



# Annual Report 2014





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





**” Antimicrobial resistance is so serious that it threatens the achievements of modern medicine, where common infections and minor injuries can kill.**

WHO Global Report on Surveillance – Antimicrobial Resistance, 2014

## **Our vision**

Defining the universal standard of care for prevention of healthcare associated infections caused by medical devices.

## **Our business concept**

Preventing healthcare associated infections caused by medical devices. Thereby reducing healthcare costs for society and the use of antibiotics, preventing the spread of multi-resistant bacteria and above all, saving lives.

## **Our technology**

Bactiguard® Infection Protection is a unique, patented noble metal coating of gold, silver and palladium that prevents microbial adhesion and biofilm formation. The technology is tissue friendly and promotes patient safety.

# The year in brief



## MARCH

- Expansion in Latin America (Argentina, Brazil, Chile and Mexico) through a distribution agreement with Promedon.

## APRIL

- Samhall and Bactiguard enter contract for manning production at Bactiguard's new headquarters.

## JUNE

- Signs letter of intent and initiates pilot study with MAQUET Critical Care AB, a company in the Getinge Group.
- BIP Foley catheters of latex and silicone are approved for new groups of patients, those needing suprapubic catheterisation and long-term use.
- Professor Kenneth Chien is appointed Scientific Advisor to Bactiguard, and will also lead the company's Scientific Advisory Board.
- Center for Medical Device Evaluation (CMDE) in China provides notification of approval for Bactiguard's BIP Foley catheters, a major step toward regulatory approval and initiation of sales in China.
- The company is refinanced and listed on the NASDAQ Stockholm Exchange on 19 June.
- A new clinical study from the USA demonstrates that Bactiguard coated urinary catheters significantly reduce catheter associated urinary tract infections and use of antibiotics.

## JULY

- Expansion into southern Africa, signing exclusive distribution agreement for seven countries south of the Sahara. First order for urinary catheters is delivered to Zambia.

## OCTOBER

- Enters Portuguese market through an exclusive distribution agreement with Socime Medical Ltd.

## DECEMBER

- Move to the new headquarters close to Karolinska University Hospital and Karolinska Institute, south of Stockholm.

## Key ratios 2014

REVENUES	119 MSEK
EBITDA	10 MSEK
TOTAL ASSETS	811 MSEK
EQUITY RATIO	64%
EARNINGS PER SHARE	-3.80 SEK

## Financial targets

- Average annual sales growth of 30% or more for the next five years.
- An EBITDA margin of at least 30% on an annual basis, with the aim of reaching 40%.
- Maintain an equity ratio of 30 to 50%.
- A long-term objective for dividends to be 30 to 50% of profit after tax. Bactiguard is in an expansion phase and will therefore prioritise growth over dividends in coming years.

# Comments by the CEO

„ *An intense, eventful year*



Bactiguard experienced an intense, eventful year in 2014. We listed our shares on the Nasdaq Stockholm, established market presence on two more continents, added to our sales and marketing organisation, and initiated new strategic collaborations. Ahead of the IPO, we strengthened our management team, adding key competencies. Finally, we completed this eventful year by moving into our new integrated headquarters near the Karolinska University Hospital, south of Stockholm.

**Through the IPO our financial platform was strengthened,** bringing the resources we need to grow in the market. The listing also raised our brand profile, leading to more spontaneous inquiries from the healthcare sector, and possible partners. We have also noted a greater interest from potential employees.

**Bactiguard is in a growth phase as we build for the future.** So far, sales have depended on large orders from only a few countries, which come at irregular intervals. The challenge we currently face is to access additional markets to generate recurring orders on which we can build more stable growth. To enable this we engaged in intensive activities through the year to open new markets. In all, we doubled the number of markets we supply from 8 to 16. We added to our sales and marketing organization, and we improved our sales tools along with training our distributors.

**We work systematically to secure product approvals in additional markets.** One of the most important processes is the ongoing product approval in China. There, we met an important milestone in mid-2014, and are now expecting the long-awaited final approval before we can begin marketing activities. We are also preparing for the sales start in India, and will initiate local clinical studies.

**Our new headquarters enable us to gather all our competencies at one site.** We have completed the first stage and will take the next step in late 2015 – by moving production from Markaryd in southern Sweden to the new headquarters.

By integrating product development, production, sales, marketing and personnel functions we will have shorter lead times and

improve efficiency. Our new offices are located in the brand new KI Science Park in Huddinge, providing the advantage of easy access to the research and education at the Karolinska Institute and KTH Royal Institute of Technology, and healthcare facilities at Karolinska University Hospital is an increased opportunity for collaboration.

We are not satisfied with the financial results we achieved in 2014, but are now looking forward with confidence. Having invested in our future growth, we now have the financial platform on which to continue building on our strategy of international expansion. Healthcare associated infections and antimicrobial resistance is a growing problem throughout the world, leading to a great need for preventive solutions. That is where Bactiguard has a significant role to fill.

**2015 will be an important year.** We plan to advance our position in our home market, start sales activities in both China and India, and establish presence in more European markets. We will continue strengthening our sales organisation and establish close collaboration with our distributors in order to reach our growth targets.

**We are well-equipped and have the financial strength required to continue building our growth strategy.** We have a stable base in our current licensing business, which generates between SEK 80 and 90 million in annual revenues. And, we have an exciting growth business in infection prevention solutions for healthcare. The technology is well-proven, effective, and provides patient safety. Our job now is to increase activities to take advantage of the growth opportunities we see in our own product portfolio and through new licensing deals.

By the time you read this annual report, I will have handed over the CEO role to Niels Christiansen. But as COO, I look forward to continuing my contribution to developing Bactiguard. 2015 will certainly be exciting, but we must still demonstrate to the world the potential we see in our company.

*Johan Rugfelt*  
CEO



# Our operations

## Market and sales

### The global challenge

Healthcare associated infections (HAI) are a growing problem worldwide, and currently the third largest cause of death in developed countries.<sup>1</sup> Every year, six million patients<sup>2,3</sup> are affected in the US and the EU alone, resulting in approximately 150,000 deaths. An estimated 60% of all HAIs are caused by bacterial growth on medical devices such as catheters.<sup>4</sup> From an infection standpoint, catheterisation is one of the greatest risks as this creates a passageway between the patient's body and the environment. Most HAIs occur in the urinary tract, respiratory tract, or the bloodstream.<sup>2</sup> Studies have shown that approximately 70% of the bacteria that cause healthcare associated infections are resistant to one or more of the most commonly used antibiotics.<sup>5</sup> The presence of multi-resistant bacteria complicates treatment and increases costs.<sup>6</sup>

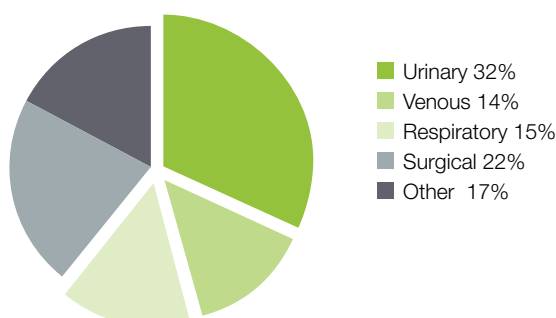
In 2014, healthcare associated infections and the spread of multi-resistant bacteria was highlighted in the World Health Organisation's (WHO) global report on surveillance for antibiotic resistance. The WHO warns of a coming post-antibiotic era where even common infections and minor injuries may be lethal as modern medicines no longer have an effect on multi-resistant bacteria.<sup>7</sup>

The O'Neill report "Review on Antimicrobial Resistance" from December 2014, initiated by UK prime minister David Cameron, states that unless preventative measures are taken, ten million people risk dying each year from multi-resistant bacteria by 2050. This can be compared to the approximately eight million who die from cancer and 1.2 million who die in traffic accidents worldwide every year. The spread of multi-resistant bacteria is expected to severely impact the world economy, resulting in a global GDP drop of 2–3.5%.<sup>8</sup> The annual cost of treating healthcare associated infections is estimated at USD 35 to 46 billion for the US alone.<sup>9</sup> Preventative measures will therefore become crucial in combating healthcare associated infections, reducing total healthcare costs and above all, saving lives.

### Preventing healthcare associated infections

Bactiguard is a Swedish medtech company that develops and supplies infection protection solutions for the healthcare sector.

### Where HAI occurs.<sup>2</sup>



The company's unique and patented technology prevents healthcare associated infections (HAI), reduces the need for antibiotics, prevents the spread of multi-resistant bacteria, increases patient safety and saves lives. Healthcare costs are also significantly reduced as the time patients spend in care is decreased and hospital capacity is freed.

### Strong product portfolio with proven technology

The company's product portfolio, Bactiguard Infection Protection Portfolio (BIP), is designed to prevent infection in three of the four most common areas where HAIs occur; the urinary tract, the respiratory tract, and the bloodstream.<sup>2</sup> Currently, the portfolio includes urinary catheters (BIP Foley), endotracheal tubes (BIP ETT) and central venous catheters (BIP CVC). All products have the Bactiguard infection protection coating.

So far over 130 million patients have been treated using products with the Bactiguard<sup>®</sup> coating and no negative side effects related to the coating have been reported.

Moreover, the Bactiguard<sup>®</sup> technology has been tested in over 40 clinical studies of 100,000 patients in eight countries. The studies have shown that the coating effectively prevents infections through reduced microbial adhesion and biofilm formation.

### Clear growth strategy

Since 2005, Bactiguard has actively developed the BIP portfolio, and in 2013 the entire product line and all three products — BIP Foley, BIP ETT, and BIP CVC — were ready and approved for delivery. And, while developing the BIP portfolio, Bactiguard continued its successful licensing deal with C.R. Bard. Bactiguard coated urinary catheters, sold by C.R. Bard, are leading the market in the US and Japan.

Bactiguard is in a highly expansionary phase, with sights on markets in Europe, the Middle East, Asia, Latin America, and Southern Africa. The company has signed distribution agreements for some 50 countries and have delivered products to 16 of these. There is a clear strategy to increase sales of the BIP portfolio, supplemented by sales of related products. The company also intends to sign two or three new licensing deals in the coming five years, primarily for products less related to our BIP portfolio. See illustration on page 7.

### Strengthened sales and marketing function

Recruitment of a marketing manager and a regional sales manager for Europe and Latin America were important steps in strengthening the sales and marketing functions that support company distributors and improve processes in markets with direct sales. In 2014, the company also trained the sales force in Latin America, the Middle East, and India in preparing these markets for coming product launches.

