-**	**-**	**-**	**-**
Closing balance 31 December 2019	**833**	**-**	**467,041**	**467,873**

Cash flow statement, parent company

Amounts in TSEK	Note	31/12/2019	31/12/2018
Cash flow from operating activities			
Profit/loss for the year		10,588	-5,523
Adjustment for non-cash flow items			
Deferred tax		-15,255	-
Accrued interest		7,191	-2,487
		2,524	**-8,010**
Increase/decrease other current receivables		-1,240	682
Increase/decrease accounts payable		-66	-114
Increase/decrease other current liabilities		197	-284
Cash flow from operating activities		**1,415**	**-7,726**
Financing activities			
Amortisation of loan		-15,000	-7,500
Amortisation loan group companies		15,000	15,500
Cash flow from financing activities	**34**	**0**	**8,000**
Cash flow for the year		1,415	274
Cash and cash equivalents at start of year		648	374
Cash and cash equivalents at end of year		**2,063**	**648**

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 most important accounting principles that are applied when these consolidated financial statements have been prepared are specified below. These principles have been applied consistently for all the presented years unless otherwise stated. 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 of 31 December 2019. 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 an acquisition value basis, except for certain financial instruments which are stated at fair value. The accounting 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 IFRS standards and new interpretations 2019

Applied accounting principles include new and amended standards for the first time that are mandatory for financial years beginning 1 January 2019.

The Group has been applying IFRS 16 "Leases" since 1 January 2019. IFRS 16 replaces IAS 17 "Leases" and Related Interpretations. This new standard means that virtually all leases must be recognised in the statement of financial position in order to provide a fairer picture of the company's financial position and to improve the disclosures on indebtedness and the use of capital.

During the transition to IFRS 16, twelve leases were identified for offices, company cars and office equipment which are classified as financial leasing in accordance with IFRS 16. Bactiguard has a financial lease for a production plant, which used to be recognised in accordance with IAS 17 "Leases", but which has been reclassified in accordance with IFRS 16 at the amounts that were reported on the day immediately before the application of this new standard.

When establishing right to use and leasing liability, some relief rules were applied.

- Rights of use assets and leasing liabilities have not been recognised for leases for which the leasing period ends within 12 months or earlier after the transition date (short-term lease).
- Rights of use assets and leasing liabilities have not been recognised for leases in which the underlying asset has a new acquisition value lower than about TSEK 45 (low value agreement).
- Assessments have been made in retrospect when establishing the leasing period if the agreement contains options to extend or terminate the lease.
- Excluded initial direct costs from the valuation of the rights of use asset on the first day of application.
- The company's marginal loan rate at the transition date is used as the discount rate. This has been established for each country based on the ten-year government bond rate, the company's credit risk for loans and the currency risk.

Bactiguard applied the modified retroactive method for transitioning to IFRS 16 and has therefore not remeasured previous periods. The effect of applying IFRS 16 is recognised as of 1 January 2019. Bactiguard then recognised a right of use at an amount corresponding to the leasing liability, adjusted for the amount of any prepaid or accrued expenses that are attributable to the lease, as recognised as of 31 December 2018. The transition to IFRS 16 therefore had no effect on the shareholders' equity in the Group.

Effects on the balance sheet 1 January 2019 (MSEK)	
Right of use lease assets	86,019
Machinery and other technical plant	-11,931
Other current receivables	-674
Long-term leasing liabilities	77,003
Other long-term liabilities	-10,938
Short-term leasing liabilities	8,888
Other short-term liabilities	-1,538

IFRS 16 means that EBITDA increases as the leasing fees decrease and are replaced by depreciation of the rights to use assets and interest attributable to the lease amortisation, and that the cash flow from operating activities increases and cash flow from financing operations decreases compared to previously, as the amortisation of leasing liabilities is classified as cash flow from financing activities. IFRS 16 also affects some of the key ratios presented by the Group in the external reporting, such as EBITDA, equity/assets ratio and net debt.

The application of IFRS 16 has also meant more detailed disclosure requirements. Additional information on IFRS 16 Leases is available under the Leases heading later in this note.

Other new or amended IFRS standards and interpretations that have been published have no material impact on the Group's financial statements.

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). 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. 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.

Goodwill

Goodwill that arises during the acquisition of subsidiaries is recognised at acquisition value 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 the impairment 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 attributable to the cash-generating unit proportionally based on the carrying amount of each asset in the unit. A recognised impairment of goodwill can not 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

Operating segments are components 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

The Group applies IFRS 15 "Revenue from Contracts with Customers", where the basic principle for revenue recognition is that a company should recognise revenue to illustrate the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for these goods or services. Revenue is recognised when the customer obtains control over goods or services. The Group's revenues are mostly from license revenues and product sales. Revenues are recognised at the transaction price of the consideration that has been received or will be received, less VAT, discounts and similar deductions.

License revenues

License revenues are revenues from sales of products through licensing agreements with Bactiguard's infection prevention technology. The licensing rights refer to the right to use Bactiguard's technology to provide outer coatings for products with Bactiguard's noble metal concentration.

A license agreement is divided into two phases: Collaborative phase and Commercial phase. The collaborative phase generates license revenue in the form of initial fees related to the right to use Bactiguard's technology for products within a specific application and geographical area. Once the license customer's product has reached the market and generates revenue for the license customer, the license agreement transitions to the commercial phase. The license revenue then consists of remuneration from the license customers for product delivery in the form of noble metal concentrates and a variable remuneration in the form of royalties from the license customer's sales revenue.

Once a new license agreement is signed, it is analysed on the basis of the five-step model in IFRS 15 as follows

i) identify the agreement;
ii) identify performance obligations;
iii) determine the transaction price;
iv) allocate the transaction price to performance obligations
v) recognise revenue when (or as and when) the company fulfills the performance obligation.

Different performance obligations are identified in the different phases of the license agreement, and the transaction price of the license agreement is allocated across the various obligations. Revenue from the new license agreement is recognised either at a specific time or when performance obligations are fulfilled.

An initial obligation in the collaborative phase is to transfer the right to the technology, which occurs at a certain point in time and the revenue is recognised, such as when the right to the technology is transferred to the customer. The collaborative phase could also include milestones that must be achieved in order for certain remuneration to be paid, for example that there has to be regulatory approval. This remuneration is then considered to be variable remuneration and the revenue is dependent on a future event occurring. This type of revenue is recognised at a specific point in time, such as when the regulatory approval is obtained and Bactiguard is entitled to the remuneration. In cases where a milestone or performance obligation is not linked to a specific event but runs over time, such as a collaboration on the development and testing of products, the performance obligation is considered to be fulfilled over time. Only portions of revenues from new license agreements are therefore recognised over time, while other license revenues are recognised at a certain point in time.

Once the collaborative phase is completed, the license agreement transitions into the commercial phase, which include large elements of the Group's existing license agreements. In the commercial phase, revenues are recognised on a certain date, such as when product delivery of noble metal concentrates is made and when the variable remuneration in the form of royalties incurs.

For detailed and quantified information, see Note 5.

Product sales

Bactiguard's product portfolio BIP (Bactiguard Infection Protection) currently includes the products BIP Foley, BIP ETT and BIP CVC. The proceeds from the sale of the products are recognised at the time the control passes to the customer, in other words once the ownership of the products is transferred to the customer, which normally coincides with the delivery.

Leases

Before 1 January 2019 the Group applied IAS 17 for recognising leases.

According to IAS 17, a financial lease is an agreement that essentially transfers all the financial risks and rewards associated with ownership of an object from the lessee to the lessor. Other leases are classified as operating leases according to IAS 17. As of 31 December 2018, the Group had a financial lease for part of a production plant, while other agreements are classified as operating leases. The finance lease was recognised as a fixed asset in the balance sheet with a corresponding liability in the balance sheet.

As of 1 January 2019, the Group applies IFRS 16 "Leases" under which virtually all leases are to be recognised in the statement of financial position in order to provide a fairer picture of the company's financial position and to improve the disclosures on indebtedness and the use of capital.

The right of use (leasing asset) and the leasing liability are measured at the present value of future leasing payments. The right of use also includes direct costs attributable to the signing of the lease. In the income statement depreciation on the right of use and interest expenses are recognised. The right of use is recognised separately from other assets in the statement of financial position. In subsequent periods, the right of use is recognised at acquisition value less depreciation and impairments, if any, and adjustments for any remeasurement of the leasing liability.

The right of use asset is depreciated over the shorter of the length of the lease and the asset's underlying useful life. If the lease transfers ownership of the underlying asset to the Group or if the acquisition value of the right of use reflects the fact that the Group will exercise an option to purchase, the associated right of use is to be amortised over the useful life of the underlying asset. Depreciation is initiated at the commencement date of the lease.

The leasing liability is recognised separately from other liabilities. In subsequent periods, the liability is recognised at the amortised acquisition value and is reduced by the leasing payments that have been made.