A sales director was appointed for Southeast Asia in early 2015 and the Swedish sales team was expanded. As it is an important reference market, increasing sales in Sweden is a priority.

## Total market

2014 saw some 900 million catheters sold worldwide for a total value of USD 26.6 billion, excluding endotracheal tubes.<sup>10,11,12</sup> The market for catheters (excluding endotracheal tubes) is estimated to grow by 7.1% annually on average into 2016, for an expected USD 30.4 billion in total sales. The market for infection protection catheters is expected to grow faster, at about 13% annually, and by 2016 is expected to reach a total value of USD 12.5 billion.<sup>13</sup>

## Favorable market conditions

Market prospects for infection protection catheters are good. Growth is driven by several factors, including a greater emphasis on preventative measures to reduce healthcare associated infections, and ambitions to reduce the spread of multi-resistant bacteria. Greater prosperity and higher healthcare costs relative to GDP in developing countries result in a general increase in market penetration. The shift towards infection protection products, which explains the faster growth in this segment, is due to greater awareness of the costs associated with HAIs, and emphasis on preventing them. These market conditions create the opportunity for Bactiguard to strengthen its position and establish itself in new markets.

## Competition

Bactiguard's competitors consist of diversified multinational medtech companies and smaller operators focused on catheter manufacture. Several companies market uncoated standard catheters and standard tubes, but primary competition comes from companies offering products with infection protection properties. The competitive environment varies in submarkets for Foley catheters, ETTs, and CVCs. Infection protection ETTs and CVCs are a relatively well established segments, while infection protection Foley catheters are fairly uncommon outside of the US and Japan.

## Sales

Bactiguard has signed distribution agreements for some 50 countries and has delivered products to 16 of these so far. The sales organisation works with distributors, hospitals, and other customers. The company is also expecting final product approval for China, which is expected to become an important future market.

## Licensing deals

Bactiguard has a development, distribution, and licensing deal with C.R. Bard, a global medical device manufacturer listed on the New York Stock Exchange with annual sales of over 3 billion USD in 2014. The Bactiguard® coating has been used for C.R. Bard urinary catheters since 1995, with over 130 million catheters being sold so far. The collaboration with C.R. Bard began in 1990, one year after the first US patent application for the Bactiguard technology was filed. This collaboration has been highly successful for both Bactiguard and C.R. Bard. In 2014 Bactiguard revenues from the deal with Bard totalled SEK 90 million.

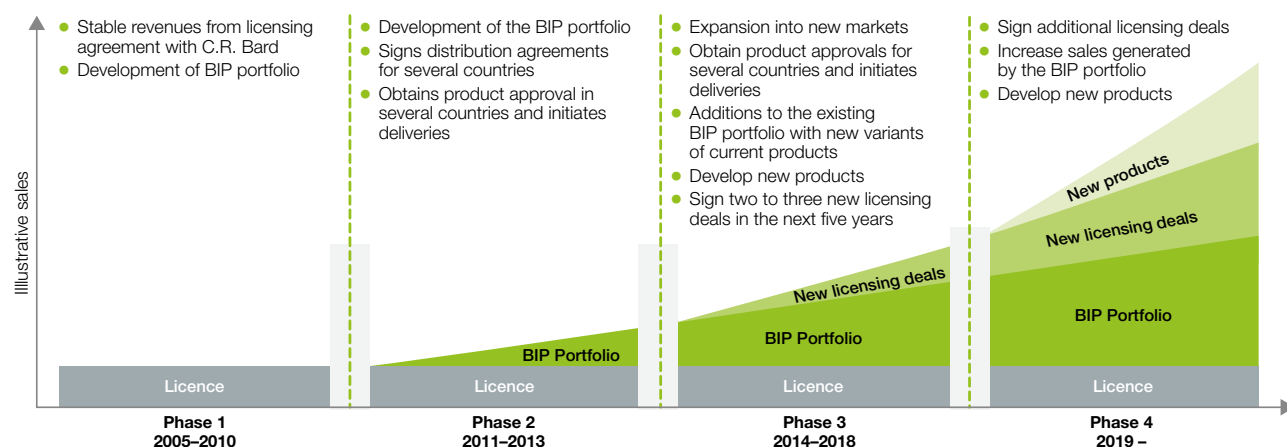
Under the licensing deal, C.R. Bard has exclusive rights to sell Bactiguard coated urinary catheters in the US, Japan, UK, and Ireland. They also have non-exclusive sales rights in Canada, Australia, Israel, and Oman.

Licensing deals generally have high gross margins, similar to the margins of many software companies. The majority of Bactiguard's costs for the products it sells can therefore be traced to the BIP portfolio.

## New licensing deals

In the coming five years, Bactiguard intends to sign another two or three licensing deals similar to the one with C.R. Bard. The licensing model enables the use of Bactiguard's coating on product categories that lie outside Bactiguard's core competency and/or that would require significant resources to develop and market under our own brand. Examples of areas with greatest potential include various types of implants and special catheters. Published data for tooth implants from animal trials showing promising results came in one of Bactiguard's research collaborations. Implants are a promising area for infection prevention since the consequences of an infection is critical to the patient and costly to healthcare.

## Growth strategy



### Distributor sales

Bactiguard is actively working to add new distributors as this is a cost effective strategy for expanding into new markets. In markets where Bactiguard has distributors, they are responsible for the entire sales process. The company primarily supports activities designed to increase demand, such as joint visits to hospitals, participation in exhibitions, and at conferences. Through the use of distributors who have a solid standing in local markets, the company can make use of their marketing experience and established networks.

### Direct sales

In markets where Bactiguard directly handles sales, primarily to customers in Sweden and Iraq, the company manages all steps of the sales process. Direct sales do have some advantages as the company can control the process and sale of its products, with higher margins. However, direct sales require significant investment in establishing sales channels.

### Joint venture

Bactiguard has a joint venture in India that was established in 2012. The company is currently evaluating alternative sales strategies and preparing for the market launch and sales start in 2015.

### Approvals

All Bactiguard's products in the BIP portfolio are CE certified, and therefore all company products are approved for sale in the EEA. Many other countries in the Middle East, Africa, Latin America, and Southeast Asia also accept CE certification. Several countries do not accept CE certification, and so have national regulations for the sale of medical devices.

### Customers

The company's primary end customers are hospitals, which currently are reached through medtech specialist distributors. Healthcare sales vary between regions and countries, and between private and public healthcare. Common to all markets is that sales processes have these two primary stages:

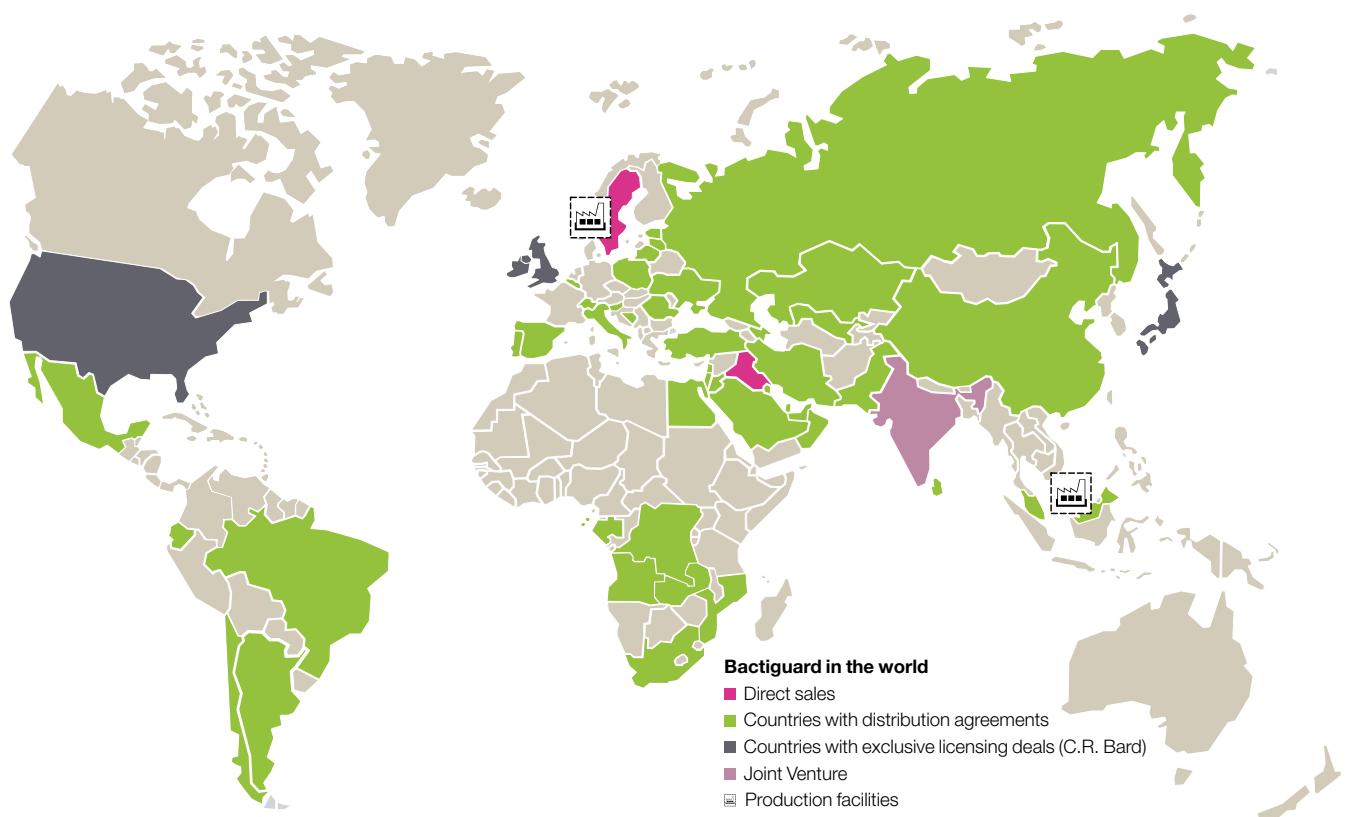
- Generate demand among doctors and nurses
- Manage the procurement process

Procurement is at times managed directly by the hospital or else by a central procurement organ. In public healthcare systems, this is often managed through public procurement. Bactiguard and/or its distributors must in these cases ensure that an appropriate product category with associated product properties and requirements is created.

### Marketing

Bactiguard works actively and in close collaboration with its distributors, and through its own sales organisation to build long-term relationships with customers. The sales force are responsible for marketing the BIP portfolio as an infection protection, patient safety, and cost-efficient solution. They continuously receive training so they can act as ambassadors for Bactiguard and use their knowledge and support to provide added value for customers.