The leasing liability covers the present value of the following fees over the estimated leasing period:

- fixed fees;
- variable leasing fees linked to the index or price, initially measured using the index or price applicable at the commencement date;
- any residual value guarantees that are expected to be paid,
- the exercise price of a call option that the Group is reasonably sure to exercise and
- penalty fees payable upon termination of the lease for an estimated leasing period reflect the fact that termination of this type will occur.

Variable fees that are not recognised in the liability, such as property tax, are recognised as expenses in operating profit.

Short leasing contracts (twelve months or shorter) and leases where the underlying assets amount to a low value (a maximum of TSEK 45) do not need to be recognised in the statement of financial position. These leasing payments are recognised as expenses in operating profit on a straight-line basis over the term of the lease, unless another systematic method is more representative for when the financial benefits from the leased assets are utilised by the Group.

The Group assesses whether an agreement is, or contains, a lease upon entering into an agreement. The Group has chosen to apply the practical relief rules that are in effect, and therefore leases for less than twelve months have been classified as short-term agreements, whereas leases in which the underlying asset has a new acquisition value that is lower than about TSEK 45 are classified as agreements for which the underlying asset has a low value. None of these types of agreement are included in the rights of use or leasing liabilities that have been recognised. For these leases, the Group recognises the leasing payments as an operating expense on a straight-line basis over the leasing period.

The leasing period has been established based on how the termination and extension clauses are expected to be used, taking into account the company's strategic future plans, and historic information about how the extension options have previously been used. If it is not reasonably certain that there will be an extension, the extension will not be included in the calculation of the leasing liability. As the discount rate, the Group uses the implicit interest rate of the lease, providing this interest rate can be easily determined. If this interest rate cannot be easily determined, the lessee's marginal loan interest rate is used.

The Group applies IAS 36 "Impairment of assets" to determine if there is a need for impairment to the right of use and recognises any identified impairment as described in the section "Impairment of property, plant and equipment and intangible assets excluding goodwill".

Foreign currencies

Items included in the financial statements of the various entities in the Group are recognised in each companies' local currency. All amounts in the consolidated financial statements are translated to Swedish krona (SEK), which is the accounting and reporting currency of the parent company and the Group. Foreign currency transactions in each entity are translated into the entity's functional currency according to the 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 rate that existed when the fair value was determined. Non-monetary items, carried at historical acquisition value in a foreign currency are not translated. Exchange rate differences are recognised in the income statement for the period in which they occur.

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 average 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.

Employee benefits

Employee benefits in the form of salaries, bonus, paid vacation, paid sick leave, and similar, as well as pensions are recognised 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. This means that 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 statements 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 recognised 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 recognised 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 acquisition value less accumulated depreciation and any accumulated impairments. The acquisition value consists of the purchase price, costs directly attributable to bringing the asset to the site and 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 acquisition value 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 asset. The gain or loss that arises when the asset is retired or disposed is 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 acquisition value 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

The Group's product development expenses are recognised as internally generated intangible assets in cases where the following conditions have been 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 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 these conditions are not met, the cost of development is recognised instead as an expense in the period in which they arise. Depreciation of the asset begins once product development for each internally generated intangible asset is considered complete. The asset is then recognised at acquisition value 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 acquisition value of such intangible assets comprises their fair value on the acquisition date. After initial recognition, intangible assets acquired in a business combination are carried at acquisition value 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 asset. The gain or loss that arises when an intangible asset is derecognised in the statement of financial position is recognised in the income statement when the asset is derecognised from the statement of financial position.

Impairment of property, plant and equipment 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 is immediately 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

The Group applies IFRS 9 "Financial instruments" which, among other things, deal with the classification, measurement and accounting of financial assets and liabilities.

Classification of financial instruments

Financial assets and financial liabilities are classified as follows.

Financial assets

- Hold to collect: Assets that are held to collect the contractual cash flows that only comprise payments of capital amounts and interest on the outstanding capital amount. These are recognised at amortised acquisition value.
- Hold to collect and sell: Assets that are held both to collect contractual cash flows and sell investments and that have contractual cash flows that only comprise payments of capital amounts and interest on the outstanding capital amount. These are measured at their fair value via other comprehensive income.
- Other: Other financial assets and investments in equity instruments. These are measured at their fair value via the income statement.

Financial liabilities

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

Measurement of financial instruments

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 stated.

Amortised acquisition value

Amortised acquisition value 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.

Recognition of financial instruments

Financial assets or liabilities are recognised in the balance sheet when the company becomes a party pursuant to the contractual terms of the instrument. A receivable is recognised when the company has performed its contractual obligations, and there is a contractual obligation for the counterparty to pay, even if no invoice has been sent. A liability is recognised when the counterparty has performed its contractual obligations, and there is a contractual obligation to pay, even if no invoice has been received. A financial asset is derecognised in the balance sheet when the entitlements in the contract are realised, when the risks and rewards are transferred to another party, when the right to the cash flows ends or the company loses control of the asset. The same applies to part of a financial asset. A financial liability is derecognised in the balance sheet when the agreed obligation is discharged or otherwise extinguished. The same applies to part of a financial liability. The acquisition and sale of financial assets are recognised on the trade date, which is the day when the company commits itself to acquire or sell the asset.

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 'Hold to collect' and these are measured at amortised acquisition value. Since bank deposits are payable on demand, amortised acquisition value equals the nominal amount.

Accounts receivable

Accounts receivable are recognised in the balance sheet when an invoice has been sent. Accounts receivable are classified as 'Hold to collect' and these are measured at amortised acquisition value.

Derivative instruments

The Group does not apply hedge accounting, and all derivative instruments are therefore measured as 'Fair value via the income statement' in the category 'Other'. Derivative instruments with a positive fair value are recognised as assets in the 'Other current receivables' item. Derivative instruments with a negative fair value are recognised as liabilities in the 'Other current liabilities' item. Currency forwards are used to hedge foreign currency flows. The Group used currency futures to hedge the USD flow in the year. The results for these are recognised under financial items.

Accounts payable

Accounts payable are recognised when an invoice has been received. Accounts payable are measured at their amortised acquisition value. 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 loans, bank overdrafts and other loans are measured at their amortised acquisition value using the effective interest rate method. Any differences between the loan received (net after transaction costs) and the repayment amount or the amortisation of the loan are recognised over the maturity period of the loan.

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.

Impairment of financial instruments

One new feature of IFRS 9 is that a credit loss provision must be made based on expected losses. The Group recognises a loss provision for expected credit losses from financial assets measured at amortised acquisition value or fair value via other comprehensive income, for lease receivables and contract assets. The impairment rules do not extend to equity instruments. On each balance sheet date, the change in expected credit losses since initial recognition is recognised in profit or loss. The purpose of the impairment requirements is to recognise the expected credit losses for twelve months for all financial assets and the remaining term for all financial assets for which significant increases have occurred in the credit risk since initial recognition, either assessed individually or collectively, in view of all reasonable and verifiable data, including forward-looking data. The Group measures expected credit losses from a financial instrument in a way that reflects an objective and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable verifiable data about current conditions and forecasts regarding future economic conditions.

Cash and cash equivalents and other operating receivables with a maturity of less than twelve months are covered by the general model, with the exception of low credit risk. Based on this no credit loss provision has been deemed necessary for the Group's cash and cash equivalents and other operating assets.

For accounts receivable, contract assets and lease receivables there is a simplified model, which means that the Group directly recognises expected credit losses for the remaining term of the asset. The Group applies the simplified model for accounts receivable using a matrix, where a historic credit loss is an indicator that is adjusted for current and future factors. The Group's exposure to credit risk is primarily attributable to accounts receivable. The simplified model is used to calculate credit losses on the Group's accounts receivable. When calculating the expected credit losses, accounts receivable have been grouped based on the customers' credit rating. The expected credit losses for accounts receivable are calculated using a provision matrix based on previous events, current conditions and forecasts regarding future financial conditions. For quantified disclosures, see Note 4.

Impairment of accounts receivable and other receivables is recognised in operating expenses. Impairment of cash and cash equivalents and other non-current securities holdings are recognised as a financial expense.

Inventories

Inventories are carried at the lowest of acquisition value or net realisable value. The acquisition value of finished goods includes raw materials, direct labour costs, tool costs, other direct costs and related manufacturing costs. The acquisition value is calculated using the weighted average prices method. The net realisable value is the estimated sales price in ongoing activities.

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.

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 following differences exist between the accounting principles of the Group and the parent company:

Shares in subsidiaries are recognised in the parent company according to the acquisition value method. Acquisition-related costs for subsidiaries that are charged in the consolidated financial statements are included as a part of the acquisition value for shares in subsidiaries.

The parent company's pension obligations 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.

The parent company does not apply IFRS 9. The parent company's financial instruments are recognised in accordance with a method based on acquisition value as specified in the Annual Accounts Act.

The parent company does not apply IFRS 16. There are currently no leases in the parent company

The parent company complies with the Annual Accounts Act's layout for the income statement and balance sheet, which mainly differs from the Group's layout in terms of the recognition of financial income and expenses, fixed assets, shareholders' equity and the occurrence of provisions as individual headings.