Bactiguard regularly participates in international exhibitions and medical conferences in order to increase market presence and spread awareness of the company's technology and products. This participation around the world, as at Arab Health, European Association of Urology (EAU), and Intl. Consortium for Prevention and Infection Control (ICPIC) enables the company to expand its network of collaborative partners, doctors, nurses, and other key individuals.





Billy Södervall, the Bactiguard Innovator:

***“From the beginning I knew our unique coating had unlimited application potential”***



Billy Södervall acquired his interest in chemistry and pharmacy early. First, he thought he would earn his pharmacist degree. But instead he went into teaching chemistry, to become principal at the vocational college in Markaryd. He then went over to working with heat pumps at NIBE AB, where he created the innovation that formed the foundation for Bactiguard. Billy always felt his work was also his hobby, explaining why his garage at home in Markaryd is converted into a laboratory. Because, when he gets an idea, Billy just has to try it out right away.

#### **A unique solution**

Billy Södervall, the innovator behind our technology is still active in developing the unique concentrate of noble metals that is the Bactiguard® coating. The formula, kept in a safe deposit box, is a well-kept secret.

“Clinical data from over 40 studies confirm that our coating is preventing bacterial adhesion and reduces infections. It is the special composition of metals that creates this effect.”

The surface layer of noble metals in the Bactiguard coating is preventing healthcare associated infections by reducing bacterial adhesion on the catheter’s surface. The important difference from competing products is that the coating does not kill any bacteria, an important property since this doesn’t kill helpful bacteria either. What makes the coating unique is that it is both efficient, tissue friendly and patient safe since the coating essentially releases no metals. The current product portfolio includes catheters for the urinary tract, respiratory tract and the bloodstream.

“From the beginning I knew our unique coating had unlimited application potential.”

***“The coating can basically be applied to everything that comes into contact with bodily fluids. If I were to make any wish, it would be that the entire dialysis sector could use it.”***

#### **Based on a Swedish innovation**

The seeds to Mr. Södervall’s innovation came while he was working as environmental and chemistry head at NIBE. There, he entered collaboration with innovator Axel Bergström, who had previously studied under Nobel Laureate in physics Gustaf Dalén.

Mr. Södervall and Mr Bergström were tasked to develop a thin metallic coating for glass and ceramics that could be heated.

“I am very thankful for the years I had working with Axel. It gave me a broad spectrum experience for how to work with production, and coatings using various materials.”

The idea for a surface coating was conceived in 1978 when Mr. Södervall came in contact with the Swedish central health-care purchasing organ, where he first heard about the problems with healthcare associated infections associated with the use of urinary catheters.

“This was an eye-opener for me, and the impetus to seriously start developing products. I went to my CEO at NIBE with the idea, but his response was that the company worked on water heaters, and not healthcare products. Then I decided to do this in my spare time.”

#### **A success in the USA and Japan**

Convinced that his coating on catheters could prevent healthcare associated infections, Billy contacted several Swedish medtech companies. But none of these would back the idea. His first positive response waited until 1983 – after he was introduced to an employee at the American medtech company C.R. Bard. The first urinary catheter with a thin coating of noble metals was finally approved by the US FDA in 1994. Then, sales grew quickly.

“When you develop something like this, you have to rely on your feelings, dare to try new angles, and give it 100%. It is a common saying that after launching a new product, competitors will appear within 18 months, which usually leads to a slowdown in sales. But after 20 years of sales through C.R. Bard, there still isn’t any significant competition. And, we have not seen a slowdown in sales either, not in Japan or the USA where we are market leaders.”

Billy has lifetime employment as innovator at Bactiguard.

“The biggest advantage of working for Bactiguard is that I can keep working on developing the technology and create new innovations.”

# Our operations

## History and technology

### History

The Bactiguard technology originates from the Swedish inventor and 1912 Nobel Prize laureate in physics, Gustaf Dalén. His student, Axel Bergström, then relayed the knowledge of how to apply a thin layer of metal to a nonconductive material to his own student, Billy Södervall, who is the innovator behind Bactiguard's unique technology and still active in the company.

### Technology

Bactiguard has developed a patented technology designed to prevent bacterial adhesion and growth on medical devices. When clusters of bacteria form a biofilm, the risk of HAI increases and bacteria encapsulated in a biofilm usually don't respond to antibiotic treatment. To avoid the prevalence of HAIs and to reduce the use of antibiotics, Bactiguard provides a solution that prevents bacteria from adhering to the surface and forming biofilms.

Bactiguard's advantage lies in the technical properties of the coating. Made of noble metals gold, silver, and palladium the coating has the unique ability to prevent bacteria from adhering to its surface while not releasing any substances in toxic amounts in the process. This makes the coating tissue friendly and promotes patient safety. The coating does not kill any bacteria, it simply prevents them from adhering to the surface, bringing the added benefit of not harming friendly bacteria. Other advantages with the Bactiguard® technology is the very small amount of metal used and its permanence. This makes the beneficial properties long-lasting.

Current competitors on the market use antibiotic coating or coatings that release toxic substances, such as chlorhexidine, to kill the bacteria.

The downside of using antibiotic coatings is that it increases the risk of multi-resistant bacteria developing. Products with chlorhexidine and similar substances have been shown to potentially cause serious adverse effects for patients and, therefore, authorities in the US and the UK have issued warnings against their use.

### Appearance and handling

The coating is very thin, making it hard to see with the naked eye. Nor does it affect other properties of the coated product, which retains the same thickness, appearance, and rigidity.

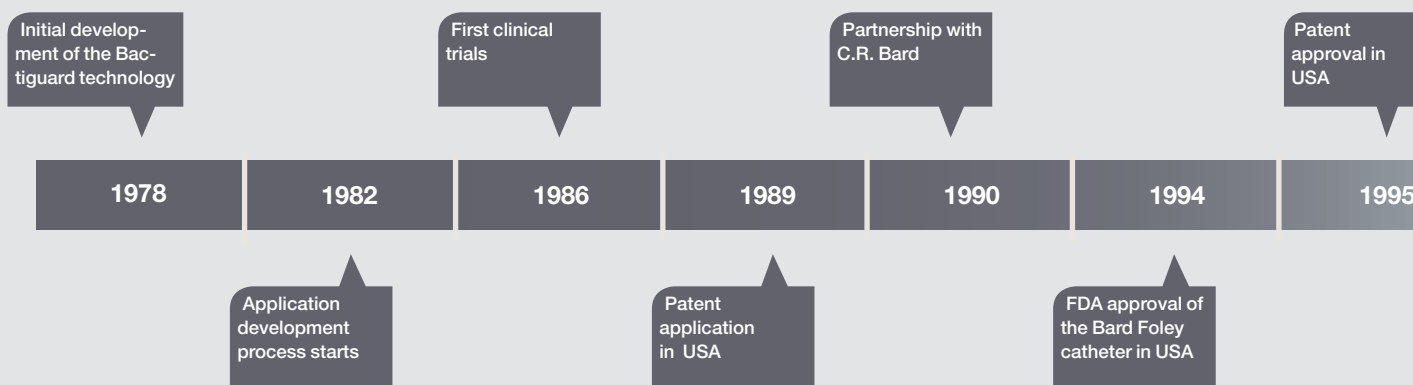
Bactiguard® coated medical devices have no special packaging requirements and can be sterilised using standard methods. The coating does not require any extra procedures before use, which is often the case for other products with infection protection properties. Waste disposal of used Bactiguard coated products is the same as for untreated products.

### Evidence

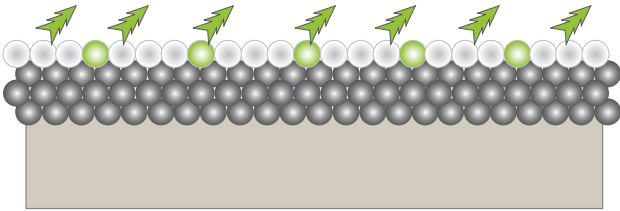
Patients across the world have used over 130 million Bactiguard coated catheters since 1995. This has primarily been Foley's but also CVCs and ETT's, with no reported negative side effects.

In relation to other bacteria reducing technologies, the Bactiguard® coating is among those that have been subject to most clinical trials. In the US, C.R. Bard's Bactiguard coated urinary catheters prevent more than 145,000 urinary infections annually, resulting in 3,900<sup>2,12</sup> fewer deaths and saving the American healthcare system approximately 180 million USD.<sup>2</sup>

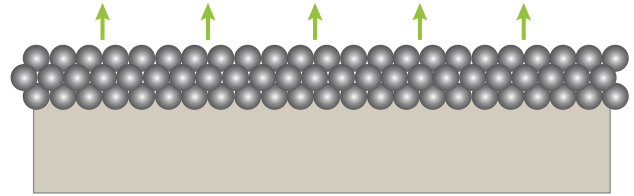
## HISTORICAL DEVELOPMENTS



**The coating**



The Bactiguard® coating prevents bacteria from adhering to the surface and from forming a biofilm, while not releasing any substance in toxic amounts, making the coating tissue friendly and safe.



Competing alternatives have a different mechanism of action. They release antimicrobial substances, such as silver, chlorhexidine and antibiotics in order to kill bacteria, all of which can cause negative side-effects.