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

One condition for revenue recognition is that revenue from sales must illustrate the transfer of promised goods and services to customers at an amount that reflects the consideration that the company is expected to be entitled to in return for these goods or services. The assessment of when the risk and control are transferred requires review of each contract and circumstance under which each transaction is conducted.

Bactiguard's new licensing agreements involve a certain level of complexity, as the value of the licensing business needs to be distributed over time based on the assessment of phases, obligations and the distribution of the transaction price. These estimates and judgements for new licensing agreements may have a significant impact on recognised revenues. License revenues also include royalties. Royalties are variable remuneration from the license customers, which accrues to Bactiguard once the license customer has sold its Bactiguard-coated products. Bactiguard's revenues for royalties are recognised in connection with subsequent sales or following use by a licensing customer and are booked on an ongoing basis based on the expected value. The expected value is calculated using current, historical and forecasted data. These estimates and assessments of expected royalties impact the recognised revenue. In order to ensure the very best accuracy in terms of the revenue recognition of royalties, the model is continuously analysed and changed as needed.

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. In order to determine whether the value of these assets has decreased, the cash-generating unit to which goodwill and trademark are attributed must be measured by discounting the unit's cash flows. By applying this method, the company is relying on a number of factors, including achieved results, business plans, economic forecasts and market data. This is described in more detail in Note 14. As can be deduced from the description, changes in the conditions for these assumptions and estimates could have a significant effect on the value of goodwill and brand.

Right of use and leasing liability

When establishing the right of use and leasing liability for current agreements, the most important judgements are whether an agreement is, or contains a lease, establishing the leasing periods and discount rates.

The leasing period has been established based on how the termination and extension clauses are expected to be used, taking into account the company's strategic future plans, and historic information about how the extension options have previously been used. If it is not reasonably certain that there will be an extension, the extension will not be included in the calculation of the leasing liability. The company's marginal loan interest rate is applied when discounting leasing liability, which has been determined per country based on the ten-year government bond rate, the company's credit risk and the currency risk.

Estimation of useful life for intangible and tangible assets

Group management determines the estimated useful life and consequent depreciation for the Group's intangible and tangible assets. Estimates of the useful lives of intangible assets are based on expectations of how long the asset is expected to yield financial benefits. The useful lives of the tangible assets are based on the history of the useful lives of the corresponding assets. The useful life and assessed residual values are evaluated at the end of each financial year, and the estimated useful life could change the outcome whereby the results and financial position of the period may be affected.

Assessment of provision for expected credit losses

Accounts receivable are one of the most substantial items in the balance sheet and are recognised at their nominal amount, net after deductions for the expected credit loss.

Provision for expected credit losses is subject to accounting estimates and assessments. In line with IFRS 9 the Group uses a model for provisioning based on the credit risk of all accounts receivable. The model includes several parameters that are subject to assessments, such as how the different risk classes are defined and how the expected default event for each risk class is assessed based on historical factors and its expected development. These estimates and assessments influence the size of the credit loss provision and therefore the recognised profit for the Group.

NOTE 4 Financial risk management

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 and amortisation, whereby these amounts can not be reconciled against the amounts recognised in the balance sheets. Interest payments are determined based on conditions which apply on the balance sheet date. The table below indicates how the financial liabilities mature based on the information that was available as of 31/12/2019. Liabilities to credit institutions show the term of the bank loan up until December 2020. In February 2020, the term of this loan was extended by 3 years.

Amounts in foreign currencies are translated to Swedish krona on the balance sheet date exchange rates.

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

Maturity analysis Financial liabilities

Group 31/12/2019	Within 3 months	4–12 months	2–5 years	Later than 5 years	Total
Liabilities to credit institutions (including future interest)	956	130,228	-	-	131,184
Leasing liability	2,957	8,788	42,754	39,900	94,399
Accounts payable	8,588	-	-	-	8,588
Total	**12,502**	**139,016**	**42,754**	**39,900**	**234,171**

Group 31/12/2018	Within 3 months	4–12 months	2–5 years	Later than 5 years	Total
Liabilities to credit institutions (including future interest)	1,081	18,151	131,168	-	150,400
Leasing liability	378	1,160	8,891	2,047	12,476
Accounts payable	7,051	-	-	-	7,051
Bank overdraft	-	-	3,905	-	3,905
Total	**8,510**	**19,311**	**143,964**	**2,047**	**173,832**

The parent company 31/12/2019	Within 3 months	4–12 months	2–5 years	Later than 5 years	Total
Liabilities to credit institutions (including future interest)	956	130,228	-	-	131,184
Accounts payable	115	-	-	-	115
Total	**1,071**	**130,228**	**-**	**-**	**131,299**

The parent company 31/12/2018	Within 3 months	4–12 months	2–5 years	Later than 5 years	Total
Liabilities to credit institutions (including future interest)	1,081	18,151	131,168	-	150,400
Accounts payable	181	-	-	-	181
Total	**1,262**	**18,151**	**131,168**	**-**	**150,581**

Financial assets

Financial instruments	Recognised as of 31/12/2019			Recognised as of 31/12/2018		
Category	**Hold to collect**	**Other**	**Hold to collect and sell**	**Hold to collect**	**Other**	**Hold to collect and sell**
Measurement	Amortised acquisition value	Fair value through the income statement	Fair value through other comprehensive income	Amortised acquisition value	Fair value through the income statement	Fair value through other comprehensive income
Accounts receivable	45,414	-	-	54,492	-	-
Other current receivables	2,547	-	-	3,204	20	-
Cash and cash equivalents	22,878	-	-	1,893	-	-
Total	**70,839**	**-**	**-**	**59,589**	**20**	**-**

Financial liabilities

	Recognised as of 31/12/2019		Recognised as of 31/12/2018	
Category	**Financial liabilities**	**Other**	**Financial liabilities**	**Other**
Measurement	Amortised acquisition value	Fair value through the income statement	Amortised acquisition value	Fair value through the income statement
Liabilities				
Long-term interest-bearing liabilities	-	-	130,805	-
Long-term leasing liabilities	71,760	-	10,938	-
Short-term interest-bearing liabilities	126,900	-	14,400	-
Short-term lease liabilities	9,223	-	1,538	-
Accounts payable	8,588	-	7,051	-
Other liabilities	24,402	248	32,454	-
Total	**240,873**	**248**	**197,186**	**-**

Accounts receivable

A credit loss provision has been calculated in accordance with IFRS 9 and is set out in the table below.

The Group's impairment model is based on four different risk classes. Customers are classified into these risk classes based on their credit worthiness and payment history. Each risk class has an expected loss level, which is assessed based on previous events, current conditions and forecasts regarding future financial conditions. The classification of customers is reviewed for each quarterly statement and the customers may then be reclassified to a different risk class. Changes in expected credit loss provisions are also booked on a quarterly basis.

In addition to the expected credit loss provision for all accounts receivable, there is also a credit loss provision based on individual assessments where, for example, an assessment has been made whereby the entire receivable needs to be impaired. More information on the Group's overall credit loss provision is given in Note 26 Accounts receivable.

	Risk class 1	Risk class 2	Risk class 3	Risk class 4	Credit loss provision, individual assessment	Total outstanding receivables SEK
31/12/2019						
Accounts receivable, gross per risk class	1,927	28,436	3,123	12,821	-	46,308
Exchange rate adjustment	-	-	-	-	-	662
Expected loss level %	0.2%	1%	2%	5%	-	-
Credit loss provision	-4	-284	-62	-641	-565	-1,556
Total accounts receivable, net 31/12/2019						**45,414**

	Risk class 1	Risk class 2	Risk class 3	Risk class 4	Credit loss provision, individual assessment	Total outstanding receivables SEK
31/12/2018						
Accounts receivable, gross per risk class	6,290	29,947	3,651	16,344	-	56,232
Exchange rate adjustment	-	-	-	-	-	4,664
Expected loss level %	0.2%	1%	2%	5%	-	-
Credit loss provision	-13	-299	-73	-817	-5,202	-6,404
Total accounts receivable, net 31/12/2018						**54,492**

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 is working to reduce its capital risk by:

- Establishing sufficient credit facilities in good time for the forecasted needs.
- Monitoring maturities for total debt with the purpose of matching amortisation in relation to the expected cash flow.
- Meeting key ratios in line with loan agreements. Key ratios in the three-year credit facility in the Skandinaviska Enskilda Banken are reported to the lender at the dates specified in the agreement. Current key ratios in this agreement are based on EBITDA.
- Optimising operating capital in the Group.
- Monitoring the debt 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 the relevant currency for the next twelve months. As of 31 December 2019, there were MUSD 2.3 (MEUR 0.3) in 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, currency 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 +/– 0.7 (0.5). 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 +/- 0.1 (0).

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 loan financing.

As the loan runs at an interest base of Stibor 90, however minimum 0%, and an interest surcharge of 3.0%, the company's foremost interest risk to possible changes is represented by the underlying Stibor rate. A change of Stibor 90 by one percentage point would impact the Group's annual interest expense on the loan by MSEK -1.4 (-1.5).