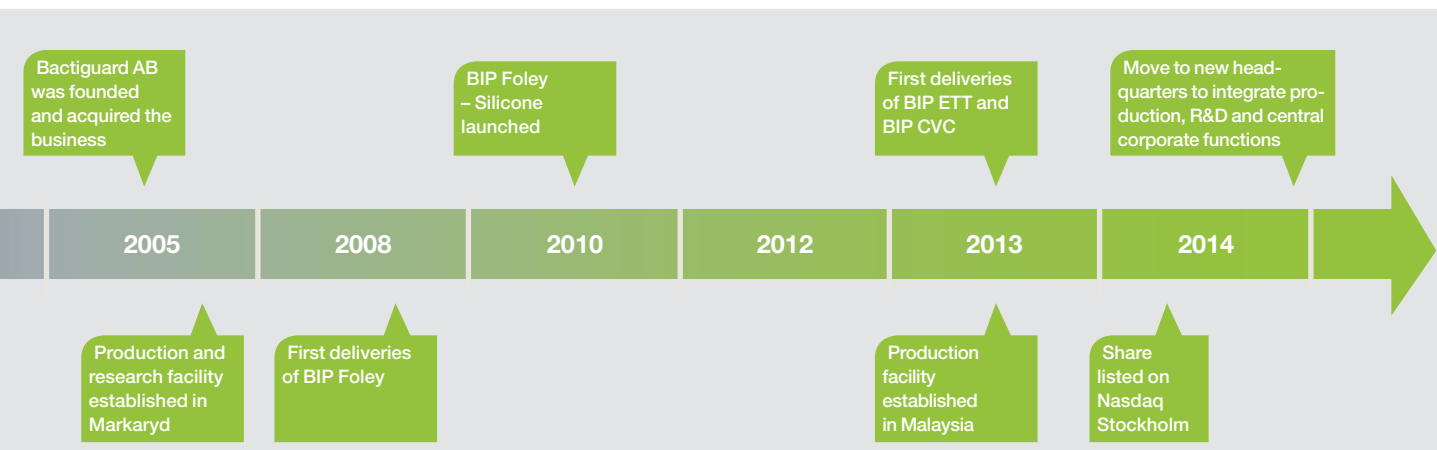
**Clinical data is gathered in three ways:**

- Studies financed by Bactiguard and carried out in collaboration with Clinical Research Organisations (CRO).
- Investigator Sponsored Studies (IS studies).
- Reviews of current research and literature reviews.

Studies that Bactiguard finances are more costly, while IS studies require only a smaller investment by the company. Bactiguard continually receives proposals for IS studies.

**Clinical studies**

Since the mid-1980s, Bactiguard’s coating has been tested in over 40 clinical trials, comprising more than 100,000 patients. These clinical trials show that the coating reduces the risk of patients contracting symptomatic catheter related urinary tract infections by an average of 33%.<sup>14,15,16,17,18</sup> A larger clinical study, encompassing 27,000 patients, shows a similar reduction of bacteria in the urine and urinary tract infections by 32% and indicates a 44%<sup>19</sup> reduction of urosepsis. Other studies show that Bactiguard coated venous catheters (CVCs) reduced the incidence of blood stream infections by nearly 50%.<sup>20</sup>





# Our operations

## Product portfolio

### **Bactiguard Infection Protection Portfolio (BIP-portfolio)**

The Bactiguard product portfolio includes medical devices for three applications: the urinary tract, the respiratory tract, and the bloodstream. The company product portfolio is designed to reduce the risk of infection in areas most often affected by HAIs. The portfolio includes two types of Foley catheters (in latex and silicone), endotracheal tubes, and central venous catheters. All products are treated with Bactiguard's infection protection coating, reducing the prevalence of HAIs in patients.

#### **BIP Foley**

BIP Foley was the first product developed by Bactiguard. The latex version, then produced by a contract manufacturer, was launched in 2008. In 2009, Bactiguard received CE certification for the silicone version of the BIP Foley and the following year CE certification for the latex version was transferred over from the contract manufacturer. Sales of the silicone version of BIP Foley began the year it was certified. Besides the Bactiguard® coating, the company's Foley catheters are also coated with hydrogel, facilitating the insertion and extraction of the catheter, and reduces friction between the catheter and the urinary tract in use.

#### **BIP Endotracheal Tube (BIP ETT)**

Bactiguard began developing BIP ETT in 2010, received CE certification 2011, and delivered the first units in 2013. Bactiguard's ETT's are made of PVC, the most common ETT material on the market. By preventing bacterial adhesion and formation of biofilm on the tube, the Bactiguard coating reduces the risk that the patient contracts ventilator-associated pneumonia. Bactiguard, along with C.R. Bard, are the only ETT producers

who market products with infection protection coating. The most common technique for reducing the risk of infection has until now been through reducing so called micro aspiration, involving fluids, mucus, and particles making their way past the ETT to the respiratory tract.

#### **BIP Central Venous Catheter (BIP CVC)**

Bactiguard began developing BIP CVC in 2010, received CE certification in 2012, and the product was released to the market in 2013. The product is made of polyurethane which is the most common material used for this type of product. BIP CVC has good blood compatibility and has been shown to be effective in reducing the risk of infections associated with the use of CVCs.

#### **Further development of existing products**

In coming years Bactiguard plans to supplement the current BIP-portfolio by adding new sizes and variants of existing products. Development activities cover all products in the portfolio. This will strengthen the company's competitive position by broadening the offering.

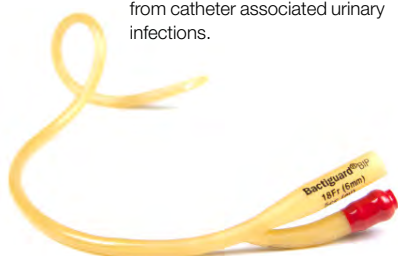
#### **New products in selected clinical applications**

There are several product categories related to Bactiguard's current portfolio in the three areas of application. From a regulatory perspective, developing such products would be relatively simple and would have shorter lead times to finished product.

Most of these products would be launched via established distribution and sales channels. The three products closest at hand are intermittent urinary catheters, tracheostomy tubes, and dialyses catheters.

#### **BIP FOLEY**

BIP Foley is the company's urinary catheter with the Bactiguard® coating that reduces the risk of patients suffering from catheter associated urinary infections.



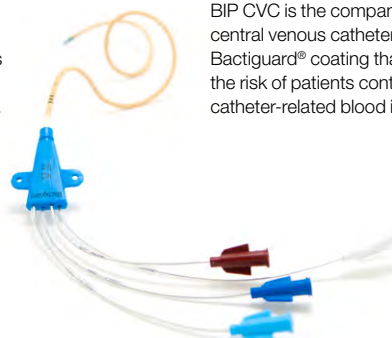
#### **BIP ETT**

BIP ETT is the company's endotracheal tube with the Bactiguard® coating that reduces the risk of patients developing ventilator associated pneumonia.



#### **BIP CVC**

BIP CVC is the company's central venous catheter with the Bactiguard® coating that reduces the risk of patients contracting catheter-related blood infections.



## Research and development

Bactiguard works continually to develop the coating and the current product portfolio. These activities include collaborating with various partner companies to develop new areas of application for the coating, all to create additional successful licensing deals as the one with C.R. Bard.

Bactiguard's product development activities include optimising application of the coating on new products and materials. The Bactiguard® coating can basically be applied to all materials used for medical devices, including stainless steel, titanium, polyvinyl chloride (PVC), and polyurethane (PUR). A significant emphasis is also put on clinical trials for prioritized patient groups.

## Research collaborations

Bactiguard collaborates with academia, the healthcare system, and other organisations and companies to contribute to the development of new healthcare standards aimed at reducing the number of healthcare associated infections. Research collaborations are not only the best way to finance research and product development but also serves to exchange experiences and increase awareness of the Bactiguard® coating with others.

Bactiguard is part of several research networks that have received EU financing, such as Biomatcell, a national centre for research and development regarding next generation biomaterial-based medical devices, such as a Bactiguard coated tooth implant. Other example of EU-financed projects are BacAttack, which aims to develop tools for handling long-term catheterisation and counteracting multi-resistant bacteria, and DIREKT, which aims to improve dialyses equipment for haemodialysis.

## Production

Bactiguard has two production facilities, one in Malaysia and the other in Markaryd, in southern Sweden. At the end of 2014, Bactiguard moved to new headquarters, situated south of Stockholm. The new headquarters will integrate research, development, production, and other central functions and will replace the production facility in Markaryd.



Bactiguard's Scientific Advisor Kenneth Chien:

***“The Bactiguard® coating is not only preventing healthcare associated infections, it is also doing it in a smart and a cost efficient manner”***



Professor Kenneth Chien was appointed Scientific Advisor to Bactiguard in 2014 and is the chairman of the company's Scientific Advisory Board. He is an internationally recognized authority and pioneer in cardiovascular science. In 2013, he was recruited to Karolinska Institutet in Sweden from Harvard University, USA.

#### **Comprehensive clinical evidence**

More than 130 million catheters have been used since 1995 and so far no adverse events related to the coating have been reported. The Bactiguard coating, preventing medical device related infections, has been tested by more than 100 000 patients in over 40 clinical studies.

– The scientific evidence for the coating is strong, and supported by comprehensive clinical studies. The Bactiguard® coating is not only preventing hospital associated infections, it is also doing it in a smart and cost efficient manner. I see clear potential in moving the technology from the existing platform preventing urinary-, respiratory tract and blood stream infections to other applications and patients groups that could benefit from this core technology. There may be particular value of the technology for patients at increased risk, such as those with diabetes or during cancer chemotherapy.

#### **The potential for new applications is substantial and growing**

Hospital associated infections is a major and steadily increasing problem worldwide. Patients repeatedly using antibiotics or patients who are allergic can develop strong resistance to antibiotics. Ten million people's lives are at risk yearly if antimicrobial resistance is not tackled, according to the Jim O'Neill report "Review on Antimicrobial Resistance", initiated by the UK Prime Minister.

– The potential for new applications of the unique coating is substantial, as many operative procedures are now driven by device technology which, in certain cases, can increase hospital associated infections. This is especially clear within cardiology, where medical devices are used for millions of patients with heart disease, which includes catheterization and chronic implantations such as pacemakers and defibrillators.

#### **A patient centric approach to expanding the technology**

To unlock the full potential of the Bactiguard® technology, the newly formed Scientific Advisory Board (SAB) will focus on expanding the technology to other devices and technologies through scientifically driven and clinically well-executed studies with leaders in academic medicine. The SAB, with experts from three continents Asia, Europe, and USA has been designed to integrate leading international physicians and scientists with a deep and sound knowledge within a given area of expertise, such as cardiology and surgery. One of the major tasks is to clearly identify the patients who will benefit the most from the technology across a wide spectrum of device related hospital acquired infections and to present further clinical evidence to proof this, to position the Bactiguard® technology as standard of care.



# Our employees

Bactiguard is a Swedish company with employees from many countries. The company employs about 60 people around the world, but primarily in Sweden and Malaysia. Through long-term, goal-oriented efforts, Bactiguard has created an innovative culture that attracts experienced personnel. These employees have broad backgrounds and experience in research and development, production, marketing, and sales.

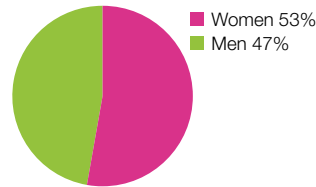
Bactiguard aims to be seen as an attractive and stimulating workplace for employees with varying backgrounds and competencies. There is also an ambition that every team should consist of both women and men. In 2014, just over half of the company's employees were women, and women held 40% of all managerial positions.