NOTE 5 Revenues

Revenue distribution

The Group's revenue is derived from the sale of BIP products along with license revenue. Revenues from sale of the products are recognised at the time the control passes to the customer, in other words once the ownership of the products is transferred to the customer, which normally coincides with the delivery to the customer.

License revenue is derived from license agreements in which the customer obtains the right to use Bactiguard's technology for coating of products.

When a new license agreement is signed, this agreement must be analysed on the basis of the five-step model in IFRS 15. Usually, the license agreement is divided into two phases: Collaborative phase and Commercial phase. Each phase can be divided into different performance obligations and the transaction price is allocated across the various obligations.

The first obligation in the collaborative phase is normally when the contractual party obtains the license entitlement to immediately use Bactiguard's technology. As the right to the technology is transferred a "signing fee" is payable and the performance obligation in this part of the agreement is completed once the contract has been signed and is therefore recognised as revenue directly at a specific point in time.

During the collaborative phase, license revenue is reported upon the achievement of milestones (performance obligations) that are defined in the customer agreement, such as in regulatory approvals, development and testing. When the performance obligation has been fulfilled, the part of the transaction price that has been allocated to this performance obligation is recognised as revenue.

The performance obligation can be fulfilled at a specific point in time or over time. Every license agreement is customer specific. In cases where a milestone (performance obligation) is not linked to a specific event but runs over time, continuous assessments are made in consultation with the licensing partner in terms of the sub-goals that have been achieved, what the next step is and so on. This is thereby considered to constitute an appropriate basis for assessing the performance obligations that have been fulfilled and thereby the transaction price that can be recognised as revenue for the period.

Once the collaborative phase is completed, the license agreement transitions into the commercial phase. In this phase, most of the Group's existing licence agreements are found. In a commercial phase, revenue is recognised at a certain point in time. A breakdown of the Group's revenue in terms of the type of goods/services and the point in time the revenue was recognised is given below.

	Group		Parent company	
Type of product/service	**2019**	**2018**	**2019**	**2018**
License revenues (commercial phase)	113,282	101,219	-	-
New license revenues (collaboration phase)	31,469	8,317	-	-
Sales of BIP products	40,236	40,561	-	-
Total	**184,987**	**150,097**	**-**	**-**

Time of revenue recognition	Group	
	2019	**2018**
Performance obligations fulfilled at a specific point in time	182,869	141,781
Performance obligations fulfilled over time	2,118	8,317
Total	**184,987**	**150,097**

Important components in customer agreements

Bactiguard does not apply a general right of return for products to its distributors.

The Group applies a variety of different payment terms, depending on, for example, the market where the distributor operates and complexity in the agreement. Payment terms with 50% advance invoicing is applied to the Group's largest customer, BD. Advance invoicing is also applied to new distributors. The table below shows the agreement balance of advances from customers. These agreement liabilities are recognised in the accrued expenses and prepaid income item (see also Note 32).

Agreement liabilities	Prepaid income	
	31/12/2019	**31/12/2018**
Opening balance	**9,406**	**29,299**
Gross increase during the year	2,665	9,309
Revenues recognised during the year	-3,597	-6,535
Other changes to contract balances*	-	-22,668
Closing balance	**8,474**	**9,406**

* This change relates to prepaid territorial fees that were adjusted in 2018 due to contracts being terminated. The territorial fees are mirrored by an account receivable of the same amount, which is also cleared from the balance sheet when contracts are terminated.

NOTE 6 Segment information

Group

The information recognised 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, 61% (68%) relates to sales to customer BD.

Net revenues totalled TSEK 184,987 (150,097) allocated to the following geographic markets: America 77% (68%), MEA 5% (3%), Asia 14% (19%), Europe 3% (11%) of which Sweden 2% (0%), Latin America 1% (0%). Of the Group's total non-current assets of TSEK 544,090 (502,405), less than 1% (1%) are attributable to foreign subsidiaries.

Parent company

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

NOTE 7 Other operating revenues and operating expenses

	Group		Parent company	
Other operating revenues	**2019**	**2018**	**2019**	**2018**
Exchange rate gains	4,254	5,691	-	-
Change in inventory of finished goods and products in progress	3,882	1,405	-	-
Other operating revenues	4,688	5,967	5,081	6,967
Total	**12,824**	**13,063**	**5,081**	**6,967**

	Group		Parent company	
Other operating expenses	**2019**	**2018**	**2019**	**2018**
Exchange rate loss	-2,516	-5,022	-	-
Total	**-2,516**	**-5,022**	**-**	**-**

NOTE 8 Information on fees and remuneration to auditors

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Deloitte				
audit assignment	485	470	485	470
additional audit assignments	193	117	97	93
other services	12	37	12	22
Total	**690**	**624**	**594**	**585**
Other auditors				
audit assignment	66	56	-	-
additional audit assignments	56	-	-	-
Total	**122**	**56**	**-**	**-**

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 interim financial statements along with the application of the new IFRS rules.

NOTE 9 Operating leases

As of 1 January 2019, the Group applies IFRS 16 "Leases" and disclosures on this are given in Note 20.

Prior to 1 January 2019, the Group applied IAS 17 for recognition of leases, and the cost of operating leases for 2018 totalled TSEK 10,584 for the Group and TSEK 0 for the parent company. On the balance sheet date 31/12/2018, the Group and the parent company had outstanding obligations in the form of minimum lease fees for non-cancellable operating leases, with due dates as below:

	Group	Parent company
	2018	**2018**
Within 1 year	10,584	-
Between 1 year and 5 years	37,136	-
After more than 5 years	49,379	-
Total	**97,099**	**-**

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

NOTE 10 Number of employees, salaries, other remuneration and social security costs

Employees	2019		2018	
Average number of employees	Number of employees	Of which women	Number of employees	Of which women
Parent company	3	1	3	1
Swedish subsidiaries	38	22	43	24
Foreign subsidiaries	19	13	20	15
Group total	**60**	**36**	**66**	**40**

	2019			2018		
Total salaries and other remuneration to employees	Salaries and other remuneration	Social security costs	Total	Salaries and other remu-neration	Social security costs	Total
Parent company	4,203	2,416	6,620	4,966	3,101	8,066
– of which pension costs	-	1,090	1,090	-	1,320	1,320
Swedish subsidiaries	31,080	12,833	43,913	29,444	12,237	41,681
– of which pension costs	-	5,499	5,499	-	5,107	5,107
Foreign subsidiaries	3,995	670	4,664	3,298	565	3,862
– of which pension costs	-	339	339	-	318	318
Group total	**39,278**	**15,919**	**55,197**	**37,708**	**15,902**	**53,610**
of which total pension costs	-	6,927	6,927	-	6,745	6,745

The above figures do not include other personnel costs, which amount to TSEK -2,885 (-2,392).

Gender distribution in Board of Directors and senior managers	2019		2018	
Group	Board of Directors	Senior managers	Board of Directors	Senior managers
Men	3	4	3	2
Women	2	1	2	2
Total	**5**	**5**	**5**	**4**

	2019		2018	
Parent company	Board of Directors	Senior managers	Board of Directors	Senior managers
Men	3	1	3	1
Women	2	-	2	-
Total	**5**	**1**	**5**	**1**

Remuneration and other benefits to senior management	2019				2018			
Group	Salary/Fee	Other benefits	Pension	Total	Salary/Fee	Other benefits	Pension	Total
Chief Executive Officer	1,700	4	426	2,130	1,946	-	522	2,468
Other senior management	6,073	15	1,193	7,281	6,456	-	1,463	7,919
Total	**7,773**	**19**	**1,619**	**9,411**	**8,402**	**-**	**1,985**	**10,387**

Parent company	2019 Salary/Fee	2019 Other benefits	2019 Pension	2019 Total	2018 Salary/Fee	2018 Other benefits	2018 Pension	2018 Total
Chief Executive Officer	1,700	4	426	2,130	1,946	-	522	2,468
Other senior management	-	-	-	-	-	-	-	-
Total	**1,700**	**4**	**426**	**2,130**	**1,946**	**0**	**522**	**2,468**

No agreements regarding severance pay are in effect between the company and the current CEO or other senior management. Other senior managers refer to Group management. Guidelines regarding remuneration to senior managers are described in the corporate governance statement on Pages 34-43.

	2019 Salary/ Board fee	2019 Pension	2019 Total	2018 Salary/ Board fee	2018 Pension	2018 Total
Jan Ståhlberg, Chairman of the Board from the AGM in May 2018	483	-	483	350	-	350
Christian Kinch, member of the board	-	-	-	-	-	-
Mia Arnhult, member of the board	300	-	300	300	-	300
Anna Martling, member of the board from the AGM in May 2019	117	-	117	-	-	-
Thomas von Koch, member of the board from the AGM in May 2019	-	-	-	-	-	-
Marie Wickman-Chantereau, member of the board up to and including May 2019	83	-	83	200	-	200
Svante Östblom, member of the board up to the AGM in May 2019	83	-	83	200	-	200
Stanley Brodén, Chairman of the Board up to the AGM in May 2018	-	-	-	250	-	250
Total	**1,067**	**-**	**1,067**	**1,300**	**-**	**1,300**

Board fees are paid from the parent company. Variable remuneration, included in the above-mentioned salaries 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 11 Financial income

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Interest income	91	38	-	-
Interest income, Group company	-	-	3,383	3,073
Exchange rate gains	60	1,246	-	-
Other financial income	-	2,414	-	-
Total financial income	**151**	**3,698**	**3,383**	**3,073**

All interest income is attributable to financial assets that are measured at their amortised acquisition value. Other financial income for 2018 refers in its entirety to the reversal of the discounting of non-current receivables. The discounting of receivables was reversed following the early termination of the agreement with the former distributor in China. There was also a long-term liability with the same distributor, which has been discounted. The reversal of a discounted liability impacts other financial expenses by a corresponding amount (see Note 12), which means that the early termination did not have any net effect on financial items in previous years.

NOTE 12 Financial expenses

	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Interest expenses	8,509	5,927	4,821	5,122
Other financial expenses	800	6,426	-	-
Total financial expenses	**9,309**	**12,353**	**4,821**	**5,122**

Interest expenses in the Group are attributable to interest on bank loans and interest on leasing liabilities. Other financial expenses consist of losses in currency contracts and in 2018 these also included the discounting of long-term liabilities.

NOTE 13 Taxes

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Nominal tax 21.4% (22% year 2018)	-2,219	4,553	999	1,215
Tax effect non-deductible expenses	-480	-899	-	-
Tax effect non-taxable income	1,020	34	-	-
Capitalised loss carried forward not previously recognised as deferred tax assets	8,581	3,299	15,255	-
Tax effect for which no deferred tax loss carry-forwards are recognised	-999	-1,223	-999	-1,215
Total	**5,903**	**5,764**	**15,255**	**-**

The Group has tax loss carry-forwards on 31 December 2019 of TSEK -304,831 (-340,223) that can be used against future profits. The tax loss carry-forwards have no maturity date.

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Current tax	-16	-8	-	-
Deferred tax	5,919	5,772	15,255	-
Total	**5,903**	**5,764**	**15,255**	**-**

Deferred tax

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

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Deferred tax assets				
Loss carry-forwards	31,467	33,606	15,255	-
Change due to new tax rate	-	-2,139	-	-
Total deferred tax assets	**31,467**	**31,467**	**15,255**	**-**

	Group		Parent company	
	2019	**2018**	**2019**	**2018**
Deferred tax liabilities				
OB, tax liability intangible assets	50,938	58,848	-	-
Change for the year	-5,919	-4,853	-	-
Change due to new tax rate	-	-3,058	-	-
Total deferred tax liabilities	**45,020**	**50,938**	**-**	**-**
Total net deferred tax liabilities	**13,553**	**19,471**	**15,255**	**-**

The deferred tax asset arose when Bactiguard Holding acquired Bactiguard AB. Deferred tax liability was reduced with respect to acquired surplus values in intangible assets. The change in deferred tax for the year is in part attributable to temporary differences regarding the amortisation of intangible assets of TSEK 5,563 (5,772) and partly to leases of TSEK 356 (0).

NOTE 14 Goodwill

	Group		Parent company	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
Opening acquisition value	226,292	226,292	-	-
Closing accumulated acquisition value	**226,292**	**226,292**	**-**	**-**
Net carrying amount	**226,292**	**226,292**	**-**	**-**

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 and discount rates. Management sees stable growth and a positive pace of development for sales of both BIP products and new licensing business over the 5-year period. 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. The discount rate of 14.4% (13.7%) before tax reflects specific risks associated with the asset. The assumptions are in line with the impairment testing from the previous year.

The assumptions of impairment testing follow the company's growth strategy which is divided into the following four phases:

Phase 1

Stable revenues from the licensing agreement with BD.
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 licensing agreements in the next five years.

Phase 4

Sign additional licensing agreements.
Increase sales generated by the BIP portfolio.
Develop new products.

Bactiguard is in a growth and build-up phase, with global market expansion. Investments have been made in the sales and marketing function, the product portfolio has been developed, and opportunities for new licensing business have been investigated. These investments have had an impact in 2019, which included a new licensing deal with Zimmer Biomet, which contributed significantly to the positive revenue and earnings trend for the year. The partnership with one of the three largest orthopaedic companies in the world endorses the strength of Bactiguard's technology, both from a global perspective and as a new medical application for long-term use. The financial impact of the deal also demonstrates that our growth strategy is working. We believe that the licensing deal with Zimmer Biomet will pave the way for new licensing deals while at the same time contributing to a growth in sales of our own product portfolio. The impairment testing implies an assumption of rising operating margins over the 5-year period as a result of higher sales volumes and license revenue.

Based on the assumptions presented above, the value in use exceeds the carried goodwill value which brings us to conclude that there is no need for impairment in respect of goodwill and brand. A sensitivity analysis has been conducted where the discount rate has been increased by 2 percentage points and the expected future cash flow decreased by 20%, without this altering the conclusion. 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 15 Technology

	Group		Parent company	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
Opening acquisition value	357,100	357,100	-	-
Closing accumulated acquisition value	**357,100**	**357,100**	**-**	**-**
Opening depreciation	-168,102	-144,295	-	-
Depreciation for the year	-23,807	-23,807	-	-
Closing accumulated depreciation	**-191,908**	**-168,102**	**-**	**-**
Net carrying amount	**165,192**	**188,998**	**-**	**-**

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

NOTE 16 Brands

	Group		Parent company	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
Opening acquisition value	25,572	25,572	-	-
Closing accumulated acquisition value	**25,572**	**25,572**	**-**	**-**
Net carrying amount	**25,572**	**25,572**	**-**	**-**

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 14.

NOTE 17 Customer relationships

	Group		Parent company	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
Opening acquisition value	17,700	17,700	-	-
Closing accumulated acquisition value	**17,700**	**17,700**	**-**	**-**
Opening depreciation	-8,332	-7,152	-	-
Depreciation for the year	-1,180	-1,180	-	-
Closing accumulated depreciation	**-9,512**	**-8,332**	**-**	**-**
Net carrying amount	**8,188**	**9,368**	**-**	**-**

NOTE 18 Capitalised development costs

	Group		Parent company	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**
Opening acquisition value	29,112	24,245	-	-
Capitalisation for the year	2,731	4,867	-	-
Closing accumulated acquisition value	**31,842**	**29,112**	**-**	**-**
Opening depreciation	-7,617	-5,677	-	-
Depreciation for the year	-2,669	-1,941	-	-
Closing accumulated depreciation	**-10,287**	**-7,617**	**-**	**-**
Net carrying amount	**21,555**	**21,494**	**-**	**-**

Capitalised development costs refer to ongoing development projects. Impairment is initiated when the project is completed.

NOTE 19 Patents

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening acquisition value	3,012	2,858	-	-
Capitalisation for the year	152	153	-	-
Closing accumulated acquisition value	**3,164**	**3,012**	**-**	**-**
Opening depreciation	-2,598	-2,288	-	-
Depreciation for the year	-211	-310	-	-
Closing accumulated depreciation	**-2,808**	**-2,598**	**-**	**-**
Net carrying amount	**355**	**414**	**-**	**-**

NOTE 20 Leasing

Rights of use

	Buildings	Machinery	Vehicles	Equipment	Total
Acquisition value					
As of 1 January 2019	72,576	15,340	1,227	286	89,428
Adjustments to additional rights of use	4,122	-	-	-	4,122
Disposals	-	-	-444	-	-444
As of 31 December 2019	**76,698**	**15,340**	**782**	**286**	**93,105**
Accumulated depreciation					
As of 1 January 2019	-	-3,409	-	-	-3,409
Depreciation for the year	-8,260	-1,704	-352	-114	-10,431
As of 31 December 2019	**-8,260**	**-5,113**	**-352**	**-114**	**-13,839**
Net carrying amount	**68,438**	**10,226**	**430**	**171**	**79,266**
As of 31 December 2019					

The rights of use are recognised individually on a separate line in the balance sheet. The Group leases a number of assets such as buildings, machinery, vehicles and equipment. Leasing for building in Tullinge is a major part of the overall rights of use. The leasing period for this agreement is 15 years. The right of use for machinery refers to a lease for production equipment in Tullinge. The remaining leases have an average leasing period of 3 years. Some leases for buildings (offices) expired in 2019.

The Group decided to apply the extension options contained in these contracts and the expired contracts were replaced with new leases for identical underlying assets. This resulted in additional rights of use during the year. In addition, the value of the underlying asset for the lease for the Tullinge building also increased as a result of price adjustments as specified in the index. The combined impact of these extension options and price adjustments on buildings is TSEK 4,122.