All employees go through a comprehensive company training program. This includes general introduction to the company's operations and work processes, rules and regulations, quality assurance system and security related issues. Individual objectives are set in relation to the company's targets, and are evaluated in annual performance reviews between the employee and their manager.

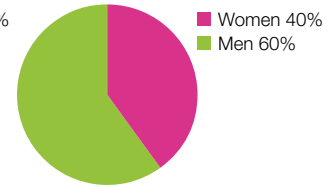
## Our core values

Our daily operations and all activities shall be conducted on the basis of the company's core values; Long-term partnership, Trust and responsibility, Creativity, Responsiveness and Resourcefulness – embraced by empathy, respect and communication.

Gender distribution



Women in managerial positions



## Experienced Board of Directors and Management

The Bactiguard management team has solid experience in medtech and healthcare. Moreover, they have worked with corporate expansion strategies and product development. Company competencies were strengthened in preparation for the IPO, by recruiting new members to the executive management team. The Bactiguard executive management team includes the CEO, CFO and a Sales, Marketing, and Communications Director. There is also a broader managerial team including the Production and Purchasing Manager, two Regional Sales Managers, Marketing Manager, Manager for Research and Development and Regulatory Affairs Manager.

The company Board of Directors have broad experience from a variety of business and industrial sectors including working with growth companies.



# Sustainability

The primary mission for Bactiguard as a medtech company is to prevent healthcare associated infections. This contributes to reducing suffering and increasing patient safety. The company's technology reduces costs for society at large, and contributes to reducing the use of antibiotics and the spread of multi-resistant bacteria while it saves lives.

## Quality assurance

Bactiguard strives to contribute to a sustainable society both in the daily operations and in collaboration with the company's distributors, partners and researchers. To ensure high quality throughout operations, the company's corporate quality management system is applied, which is defined and certified in compliance with ISO 13485 standards.

Both company management and employees follow well-defined process descriptions and Standard Operating Procedures (SOPs) as well as standard agreements. These processes apply to production, case management and to continual improvement in operations, among others.

Bactiguard strives for continual improvement to increase operational efficiency and effectiveness. Therefore a structured Clinical Implementation Program (CIP) is in place to guide how its products are implemented and used. The program is based on close collaboration between Bactiguard and care providers, and includes updated hygienic procedures, guidelines for personnel training, and information to patients to optimize the benefits of the company's products. Another important component of the CIP, which is still under development, is the use of tracking tools. These tools help care providers keep track of the long-term medical and health economic effect of using Bactiguard products.

## Code of Conduct

Bactiguard strives to have a reputation that inspires confidence and trust, and as a reliable partner that delivers high quality and safe products to existing and potential customers. To ensure that all employees, distributors and suppliers act accordingly, the company has established a code of conduct that was approved by the Board of Directors and ready for implementation in 2015.

The code of conduct contains guidelines for how Bactiguard shall operate sustainably in the daily operations in an ethically, socially, and environmentally responsible manner in relation to the employees, customers, distributors, partners, suppliers, shareholders and other stakeholders. The ambition is that all operations should be permeated by the company's core values; *Long-term partnership, Trust and responsibility, Creativity, Responsiveness and Resourcefulness.*

The company supports international standards for human rights, employee rights, the environment and anticorruption.

## Clinical studies

Bactiguard places great emphasis on acting responsibly and ethically correct, as the company's products and studies significantly impact on human lives and health. In its ongoing product

development activities, the company continually conducts clinical studies in collaboration with physicians, nurses, and other healthcare providers.

These studies are initiated either directly by Bactiguard, or by healthcare providers themselves. Studies are conducted in Sweden and internationally. The company strives for all studies to comply with international and local legislation and regulations, and with ethical principles. All studies are approved by the Bactiguard management team, ethical committees, and appropriate governmental authorities. The company engages in diligent selection of collaborative partners among research groups and contract research firms, such as Clinical Research Organisations, and patients who can be helped by the company's solution.

The studies are conducted according to good clinical practice, in compliance with the Bactiguard quality management system and written Standard Operating Procedures (SOPs). The findings in these clinical studies are documented and assessed properly. Any side-effects are monitored and reported in compliance with applicable laws and procedures, and, when necessary, additional insurance is obtained to ensure that no patient is exposed. Company products are also routinely monitored for safety on all markets and in compliance with applicable laws and procedures.

## Social responsibility

Bactiguard wants to take its social responsibility, among others by investing in production in its home market. A collaborative agreement with Samhall has been signed. This agreement involves Samhall employees working with production of Bactiguard's high-tech products for infection control, which will begin when production facilities are moved from Markaryd to the new headquarters in 2015.

## Good To Great Tennis Academy

The company is a proud sponsor of the Good To Great Tennis Academy, which is a special program within the Swedish Tennis association. This way Bactiguard is a team sponsor for aspiring youth talents aged 16 to 23, contributing to strengthening the development of young tennis talents. As part of this program, Team Bactiguard was established, which currently includes the players Elias Ymer, Mikael Ymer and Daniel Windahl. The objective is to help these players develop to become one of the top ten players in the world.

Bactiguard sees its investment contributing to helping young talents reach the world tennis elite, while at the same time inspiring other youths to a healthier lifestyle and sports.



# Board of Directors' Report

The Board of Directors and Chief Executive Officer of Bactiguard Holding AB (publ) hereby present their annual report and consolidated financial statements for the 2014 financial year.

## Operations

Bactiguard is a Swedish medtech company that develops and supplies infection protection solutions for the healthcare sector. The company's unique technology prevents healthcare associated infections, reduces the use of antibiotics, prevents the spread of multi-resistant bacteria, saves lives and reduces healthcare costs significantly. The company operates on a global market and has distribution agreements for approximately 50 countries. Operations are primarily in Sweden and Malaysia and include research and development, production, marketing, and sales.

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

## Group structure

The group includes Bactiguard Holding AB and its wholly-owned subsidiary Bactiguard AB which also own subsidiaries. All operative activities were conducted in the Bactiguard AB group.

## Revenues, volumes and earnings

### Revenues

Group revenues for the full year were TSEK 118,858 (131,099). The reduction in revenues is explained largely by lower revenues from Sales of BIP products compared to the previous year. However, Territorial fees increased compared to 2013 as we have signed distribution agreements for 16 additional markets. License revenues increased in 2014, due to greater volumes and a stronger exchange rate for the USD over the year compared to the previous. Other revenues increased due to a positive exchange rate impact (USD and EUR) for 2014.

Bactiguard has the following revenue streams:

- License revenues are revenues from sales of products through licensing agreements. These revenues currently relate to the group's licensing agreement with C.R. Bard for Foley catheters in the USA, Japan, Great Britain, Ireland, Canada and Australia.
- Territorial fees relate to the compensation received when entering into a contract with a distributor that obtains specific rights to sell Bactiguard's products on a distinct geographical market.
- Sales of BIP products are currently related to BIP Foley, BIP ETT and BIP CVC.
- Other revenues are largely related to exchange rate differences and other operating revenues.

### Volumes

Approximately 79,000 products were delivered for the full year 2014, compared to over 190,000 for the 2013 full year.

## Earnings

Operating profit for the full year totalled TSEK -19,788 (11,159). The change of TSEK -30,947 compared to the previous year is explained by lower revenues from BIP products and greater operating costs of TSEK 18,706. The increase in external costs largely consist of cost for market contribution, additional costs for premises for 6 months during the process of moving headquarters, non-recurring expenses related to the share listing, increased travel costs, and other costs related to PR & Marketing activities. As a consequence of the company's growth phase, the organisation has increased according to plan with 6 persons (average number of employees) for 2014, which is reflected in increased personnel costs compared to 2013.

Net financial items amounted to TSEK -80,358 (-16,931) for the full year. Effects from market valuation of the bond was recorded in financial items in the income statement. The market valuation impacted net financial items negatively for 2014 by TSEK -32,101 (33,750).

Consolidated net profit for 2014 was TSEK -95,042 (-3,407).

## Financial position

The consolidated equity ratio was 64 percent as of 31 December 2014 (20 percent as per 31 December 2013). Equity amounted to TSEK 518,710. The positive change to equity is attributable to new issues carried out during the second quarter.

Consolidated cash position for the group totalled TSEK 105,147 as per 31 December 2014 which was an increase of SEK 99,730 compared to 31 December 2013. Net debt including the bonds totalled TSEK 90,422 (479,544).

Total assets for the group were TSEK 811,128 (717,230) as per 31 December 2014. The largest asset item in the statement of financial position relates to technology associated with the Bactiguard product portfolio which as per 31 December 2014 totalled TSEK 284,225 (308,032).

Accounts receivables (short and long-term) have decreased by TSEK 2,981 as per 31 December 2014 compared to 31 December 2013 and the net effect can be explained by new exclusive distribution agreements with subsequent territorial fees and payments of existing accounts receivables.

After completion of the set-off issue in connection with the listing of the company's shares on the Nasdaq Stockholm, when holders of bond with a total nominal value of TSEK 222,500 chose to offset bonds with shares, the nominal amount of the outstanding bond was TSEK 227,500. The bond matures on 12 December 2016 and has an annual coupon of 11 percent due for payment in December every year.

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

The outstanding bond is listed on the Nasdaq Stockholm. In 2014 Bactiguard repurchased bonds with a total nominal value of TSEK 39,000. The bond is market valued and the net outstanding, nominal value of TSEK 188,500, was valued as per



## Financial overview

The group's financial performance condensed TSEK	2014-01-01– 2014-12-31 12 M	2013-01-01– 2013-12-31 12 M	2012-01-01– 2012-12-31 12 M	2010-10-27– 2011-12-31 12 M
<b>The Group</b>				
Revenues	118,858	131,099	131,819	4,404
Net sales	109,047	126,733	129,005	4,382
EBITDA	10,343	39,997	36,141	-5,480
EBITDA-margin, %	9	31	27	-124
EBITDA <sup>1</sup>	13,346	39,997	36,141	-5,480
EBITDA-margin <sup>1</sup> , %	11	31	27	-124
Operating profit	-19,788	11,159	8,293	-7,208
Profit before tax	-100,146	-5,772	-50,589	-20,020
Net profit	-95,042	-3,407	-38,359	-20,020
Total assets	811,128	717,230	703,632	727,174
Operating cash flow <sup>2</sup>	-53,977	-54,151	-62,526	-382,007
Earnings per share <sup>3</sup> , SEK	-3.80	-0.17	-3,836	-2,002
Operating cash flow per share <sup>4</sup> , SEK	-2.16	-2.71	-6,253	-38,201
Number of shares at the end of period <sup>5</sup>	33,302,373	20,000,000	10,000	10,000
Weighted average number of shares <sup>5</sup>	25,007,242	20,000,000	10,000	10,000
Equity ratio, %	64	20	21	25
Net debt	90,422	479,544	459,086	387,260
Average number of employees	58	52	39	29

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

1 EBITDA adjusted for IPO costs

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

3 Net profit for the period / weighted average number of shares during the period, issue-adjusted

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

5 Adjusted for split

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

31 December 2014 at TSEK 195,569 (price at 103.75, which is an increase from 95.00 as per 31 December 2013).

### Investments

Investments in property, plant and equipment for the year totalled TSEK 15,699 (5,699) and are mainly related to the new integrated headquarters and production facility near to Karolinska University Hospital in Huddinge.

Investments in intangible assets totalled TSEK 2,397 (3,345) for the year and are primarily related to capitalised development expenditure.

The change to non-current financial assets of TSEK 145 (-) is related to investments in participating entities.

### Cash flow

Operating cash flow (cash flow from operating activities after investments and changes in working capital totalled TSEK -53,977 (-54,151) of which interest payments on the bond loan totalled TSEK 20,735 (49,500).

Total cash flow for the full year was strongly positive at TSEK 97,983 (-2 238) due to cash flows from financing activities and the new share issues completed during the period. A directed new share issue raised TSEK 20,000 and the new share issue conducted in conjunction with the share listing on Nasdaq Stockholm added TSEK 239,612 gross before listing and issue costs.

### Key events during the year

- Bactiguard and Samhall AB entered a 10 year agreement for Samhall employees to work in producing Bactiguard's high technology products, when company production is moved from Markaryd to the new headquarters.
- Prior to listing the company on Nasdaq Stockholm, an agreement was entered with Biozif Investments Limited (indirectly owned by funds managed by Noonday Asset Management LLP). This agreement terminated the option agreement held by Biozif (to acquire 7 percent of the shares in Bactiguard AB) as of completion of the listing. This transaction was conclusively settled by payment of the agreed termination fee totalling TSEK 14,000 to Biozif Investments Limited.
- Bactiguard's BIP Foley catheters made of latex and silicone were approved for new patient groups. This approval regards patients needing suprapubic catheterization and long-term use.
- Bactiguard signed a letter of intent and initiated pilot studies with MAQUET Critical Care AB, a company in the Getinge group.

- Professor Kenneth Chien was appointed Scientific Advisor to Bactiguard and will also chair the newly established company Scientific Advisory Board. Professor Chien is an internationally recognized authority and pioneer in cardiovascular science. He was recruited in 2013 to the Karolinska Institute from Harvard University in the USA.
- An expert panel at the Chinese Center for Medical Device Evaluation (CMDE) notified the company that it will approve the Bactiguard urinary catheter (BIP Foleys). This is a huge step towards final regulatory approval and starting sales in China.
- Bactiguard was listed on the Nasdaq Stockholm on 19 June 2014. This achieved a wider ownership distribution through a combined new share issue (proceeds to the company were TSEK 239,612 before issue expenses), and sale of shares owned by the bond holder who chose to offset the loan against series B shares in the offset share issue related to the Bactiguard bonds that preceded changes to the company ownership structure. The bonds' nominal value was TSEK 450,000, of which holders of a nominal TSEK 222,500 chose to offset these against shares.
- A clinical study in the USA (Lederer, Jarvis, Thomas, Ritter, Wound Ostomy Continence Nurses Society June 2014) showed that urinary catheters coated with the unique Bactiguard coating significantly reduce the number of symptomatic catheter related urinary infections and the use of antibiotics. The study proved a 47 to 58% relative reduction in catheter related urinary infections and a 60% relative reduction in use of antibiotics.
- In 2014, Bactiguard had patent applications registered in several new countries, including Japan, Romania and South Korea.
- Bactiguard added market presence in two continents – South America and Africa – during the period and signed exclusive distribution agreements for 16 additional markets.
- Bactiguard repurchased bonds from the market for a nominal value of TSEK 39,000, reducing the total outstanding bond value to a nominal TSEK 188,500. The reduction in outstanding bonds from the offset share issue (which preceded widening ownership distribution) and the repurchase will reduce company interest expenses TSEK 28,765 annually, to 20,735.
- At the end of the year, the company moved to the new headquarters in integrated premises near the Karolinska University Hospital in Huddinge, south of Stockholm.

### Key events after the year-end

- The Board of Directors for Bactiguard appointed Niels Christiansen as new CEO. Mr. Christiansen has long experience in various positions in medtech, life science and energy sector operations. He was most recently CEO at HemoCue AB and took his new position with Bactiguard in March 2015. Johan Rugfelt has returned to his previous post as Chief Operating Officer (COO).

- During the first quarter of 2015, Bactiguard has reviewed and evaluated market conditions in Russia. Given the current economic/ political developments in the country, Bactiguard has decided to focus its marketing and sales efforts on other growth markets with greater potential. Bactiguard has therefore used its right to terminate the contract with its Russian distributor. No product deliveries have been made to Russia so far and there are no outstanding commitments to deliver any products. India remains an important growth market for Bactiguard. The cooperation with Cadila Pharmaceuticals Ltd, which was initiated in 2012 has, however, not provided the regulatory and market related benefits expected at the time. Bactiguard has therefore, in the first quarter, initiated an evaluation of an alternative sales strategy, which paves the way for market launch and sales start in 2015 as planned. Preparations for the launch and clinical studies are well under way. As a result of the above changes initiated during the first quarter of 2015, Bactiguard has decided to make reservations for doubtful accounts receivables, with a negative effect on results of approximately MSEK 24, as the counterparties' willingness to pay is deemed questionable. The reservations have no effect on the company's cash position.

### Future expectations

Healthcare associated infections are a growing problem throughout the world and is today the third most common cause of death in western countries.<sup>1</sup> Every year approximately 6 million patients<sup>2,3</sup> in the USA and EU alone suffer these, of which approximately 150,000 die as a result.<sup>2</sup> An estimated 60% of healthcare associated infections are caused by bacterial adhesion to medical devices, such as catheters.<sup>4</sup>

The market outlook for infection protection catheters is favourable, which creates opportunities for Bactiguard to strengthen the position and establish presence on additional markets.

Bactiguard will continue its efforts to help prevent healthcare associated infections and develop products for new fields of application.

### Research and development

Company research and development activities are focused on developing new products, and increasing understanding of the problem with healthcare associated infections. The company has received regulatory approval for all three current products; BIP Foley (urinary catheters), BIP ETT (endotracheal tube) and BIP CVC (central venous catheters).

### Personnel

The average number of employees for the year was 58 (52) employees.

### Guidelines for remuneration to senior management

Prior to the annual general meeting (AGM) in May 2015, the Board of Directors intends to propose changes to the guidelines as compared to the previous year in order to enable implementing long-term incentive programs. The changes planned involve revising the current guidelines, adding the following sentence: "The Board of Directors will conduct an annual assessment of whether a long-term incentive program shall be proposed to the

## Shareholding at December 31, 2014

Sharholders	Total series A shares	Total series B shares	Totalt shares	% of capital	% of votes
Christian Kinch with family and company	2,000,000	8,035,089	10,035,089	30.1	40.5
Thomas von Koch and company	2,000,000	8,034,989	10,034,989	30.1	40.5
Handelsbanken Fonder AB		1,808,875	1,808,875	5.4	2.6
Robur Försäkring		987,543	987,543	3.0	1.4
Swedbank Robur Fonder		600,684	600,684	1.8	0.9
Ståhlberg, Jan		582,544	582,544	1.7	0.8
Fröafall Invest AB		516,000	516,000	1.5	0.7
Länsförsäkringar Jönköping		500,000	500,000	1.5	0.7
Sargas Equity AB		364,090	364,090	1.1	0.5
Nortal Capital AB		246,200	246,200	0.7	0.4
<b>Total, largest shareholders</b>	<b>4,000,000</b>	<b>21,678,914</b>	<b>25,678,914</b>	<b>77.1</b>	<b>89.0</b>
Total, other	–	7,626,359	7,626,359	22.9	11.0
<b>Totalt number of shares</b>	<b>4,000,000</b>	<b>29,302,373</b>	<b>33,302,373</b>	<b>100.0</b>	<b>100.0</b>

annual general meeting or not, and if so, whether the proposed program shall include transfer of shares in the company.”

### Guidelines

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

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

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

Senior managers may, from time to time, be offered variable remuneration that is adjusted to market conditions. Such variable remuneration shall be designed for the purpose of promoting long-term value creation in Bactiguard and be related to pre-determined and measurable criteria. Any variable remuneration shall be limited to not exceed 50% of the fixed annual salary. In designing variable remuneration for senior managers that is paid in cash, the Board of Directors shall consider imposing reservations that (i) make payment of a portion of such remuneration conditional to the performance to which earning such remuneration is based shall be sustainable over time (ii) provide the company the opportunity to recall any such remuneration that has been paid based on information that is later found to be obviously false.

### Pensions

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

### Benefits

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

### Severance pay

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

### Incentive programme

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

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

### Environmental impact

The group engages in notifiable activities under the Swedish Environmental Code (environmentally hazardous activities and health protection) and to the Swedish Work Environment Authority (use of biological agents which can cause infections in Risk group 2).

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

### The Bactiguard share

Trade in the Bactiguard share was started at Nasdaq Stockholm on 19 June 2014 with the ticker symbol "BACTI" in the Midcap segment. The closing price for listed B shares as per 31 December 2014 was SEK 17.20 with a market capitalisation of TSEK 572,801.

Share capital in Bactiguard as per 31 December 2014 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 carrying ten votes (40,000,000 votes). The total number of shares and votes in Bactiguard as per 31 December 2014 was 33,302,373 shares and 69,302,373 votes.

There are no restrictions on transferability for these shares.



## Significant risks and uncertainty factors

Bactiguard Holdings' operations and profits are affected by several external factors. The company continually engages in a process of identifying all risks that may arise and assessing how each of these risks shall be managed.

The company is primarily exposed to market related risks, operational related risks and financial risks. The risks Bactiguard is thus exposed to are addressed separately below.

### Financial risk management and financial instruments

In operating activities, the group is exposed to various types of risk. The group objective is to create a comprehensive risk management program that concentrates on minimizing potential unfavourable effects on financial results. The company Board of Directors are ultimately responsible for the exposures, management, and follow-up of group risks. The frameworks that apply to the exposures, management, and follow-up on financial risks are set by the Board and revised annually. The Board of Directors has delegated responsibility for daily risk management to the company CFO. The Board of Directors is able to decide on temporary departures from these established frameworks.