The Group has agreements in place for sub-leasing of premises. Revenues from this activity are recognised as other operating income and have not been taken into account in the Group's rights of use and leasing liabilities. Revenue from leasing in 2019 totalled MSEK 1.2.

Amounts recognised in the income statement

	2019
Depreciation on rights of use	-10,431
Interest expenses for leasing liabilities	-3,110
Costs attributable to low value leases	-182
	-13,722

Cash flow

The total cash outflow for leases totalled TSEK -12,186.

Leasing liability

Reconciliation information for operating leases in line with IAS 17 and recognised leasing liability in line with IFRS 16.

	Group
Assumptions for operating leases as of 31 December 2018	97,099
Financial leasing liabilities as of 31 December 2018	12,476
Leases with a short maturity (deducted as they are expensed)	-
Leases with less value (deducted as they are expensed)	-169
Variable leasing fees not recognised as part of leasing liability	-23,515
Recognised leasing liabilities balance sheet 1 January 2019	**85,891**

The weighted average marginal loan rate was 3.5%

Maturity analysis for leasing liabilities

Maturity analysis for leasing liabilities	31/12/2019	31/12/2018
Year 1	9,223	1,538
Years 2-5	34,926	6,939
After more than 5 years	36,835	3,999
	80,983	**12,476**
Classified as:		
Non-current liabilities	71,760	10,938
Short-term liabilities	9,223	1,538

The Group is not exposed to any significant liquidity risk as a result of leasing liabilities. Leasing liabilities are monitored by the Group's finance department.

NOTE 21 Improvements, leasehold

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening acquisition value	21,267	21,058	-	-
Purchases	258	209	-	-
Closing accumulated acquisition value	**21,525**	**21,267**	**-**	**-**
Opening depreciation	-10,371	-8,027	-	-
Depreciation for the year	-1,617	-2,344	-	-
Closing accumulated depreciation	**-11,989**	**-10,371**	**-**	**-**
Net carrying amount	**9,536**	**10,896**	**-**	**-**

Improvements to the property of a third party primarily concerns installations at headquarters/ production facilities in Tullinge.

NOTE 22 Machinery and other technical plant

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening acquisition value	29,157	28,207	-	-
Purchases	191	174	-	-
Exchange rate differences	728	776	-	-
Reclassifications	-15,340	-	-	-
Closing accumulated acquisition value	**14,736**	**29,157**	**-**	**-**
Opening depreciation	-12,396	-8,627	-	-
Depreciation for the year	-873	-3,297	-	-
Exchange rate differences	-465	-475	-	-
Reclassifications	3,408	-	-	-
Closing accumulated depreciation	**-10,326**	**-12,396**	**-**	**-**
Net carrying amount	**4,410**	**16,761**	**-**	**-**

The closing balance for 2018 includes a new finance lease for production equipment in Tullinge of TSEK 11,931. As of 1 January 2019, this lease was reclassified to the Right of use balance sheet item, whereby disclosures on this agreement are included in Note 20.

NOTE 23 Equipment, tools and installations

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening acquisition value	8,117	7,776	-	-
Purchases	1,092	341	-	-
Closing accumulated acquisition value	**9,210**	**8,117**	**-**	**-**
Opening depreciation	-5,984	-4,669	-	-
Depreciation for the year	-1,339	-1,315	-	-
Closing accumulated depreciation	**-7,324**	**-5,984**	**-**	**-**
Net carrying amount	**1,886**	**2,133**	**-**	**-**

NOTE 24 Shares in subsidiaries

	Parent company	
	31/12/2019	31/12/2018
Opening acquisition value	414,574	414,574
Closing acquisition value	**414,574**	**414,574**

Subsidiaries	Corp.ID. no.	Domicile	Share of equity %	Share of voting power %	Book value
Bactiguard AB	556668-6621	Stockholm	100%	100%	414,574

NOTE 25 Inventory

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Raw material	4,070	3,134	-	-
Products in progress	3,908	2,103	-	-
Finished goods	6,373	9,029	-	-
Total inventory	**14,351**	**14,266**	**-**	**-**

The Inventories item includes impairments of TSEK 4,776 (5,176). Impairment losses affecting the income statement relating to inventories totalled TSEK -2,717 (-2,454) for the year.

NOTE 26 Accounts receivable

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Accounts receivable, gross	46,970	60,895	-	-
Provision for expected credit losses	-1,556	-6,404	-	-
Total accounts receivable, net after loss provision	**45,414**	**54,492**	**-**	**-**

The management has assessed that the carrying amount for accounts receivable, net after provisions for bad debts, corresponds to the fair value.

	Group	
Age analysis of accounts receivable	2019	2018
Not due	29,720	32,432
Overdue 1–30 days	3,202	2,122
Overdue 31–90 days	502	1,377
Overdue > 90 days	13,545	24,963
Of which provision for expected credit losses	-1,556	-6,404
Total	**45,414**	**54,492**

	Group		Parent company	
Loss provision	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening balance	-6,404	-688	-	-
Change to provision for expected credit losses	1,765	-6,404	-	-
Realised loss	3,083	688	-	-
Closing balance	**-1,556**	**-6,404**	**-**	**-**

At the beginning of 2019 Bactiguard transferred its distribution in Iraq and accounts receivable to a European distributor with a book value of TSEK 17,062. This amount is included in the total accounts receivable as well as in past due > 90 days in 2018. The difference between the sale proceeds and the book value amounted to TSEK 4,265, which is included in the provision for expected credit losses in the figure for 2018.

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 27 Prepaid expenses and accrued income

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Prepaid rent	2,560	2,525	-	-
Other items	9,527	8,672	1,321	201
Total	**12,087**	**11,197**	**1,321**	**201**

NOTE 28 Cash and cash equivalents

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Cash and bank balances	22,878	1,893	2,063	648
Total	**22,878**	**1,893**	**2,063**	**648**

NOTE 29 Share capital

Share capital in Bactiguard as of 31 December 2019 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 of 31 December 2019 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 30 Loans

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Long-term liabilities to credit institutions	-	126,900	-	126,900
Short-term liabilities to credit institutions	126,900	14,400	126,900	14,400
Total	**126,900**	**141,300**	**126,900**	**141,300**

Since December 2017, the Company has an agreement with the Skandinaviska Enskilda Banken (SEB) for a three year credit facility totalling TSEK180,000 in the form of a bank overdraft of TSEK 30,000 and a bank loan of TSEK 150,000. The loan runs at an interest base of STIBOR 90, however minimum 0%, and an interest surcharge of 3.0%. The facility is subject to the customary covenants. In connection with the financing of the Vigilenz acquisition in February 2020, the term of the bank loan has been extended by three years.

NOTE 31 Bank overdrafts

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Bank overdraft facilities granted	30,000	30,000	-	-
Unutilised bank overdrafts	30,000	26,095	-	-
Utilised bank overdrafts	**-**	**3,905**	**-**	**-**

NOTE 32 Accrued expenses and prepaid income

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Accrued interest expenses	21	48	21	48
Accrued holiday pay	5,224	6,295	488	1,319
Prepaid income*	8,474	9,406	-	-
Other items	8,403	2,522	1,621	351
Total	**22,122**	**18,270**	**2,131**	**1,718**

* Disclosures regarding agreement liabilities included in this row are given in Note 5.

NOTE 33 Pledged assets and contingent liabilities

	Group		Parent company	
Pledged assets	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Shares in subsidiaries	201,910	162,226	414,574	414,574
Floating charge	180,000	150,000	-	-
Total	**381,910**	**312,226**	**414,574**	**414,574**

NOTE 34 Reconciliation of liabilities attributable to financing activities

Group 31/12/2019	Opening balance 2019	Adjusted leasing liability 01/01/2019	Cash flow from financing activities	Change to part of short-term loans	Other changes	31/12/2019
Non-current liabilities						
Leasing liability	10,938	66,065	-8,921	-	3,678	71,760
Liabilities to credit institutions	130,805	-	-3,905	-126,900	-	-
Short-term liabilities						
Leasing liability	1,538	7,350	-	-	335	9,223
Liabilities to credit institutions	14,400	-	-15,000	126,900	600	126,900
Reconciliation of liabilities attributable to financing activities	**157,681**	**73,415**	**-27,826**	**-**	**4,613**	**207,883**

Group 31/12/2018	Opening balance 2018	Cash flow from financing activities	Change to part of short-term loans	Other changes	31/12/2018
Non-current liabilities					
Leasing liability	12,476	-	-1,538	-	10,938
Liabilities to credit institutions	142,500	3,905	-15,000	-600	130,805
Short-term liabilities					
Leasing liability	1,466	-1,466	1,538	-	1,538
Liabilities to credit institutions	7,500	-7,500	15,000	-600	14,400
Reconciliation of liabilities attributable to financing activities	**163,942**	**-5,061**	**-**	**-1,200**	**157,681**

Parent company	Opening balance 2019	Cash flow from financing activities	Change to part of short-term loans	Other changes	31/12/2019
Non-current liabilities					
Liabilities to credit institutions	126,900	-	-126,900	-	-
Short-term liabilities					
Liabilities to credit institutions	14,400	-15,000	126,900	600	126,900
Reconciliation of liabilities attributable to financing activities	**141,300**	**-15,000**	**-**	**600**	**126,900**

Parent company 31/12/2018	Opening balance 2018	Cash flow from financing activities	Change to part of short-term loans	Other changes	31/12/2018
Non-current liabilities					
Liabilities to credit institutions	142,500	-	-15,000	-600	126,900
Short-term liabilities					
Liabilities to credit institutions	7,500	-7,500	15,000	-600	14,400
Reconciliation of liabilities attributable to financing activities	**150,000**	**-7,500**	**-**	**-1,200**	**141,300**

NOTE 35 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.

Since 2017 the company has had a licensing agreement with Smartwise Sweden AB, a company owned by a group of private investors, including Bactiguard's main shareholders Christian Kinch and Thomas von Koch. During this period no transactions with Smartwise Sweden AB were made, however, Smartwise Sweden AB's parent company has leased premises from Bactiguard AB at market rates.

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 10.

NOTE 36 Key events after the balance sheet date

New CEO

Christian Kinch left his position as CEO of Bactiguard in early February. The Board appointed CFO and Deputy CEO Cecilia Edström as the new CEO and Stefan Grass (CMO) as Deputy CEO. The Nomination Committee resolved to propose Christian Kinch as the new Chairman of the Board at the AGM on April 28, 2020. The current Chairman of the Board Jan Ståhlberg has announced that he will continue to be available for re-election as an ordinary Board member and he has been proposed by the Nomination Committee to be appointed Vice Chairman of the Board.

Acquisition of Vigilenz

Bactiguard consolidates its partnership that began in 2015 by acquiring Vigilenz Medical Devices and Vigilenz Medical Supplies (together Vigilenz) in Malaysia. The acquisition boosts Bactiguard's position in infection prevention and wound care, and improves innovation and product development capacity and expertise.

The cost of the acquisition includes a cash payment of MUSD 4.5 and, subject to the approval of the AGM, 241,512 new B shares in Bactiguard which equates to a value of MUSD 2. All of the conditions for the acquisition were met on 28 February 2020. The cash payment was financed through credit facilities provided by Scandinavian Enskilda Bank (SEB), with a maturity of three years. At the same time, the term of Bactiguard's current credit facility with SEB was extended by the same period.

Bactiguard's Board of Directors has approved the transaction and shareholders including Christian Kinch, Thomas von Koch, Jan Ståhlberg, Fjärde AP-fonden and Nordea Fonder, which together represent some 66 per cent of the capital and 84 per cent of the votes in Bactiguard have stated that they will support the issue of new B shares at the AGM.

The newly acquired companies will be consolidated in Bactiguard's financial statements as of March 2020. The integration of the companies is underway at the same time, which means, among other developments, that the product portfolios will be sold through the distribution networks of both companies.

In 2019, Vigilenz preliminary consolidated pro forma sales came in at around MMYR 18 (approximately MSEK 42), EBITDA of around MMYR 2.6 (approximately MSEK 6) and an EBITDA margin of 14 per cent.

Order of just over MSEK 20 for a product that protects against coronavirus

In the first few days following the launch of HYDROCYN aqua® in the Swedish market, Bactiguard has secured customer orders, including from the Swedish Police Authority, at a total value of just over MSEK 20. In the first instance we prioritise customers with society-critical operations while the company is working at the same time to increase production capacity in both Sweden and Malaysia in order to meet the strong demand.

Bactiguard is liaising closely with the Government's national coordinator for the life science industry and the relevant authorities to ensure the permits needed to establish production domestically are in place as quickly as possible.

HYDROCYN aqua® is a pH-neutral and water-based product that, unlike alcohol and chlorhexidine, is not irritating, toxic or harmful to the body. The active substance is hypochlorous acid (HOCl) which kills bacteria, fungi and viruses within a few seconds. The effect of HYDROCYN aqua® on coronavirus has been tested and the documentation shows that it kills 99.9 per cent of previous variants within 15-30 seconds. Previous experience tells us that the detected killing effect can be transmitted to new variants of coronavirus, and tests on Covid-19 (SARS-CoV-2) are now underway to confirm this.

HYDROCYN aqua® is CE marked (EU approved) and FDA registred in the US.

Covid-19

During the first quarter of 2020, the spread of Covid-19 has caused increased uncertainty about economic trends. For Bactiguard, the situation has not yet resulted in significant negative effects or interruptions to the business. At the same time, Bactiguard sees an increased need for infection prevention and the interest in products from the company has increased. At present, there is too much uncertainty to be able to quantify the potential effects that the pandemic will have on the company.

NOTE 37 Dividend

No dividends were paid during 2019 and no dividends are proposed for the 2020 AGM.

NOTE 38 Proposed appropriation of profit

The following are at the disposal of the AGM:	**SEK**
Retained earnings	-16,563,736
Share premium reserve	473,016,706
Profit/loss for the year	10,587,848
Total	**467,040,818**
The Board of Directors proposes that the profits be carried forward	467,040,818
Total	**467,040,818**

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 adopted by the EU, 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 27 March 2020

Cecilia Edström
CEO

Jan Ståhlberg
Chairman of the Board

Mia Arnhult
Board member

Christian Kinch
Board member

Thomas von Koch
Board member

Anna Martling
Board member

Our auditor's report was submitted on 30 March 2020.

Deloitte AB

Therese Kjellberg
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Bactiguard Holding AB (publ) corporate identity number 556822-1187

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Bactiguard Holding AB (publ) for the financial year 2019-01-01 - 2019-12-31 except for the corporate governance statement and sustainability report on pages 34–43 and 30-33. The annual accounts and consolidated accounts of the company are included on pages 4-5, 10-21, 24-25 and 30-78 in this document.

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 2019 and its financial performance and cash flow 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 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement or sustainability report on pages 34–43 and 30-33. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

The Group's revenue amounts to 197 MSEK for the financial year 2019 and mainly consists of license revenues and revenues from product sales.

License revenues are received and recognised based on the volume that the company's clients have sold to the end-customers and is recognised in the period of the sale. The license contracts can contain various components and revenue streams that must be evaluated under the recognition criteria of IFRS 15. For example revenue that is recognised directly upon signing of an agreement.

Revenues from product sales are recognised when control have been transferred to the buyer. In the instances where deliveries are made close to a period-end an estimate needs to be made to determine when the control have been transferred to the buyer and in what period to recognise the revenue.

Estimates related to various components in the license contracts and the cut off related to revenues from the sale of products make revenue recognition a key audit matter in the audit.

For further information refer to accounting principles on page 57 and 58, note 3 and note 5 in the annual report.

Our work included the following procedures, but were not limited to these:

- Evaluation of the design of relevant controls in the revenue process and testing of their implementation.
- Gain an understanding for and evaluated the group's accounting principles, estimates and assumptions for revenue recognition and their compliance with IFRS.
- Testing of a sample of recognized product sales that the risk and control has been transferred to the buyer.
- Verified that license revenue from material new customer contracts have been recognized in the period when the group have fulfilled their obligations and that these have been priced according to the customer agreement.
- Reviewed that appropriate disclosures have been presented in the relevant notes to the financial statements.

Valuation of Goodwill and other intangible assets

The Group has goodwill amounting to 226 MSEK and other intangible assets, foremost technology, amounting to 221 MSEK accounted for in the balance sheet. These assets are tested annually in the fourth quarter, or as soon there are events indicating that there is a need, for impairment. Since the total value of these assets represent a significant part of the total assets and is sensitive to changes in assumptions such as growth rate and discount factor we consider it to be a key audit matter in our audit.

For further information refer to accounting principles on page 56 and 58, note 3 and note 14 to 19 in the annual report.

Our work included the following procedures, but were not limited to these:

- Evaluation of whether valuation models applied by management to calculate the value of the cash generating units are compliant with the criteria's of IAS 36.
- Challenge and evaluation of assumptions in the valuation models applied by management such as sales growth, EBITDA-margin, perpetual growth and discount factor, with the involvement of our valuation-specialist.
- Performing sensitivity analysis on key assumptions such as growth and margin.
- Review that appropriate disclosures have been presented in the relevant notes to the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-3, 6-9, 22-23, 26-29 and 82-87. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bactiguard Holding AB (publ) for the financial year 2019-01-01 - 2019-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 34 - 43 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 30-33, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Deloitte AB, was appointed auditor of Bactiguard Holding AB by the general meeting of the shareholders on the 2019-05-15 and has been the company's auditor since 2012-05-18.

Stockholm 2020-03-30
Deloitte AB

Therese Kjellberg
Authorized public accountant

DEFINITIONS ALTERNATIVE KEY RATIOS

Bactiguard presents certain financial measures in its annual report that have not been defined in line with IFRS (referred to as alternative key ratios as set forth in the ESMA guidelines). It is the opinion of the company that these measures provide valuable supplementary information to investors and the company's management as they contribute to a more detailed comparison of the company's development year on year, as well as providing an indication of the Group's performance and financial position. The data from the measures is presented in the published financial statements.