Financial risks are described below in note 4.

### Macroeconomic risk

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

### Regulatory risk

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

### Technology risk

The medtech industry is generally characterized by swift technological changes and continuous progress in industrial know-how, which continually brings new products and improved treatment methods. Bactiguard has obtained patents in many of the countries in which we operate in order to protect our technology, and has applied for patents in additional countries. Additionally, Bactiguard has taken several other measures to ensure that company-unique knowledge (such as application and manufacture of the Bactiguard coating) is not disclosed to any competitor.

### Liquidity risk

Liquidity risk is defined as the risk of not having access to cash assets or credit available to cover payment commitments, including interest payments. Liquidity risk is especially significant in the event large unanticipated payment commitments arise. Lack of liquidity to cover large payment commitments can have a negative

impact on Bactiguard's operations and its financial position. As per 31 December 2014, group liquidity, including approved bank overdrafts of TSEK 60,000, has liquidity totalling TSEK 165,147. The approved bank overdrafts totals TSEK 30,000 as of January 2015.

The company continues to actively work with various operational activities, primarily concentrating on collecting outstanding trade receivables. The management deems that current liquidity levels will be sufficient to manage the company's commitments for the coming year.

### The parent company

Revenues consist of invoiced intercompany costs (Management fees). The parent company has received interest on its receivables from group companies during 2014. Company costs primarily relate to financial expenses of which the interest due of the bond loan is the single largest item. No investments have been made for 2014.

### Proposed appropriation of profit

#### The parent company

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

Retained earnings	108,238,866
Share premium reserve	473,016,706
Profit/loss for the year	-53,029,667
	<b>528,225,905</b>

The Board of Directors proposes that the profits be distributed as carried forward	528,225,905
	<b>528,225,905</b>

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

# Corporate Governance Report 2014

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

In addition to the principles for corporate governance required by law applicable legislation, at Bactiguard corporate governance is based on internal documents (such as the articles of association, Board of Directors' work plan and CEO instruction, and policies and guidelines), as well as external rules such as the Nasdaq Stockholm Rules and regulations for Issuers and the Swedish Code of Corporate Governance. In 2014, the company has made no deviations from the Code.

## Shares listed on Nasdaq Stockholm

The Bactiguard series B share was listed on Nasdaq Stockholm on 19 June 2014. At year-end, the total number of outstanding shares was 33,302,373 (of which 4,000,000 non-listed series A shares) and the number of shareholders was 2,527. The five largest shareholders in the company as of 31 December 2014 are:

Shareholders	Total series A shares	Total series B shares	% of Equity	% of Votes
Christian Kinch and family and companies	2,000,000	8,035,089	30.1	40.5
Thomas von Koch and companies	2,000,000	8,034,989	30.1	40.5
Handelsbanken Fonder AB	–	1,808,875	5.4	2.6
Robur Försäkring	–	987,543	3.0	1.4
Swedbank Robur Fonder	–	600,684	1.8	0.9

## General Meetings

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

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

An annual general meeting ('AGM') shall be held in Stockholm within six months of the closing date for the financial year. The company financial year begins on 1 January and closes 31 December. The AGM determines issues including adopting the company's annual report, appropriation of the company profit or loss, and discharging the directors of the board and the CEO from liability. The AGM also appoints directors to the board and auditors, and determines the establishment of a nomination

committee, fees for board directors, and auditors, and guidelines for determining salaries and remuneration to the CEO and other senior managers.

Resolutions by the general meeting are normally passed by simple majority vote, except where the Swedish Companies Act stipulates qualified majority of the shares and/or votes, as, for example, resolutions regarding amendment of the company's articles of association. In preparation for the listing of the company's shares, the Board of Directors was authorized by the 2014 AGM to conduct an offset share issue and a new share issue. The board exercised both authorizations in connection with the listing of the Bactiguard share. The general meeting has not authorized the Board of Directors to repurchase company shares.

## The Articles of Association

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

## Nomination committee

At the 2014 AGM, rules were adopted for appointment of members to the nomination committee for the 2015 AGM. These rules, as adopted, provide that the nomination committee shall be formed by the chairman of the board contacting the three largest shareholders (by votes) as per ownership statistics on 31 August, who each shall be entitled to appoint one member to serve together with the chairman of the board on the nomina-

tion committee. For the 2015 AGM, the nomination committee consists of Michael Wigge, Chair (appointed by Bactiguard B.V.), Frank Larsson (appointed by Handelsbanken Fonder AB) and Christian Kinch (appointed by KK Invest AB and also the chairman of the board).

### Board of Directors

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

The Board of Directors' work shall follow a written work plan that shall ensure that the board is fully informed and that all control related aspects of company's operations are addressed. Since the chairman of the board has a continuing assignment within the company, the company work plan specifically provides for division of duties between the chairman of the board and the CEO. The work plan specifies that the chairman of the board shall not take measures or perform tasks in his continuing assignment that infringe on the responsibilities of the CEO for daily management of the company, unless the Board of Directors resolves to do so with the required majority vote. Pursuant to the work plan the chairman of the board is responsible for monitoring and discussing the developments of Bactiguard in regular contacts with the CEO. The chairman of the board shall also perform duties such as ensuring the board directors receive continual information from the CEO as necessary to monitor the company's financial position, financial planning and development, and that an annual assessment of the board's work is conducted. The board work plan provides that the board shall, in a 12 month cycle, addresses at least the following areas of importance for the company; accounting and auditing issues; market and market analyses; risk identification; strategy; organization; assessment of the Board of Directors and the CEO and the system for internal control; and the company's capital structure.

During 2014 the Board of Directors held a total of 15 meetings where minutes were recorded. Christian Kinch and Thomas von Koch attended all these meetings. Ulf Mattsson attended all but one of these meetings. Mia Arnhult attended all 14 meetings held after she was elected to the board at the extra-ordinary general meeting held 21 March 2014. For the first six months of 2014, the board concentrated their work on preparing Bactiguard for the listing of the company's shares. The board hereby resolved to adopt and update the policies significant for the company's operations. For the period following the share listing, the Board of Directors concentrated their work on monitoring the company's strategic activities and the planned additions to the company marketing and sales organization. During 2014, the Board of Directors has consisted of the following directors, as elected by the AGM.

**Christian Kinch** (chairman). Born 1966. Chairman of the board since March 2014 and chairman of the remuneration committee. Board assignment within the group since 2005. CEO for the group from 2005 to February 2014.

*Shareholding in Bactiguard as per 31 December 2014:*

Series B	100 (Children)
Series B	35,000 (Personal)
Series A	2,000,000 (Legal entity)
Series B	7,999,989 (Legal entity)

**Thomas von Koch**. Born 1966. Board member since 2011 and member of the audit and remuneration committees. Board assignments within the group since 2005.

*Shareholding in Bactiguard as per 31 December 2014:*

Series B	35,000 (Personal)
Series A	2,000,000 (Legal entity)
Series B	7,999,989 (Legal entity)

**Ulf Mattsson**. Born 1964. Board member since 2012 and member of the audit and remuneration committees.

*Shareholding in Bactiguard as per 31 December 2014:*

Call option B	200,000 (Legal entity)
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**Mia Arnhult**. Born 1969. Board member since 2014 and chairman of the audit committee.

*Shareholding in Bactiguard as per 31 December 2014:*

Call option B	50,000 (Personal)
Series B	516,000 (Legal entity)

### Board Committees

The Board of Directors has instituted two committees; an audit committee and a remuneration 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, and internal audits as necessary. The committee shall also monitor and review the auditor's independence and impartiality, and especially follow whether the auditor provided the company other services than purely auditing services. The committee also contributes proposals to the general meeting for adoption regarding the appointment of auditors. The audit committee includes board members Mia Arnhult (chairman), Thomas von Koch and Ulf Mattsson and complies with Code requirements for independence of committee members. In 2014, the audit committee has held one meeting where all members were present.

The remuneration committee shall support the Board of Directors with proposals, advice, and preparation in regard to issues of remuneration principles for the CEO and other senior managers and individual remuneration to the CEO in accordance with established principles. These principles include the relationship between fixed and any variable remuneration, and the relationship between performance and remuneration, the general terms for any bonus and incentive program, and the general terms for non-monetary benefits, pension, notice of termination and severance pay. The board is also responsible as a whole for





# The Board of Directors



## Christian Kinch,

Born 1966

Chairman of the board since March 2014 and chairman of the remuneration committee. Board assignments within the group since 2005.

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

**Other assignments:** Board member and CEO for KK Technology AB. Owner and board member in KK Invest AB. Board member in Swecare Aktiebolag.

**Shareholding in the company:** 2,000,000 shares series A and 8,035,089 shares series B, direct, family and through KK Invest AB.

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



## Thomas von Koch,

Born 1966

Board member since 2011 and member of the auditing and remuneration committees. Board assignments within the group since 2005.

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

**Other assignments:** Co-founder and managing partner for EQT. Chairman of the board of KK Technology AB. Board member of AB Trill och TomEnterprise AB.

**Shareholding in the company:** 2,000,000 shares series A and 8,034,989 shares series B, direct and through Bactiguard B.V.

*Independent in relation to the company the executive management, not independent in relation to the company's larger shareholders.*



## Ulf Mattsson,

Born 1964

Board member since 2012 and member of the auditing and remuneration committees. Board assignments within the group since 2012.

**Education:** BSc Business and Economics, Stockholm University and Program for Management Development, Harvard Business School.

**Other assignments:** Board chair for Crem International Holding AB, Itslearn- ing AS, AcadeMedia AB, Evidensia Djursjukvård AB, Granngården AB and Musti ja Mirri OY. Board member in ORAS Invest OY, StormGeo A/S and Addtech AB. B. B.

**Shareholding in the company:** 100 call options for the purchase of no more than 200,000 shares.

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



## Mia Arnhult,

Born 1969

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

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

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

**Shareholding in the company:** 25 call options for the purchase of 50,000 shares, and 516,000 series B shares through a legal entity.

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

# Executive Management



## Johan Rugfelt,

Born 1967

CEO until March 2015 returns thereafter to previous roles as COO.

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

**Other assignments:** –

**Background:** Assignments for McKinsey, Bain, SEB, The Swedish Trade & Invest Council (Exportrådet) and within the group.