EBITDA

Operating profit excluding depreciation and impairments. The key ratios are used to facilitate a comparison with other companies operating in the same industry. The company considers this key ratios as the most relevant performance measure as the company has a major asset item in Technology which generate large depreciation while it is judged to be of significant value even after it has been fully depreciated. Bactiguard's patented and unique technology can be applied to an extensive wide range of products, both in the BIP portfolio and through licensing business.

EBITDA margin

Operating profit excluding depreciation and impairments in relation to the company's income. Key ratios are used to facilitate performance monitoring and comparisons with comparable companies.

Net debt

Interest-bearing liabilities less cash and cash equivalents at the end of the period. Net debt is a measure used to describe the Group's indebtedness and its ability to repay its liabilities with liquid funds generated from the Group's ongoing operations if the liabilities were due today. The company considers this key ratio to be of interest for creditors who are looking to understand the group's debt situation.

Equity ratio

Equity and untaxed reserves (less deferred tax) in relation to the balance sheet total. Equity is a measure that the company regards as important for creditors who are looking to understand the company's long-term ability to pay.

Operating cash flow per share

Cash flow from operating activities after investments and changes in working capital in relation to the average number of outstanding shares. Key ratios for operating cash flow are presented as they are used by analysts and other stakeholders to evaluate the company.

Net sales growth

The difference in net sales between the periods in relation to net sales for the same period for the previous year. Used to monitor the sales performance of operations.

FIVE YEAR OVERVIEW

	2019	2018	2017	2016	2015
Revenues and earnings, MSEK					
Revenues	197.8	163.2	153.6	128.3	138.5
Net sales	185.0	150.1	147.5	118.7	131.4
Growth net sales	23.2%	6.3%	19.7%	-7.4%	40.9%
EBITDA	61.6	22.2	34.4	15.1	20.2
EBITDA margin	31.1%	13.6%	22.4%	11.8%	14.6%
Operating profit/loss	19.5	-12.0	-0.6	-18.3	-12.7
Profit/loss before tax	10.4	-20.7	-8.3	-31.3	-31.0
Profit/loss for the year	16.3	-14.9	-3.3	-26.9	-26.5
Total assets	641.4	587.5	625.4	632.1	676.2
Equity ratio	60%	63%	62%	62%	62%
Net debt, MSEK	185.0	155.8	152.4	134.4	120.0
Cash flow					
From operating activities	54.0	0.9	6.1	-12.4	-20.8
From investing activities	-4.4	-5.7	-6.2	-7.4	-11.7
From financing activities	-27.8	-5.1	-3.2	12.0	-50.8
Cash flow for the year	**21.7**	**-9.9**	**-3.3**	**-7.8**	**-83.3**
Total shares					
Total shares at year end	33,302,373	33,302,373	33,302,373	33,302,373	33,302,373
Average number of shares	33,302,373	33,302,373	33,302,373	33,302,373	33,302,373
Data per share, SEK					
Earnings per share	0.49	-0.45	-0.10	-0.81	-0.80
Operating cash flow per share	1.49	-0.15	0.00	-0.60	-0.97
Dividend per share	-	-	-	-	-
Stock price at year end, B share	82.60	40.20	23.00	16.90	11.20
Employees					
Average number of employees	60	66	66	57	65

GLOSSARY

Antibiotic resistance
Microorganisms, such as bacteria, that have developed a resistance to antibiotics, which makes infections and diseases caused by these bacteria incapable of being treated effectively with antibiotics.

Biofilm
A collection of microbes, such as bacteria, that have colonised to form a protective film. Microbes in biofilm are far more resistant to antibiotics and the patient's immune system than microbes not forming biofilm. The risk of infection increases as they spread.

BIP CVC
Central venous catheter with Bactiguard coating (BIP - Bactiguard Infection Protection).

BIP ETT
Endotracheal tube with Bactiguard coating (BIP - Bactiguard Infection Protection).

BIP Foley
Indwelling urinary catheter with Bactiguard coating (BIP - Bactiguard Infection Protection).

CE mark
CE is an abbreviation for Conformité Européenne which means in accordance with EC directives. The presence of a CE mark on a product signifies that the manufacturer certifies that it meets the EU (European Union) health, environmental and safety requirements. The CE mark is also a trademark, which means that a CE marked product can be sold freely within the EU.

FDA
US Food and Drug Administration (FDA or USFDA)

Clinical study
A study designed to determine the effects that the product has on patients.

Multi-resistant bacteria
Bacteria that are resistant to several antibiotic treatments, making antibiotics incapable of being used for treatment or preventive purposes.

Orthopaedic trauma implants
Orthopaedic items for short-term treatment of conditions such as skeletal fractures. For example, the implants could be pins or plates.

Subglottic secretion
Mucus or secretion that can accumulate on the tube when using an endotracheal tube. The secretion provides a favourable environment for the growth of microbes. Contaminated secretion can move down to the lower respiratory tract and lead to infection.

Healthcare associated infections
Infections that arise in connection with hospital care, or other form of healthcare. Read more about healthcare associated infections on page 8.

WHO
World Health Organization, https://www.who.int/

AGM 2020

The AGM 2020 will take place on Tuesday, 28 April 2020 at 2 pm at the company's headquarters at Alfred Nobels allé 150, Tullinge. Registration begins at 1 pm.

Participation

Shareholders who wish to attend the meeting must

- be entered in the share registry kept by Euroclar Sweden AB as of Wednesday, 22 April 2020;
- report their participation to Bactiguard by Wednesday 22 April 2020.

Notification can be made

- by letter to Bactiguard Holding AB (publ), "AGM 2020", Box 15, SE-146 21 Tullinge,
- by e-mail to stamman@bactiguard.se or
- via the website www.bactiguard.se.

The notification must state your name, personal or corporate identity number, address, telephone number and any representatives and assistants who will be attending.

Shareholders who have had their shares nominee registered must temporarily register the shares in their own name in order to attend the meeting and exercise their voting rights. Registration in this way must be executed at Euroclear Sweden no later than Wednesday 22 April 2020. This means that the shareholder must notify the nominee well in advance of this date. If participation is made through agents or representatives of legal entities, original copies of the proxy, registration certificate and other authorisation documents must be sent to the company in good time before the meeting at the above address. A proxy form is available for download from the company's website www.bactiguard.se. Shareholders may not vote or otherwise attend the AGM remotely.

FINANCIAL CALENDAR

13 May 2020	Interim financial statements quarter 1
13 August 2020	Interim financial statements quarter 2
5 November 2020	Interim financial statements quarter 3

A SWEDISH INVENTION THAT CHANGES THE WORLD

1912
Bactiguard's unique technology derives from the Swedish Nobel Prize winner in Physics Gustav Dahlén, the man behind the successful AGA Lighthouse.

Gustav Dahlén's apprentice Axel Bergström developed the technicque of applying a thin layer of metal to non-conductive materials and passed the knowledge on to his apprentice Billy Södervall.

1978
Billy Södervall starts devloping the Bactiguard technology.

1986
Initial clinical trials.

1990
Partnership with American BD (Becton, Dickinson & Company), previously Bard.

1970

1975

1980

1985

1990

1994
The urinary catheters Bardex IC and Lubrisil IC with Bactiguard coating gain FDA 510k approval.

1995

1995
Patent in the US.

2000

2005

2005
Bactiguard AB is founded.

2008
The urinary catheter BIP Foley Catheter is launched.

2010

2013
The endotracheal tube BIP ETT and the central venous catheter BIP CVC are launched.

Production begins in Malaysia.

2014
The company is listed on Nasdaq Stockholm's principal list and moves to new premises next to Karolinska Institute in Tullinge.

2015

2015
License agreement with Vigilenz Medical Devices for orthopaedic trauma implants in Southeast Asia.

2016
Endotracheal tube with subglottic secretion drainage, BIP ETT Evac, is launched.

2017
License agreement with the Swedish firm Smartwise Sweden.

2018
CE marking of Bactiguard's orthopaedic trauma implant.

License agreement with Well Lead Medical for urinary catheters in China.

The urinary catheters BIP Foley Tiemann & Female are launched.

The central venous catheter BIP CVC is launched with Raulerson Syringe.

2019
Global, exclusive, licensing agreement with US Zimmer Biomet for orthopaedic trauma implants.

2020

2020
Acquisitions of Vigilenz Medical Devices.

Christian Kinch resigns as CEO and Deputy CEO Cecilia Edström is appointed new CEO.

Bactiguard

Infection prevention | Saving lives

Bactiguard Holding AB (publ)
Street address: Alfred Nobels Allé 150, Tullinge, Sweden
Postal address: Box 15, SE 146 21 Tullinge, Sweden
Phone: +46 8 440 58 80
E-mail: info@bactiguard.se
www.bactiguard.com