**Shareholding in the company:** 150 call options for the purchase of no more than 300,000 shares.



## Niels Christiansen,

Born 1961

CEO – assume office in March 2015

**Education:** Master's Degree in Electrotechnology, Technical University of Denmark and MBA, Rutgers University, New Jersey

**Other assignments:** –

**Background:** CEO and board director for HemoCue AB and assignments for the Siemens group, various CEO functions and managerial positions.

**Shareholding in the company:** 106 call options for the purchase of no more than 212,000 shares.\*

\*The shareholding was acquired in connection with taking office. Other shareholdings as per 31 December 2014.



## Fredrik Järsten,

Born 1967

CFO & Business Development

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

**Other assignments:** Board chair for Terroir Suisse AB, board director and CEO for Fredrik Järsten Konsult AB.

**Background:** Assignments for SEB Enskilda, Lazard, Litorina Kapital and for the Aleris group.

**Shareholding in the company:** 75 call options through Fredrik Järsten Konsult AB for the purchase of no more than 150,000 shares.



## Cecilia Edström,

Born 1966

Acting Sales, Marketing, and Communications Director

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

**Other assignments:** Board director for Nordic Public Affairs AB.

**Background:** Communication Director for TellaSonera AB och Scania AB. Board director for BE Group AB and OJSC MegaFon and member of the Stockholm Chamber of Commerce governing council.

**Shareholding in the company:** 2,500 series B shares and 24 call option for the purchase of no more than 48,000 shares.

# Condensed consolidated income statement

Amounts in TSEK	Note	2014	2013
Net sales	5, 6	109,047	126,733
Other revenue	5	9,811	4,366
<b>Total</b>		<b>118,858</b>	<b>131,099</b>
Raw materials and consumables		-6,102	-10,290
Other external expenses	7, 8	-54,187	-41,262
Personnel costs	9	-44,996	-39,206
Depreciation and amortisation	14, 16-21	-30,131	-28,838
Other operating expenses		-3,160	-315
Result from participations in associates	23	-69	-29
<b>Total operating expenses</b>		<b>-138,646</b>	<b>-119,940</b>
<b>Operating profit/loss</b>		<b>-19,788</b>	<b>11,159</b>
<i>Profit/loss from financial items</i>			
Financial income	10	3,641	33,755
Financial expenses	11	-83,998	-50,686
<b>Total</b>		<b>-80,358</b>	<b>-16,931</b>
<b>Profit before tax</b>		<b>-100,146</b>	<b>-5,772</b>
Taxes	12	5,104	2,365
<b>Net profit/loss for the year</b>		<b>-95,042</b>	<b>-3,407</b>
<b>Attributable to:</b>			
Shareholders of the parent		-95,042	-3,407
Earnings per share, SEK		-3.80	-0.17

# Condensed consolidated statement of comprehensive income

Amounts in TSEK	Note	2014	2013
Net profit/loss for the year		-95,042	-3,407
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss for the year</i>			
		-	-
<i>Items that will be reclassified to profit or loss for the year</i>			
Translation differences		-655	-185
Other comprehensive income, after tax		-655	-185
<b>Total comprehensive income for the year</b>		<b>-95,697</b>	<b>-3,592</b>
<b>Attributable to:</b>			
Shareholders of the parent		-95,697	-3,592
Total earnings per share, SEK		-3.83	-0.18



# Condensed consolidated statement of financial position

Amounts in TSEK	Note	2014-12-31	2013-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	13	226,292	226,292
Technology	14	284,225	308,032
Brands	15	25,572	25,572
Customer relationships	16	14,088	15,268
Capitalised development expenditure	17	7,772	6,636
Patents	18	1,454	1,366
<b>Total</b>		<b>559,402</b>	<b>583,166</b>
<b>Property, plant and equipment</b>			
Improvements, leasehold	19	15,812	10,877
Machinery and other technical plant	20	9,763	6,489
Equipment, tools and installations	21	6,204	2,135
<b>Total</b>		<b>31,779</b>	<b>19,501</b>
<b>Financial assets</b>			
Accounts receivable	25	9,531	–
Investments in associates	23	1,368	1,293
<b>Total</b>		<b>10,899</b>	<b>1,293</b>
<b>Total non-current assets</b>		<b>602,080</b>	<b>603,960</b>
<b>Current assets</b>			
Inventory	24	8,974	3,590
Accounts receivable	25	81,625	94,137
Other current receivables		5,018	2,212
Prepaid expenses and accrued income	26	8,285	7,914
Cash and cash equivalents	27	105,147	5,417
<b>Total</b>		<b>209,048</b>	<b>113,270</b>
<b>Total assets</b>		<b>811,128</b>	<b>717,230</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the parent</b>			
Share capital	28	833	500
Translation differences		-794	-139
Other capital contribution		675,690	202,673
Retained earnings including net profit for the year		-157,019	-62,082
<b>Sum equity attributable to shareholders of the parent</b>		<b>518,710</b>	<b>140,953</b>
<b>Total equity</b>		<b>518,710</b>	<b>140,953</b>
<b>Non-current liabilities</b>			
Deferred tax liability	12	39,237	44,398
Bonds	29	195,569	427,500
<b>Total</b>		<b>234,806</b>	<b>471,898</b>
<b>Current liabilities</b>			
Bank overdraft	30	–	57,461
Accounts payable		10,995	7,397
Other current liabilities		3,938	9,186
Accrued expenses and deferred income	31	42,679	30,335
<b>Total</b>		<b>57,613</b>	<b>104,379</b>
<b>Total liabilities</b>		<b>292,419</b>	<b>576,277</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>811,128</b>	<b>717,230</b>
Assets pledged	32	308,810	363,546
Contingent liabilities		–	–

# Condensed consolidated statement of changes in equity

Equity attributable to shareholders of the parent

Amounts in TSEK	Share capital	Other capital contributions	Translation reserve	Retained earnings including net profit for the year	Total equity
<b>Opening balance January 1, 2013</b>	500	202,673	46	-58,620	144,600
<b>Comprehensive income</b>					
Profit/loss for the year			-	-3,407	-3,407
Other comprehensive income:					
Translation differences				-	-185
Sum other comprehensive income after tax				-	-185
<b>Total comprehensive income</b>	-	-	-185	-3,407	-3,592
<b>Transactions with shareholders</b>					
Repurchase of options	-	-	-	-55	-55
Total transactions with shareholders	-	-	-	-55	-55
<b>Closing balance December 31, 2013</b>	500	202,673	-139	-62,082	140,953
<b>Opening balance January 1, 2014</b>	500	202,673	-139	-62,082	140,953
<b>Comprehensive income</b>					
Profit/loss for the year			-	-95,042	-95,042
Other comprehensive income:					
Translation differences				-	-655
Sum other comprehensive income after tax				-	-655
<b>Total comprehensive income</b>	-	-	-655	-95,042	-95,697
<b>Transactions with shareholders</b>					
Share issue	333	473,017	-	-	473,350
Repurchase of options	-	-	-	104	104
Total transactions with shareholders	333	473,017	-	104	473,454
<b>Closing balance December 31, 2014</b>	833	675,690	-794	-157,019	518,710

# Condensed consolidated statement of cash flows

Amounts in TSEK	Note	2014	2013
<b>Cash flow from operating activities</b>			
Net profit/loss for the year		-95,042	-3,407
Adjustment for non-cash flow items:			
Accrued interest expense		-1,725	2,750
Depreciation		30,131	28,838
Market valuation bond		32,101	-33,750
Other non-cash flow items		-8,328	-4,796
		<b>-42,863</b>	<b>-10,365</b>
Increase/decrease inventory		-5,936	549
Increase/decrease accounts receivable		2,982	-35,840
Increase/decrease other current receivables		-2,270	-539
Increase/decrease accounts payable		3,561	1,204
Increase/decrease other current liabilities		8,782	-79
		<b>-35,743</b>	<b>-45,070</b>
<b>Investing activities</b>			
Investments in intangible assets		-2,397	-3,345
Investments in property, plant and equipment		-15,692	-5,736
Investments in associates		-145	-
		<b>-18,233</b>	<b>-9,081</b>
		<b>-53,977</b>	<b>-54,151</b>
<b>Financing activities</b>			
Share issue		473,350	-
Borrowings		-	51,968
Amortisation of debt		-321,495	-
Repurchase of options		104	-55
		<b>151,959</b>	<b>51,913</b>
Cash flow for the year		97,983	-2,238
Cash and cash equivalents at start of year		5,417	7,657
Exchange difference in cash and cash equivalents		1,747	-2
		<b>105,147</b>	<b>5,417</b>

# Condensed parent company income statement

Amounts in TSEK	Note	2014	2013
Net sales		-	-
Other revenue	5	12,287	9,324
<b>Total</b>		<b>12,287</b>	<b>9,324</b>
Other external expenses	7, 8	-9,563	-5,299
Personnel costs	9	-9,040	-6,109
<b>Total operating expenses</b>		<b>-18,604</b>	<b>-11,408</b>
<b>Operating profit/loss</b>		<b>-6,317</b>	<b>-2,084</b>
<i>Profit/loss from financial items</i>			
Interest income and similar items	10	5,869	6,238
Interest expenses and similar items	11	-52,582	-51,853
<b>Net financial items</b>		<b>-46,713</b>	<b>-45,615</b>
<b>Profit before tax</b>		<b>-53,030</b>	<b>-47,699</b>
Taxes	12	-	-
<b>Net profit/loss for the year</b>		<b>-53,030</b>	<b>-47,699</b>

# Statement of comprehensive income, parent company

Amounts in TSEK	Note	2014-01-01– 2014-12-31	2013-01-01– 2013-12-31
Net profit/loss for the year		-53,030	-47,699
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>-53,030</b>	<b>-47,699</b>



# Condensed parent company balance sheet

Amounts in TSEK	Note	2014	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Shares in Group companies	22	384,574	384,574
Receivables in Group companies		272,000	180,000
<b>Total</b>		<b>656,574</b>	<b>564,574</b>
<b>Sum non-current assets</b>			
<b>Current receivables</b>			
Receivables from group companies		13,407	–
Other current receivables		10	266
Prepaid expenses and accrued income	26	489	1,156
<b>Total</b>		<b>13,906</b>	<b>1,422</b>
<b>Cash and cash equivalents</b>	27	<b>87,319</b>	<b>1,521</b>
<b>Total current assets</b>		<b>101,225</b>	<b>2,943</b>
<b>Total assets</b>		<b>757,799</b>	<b>567,517</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	28	833	500
<b>Total</b>		<b>833</b>	<b>500</b>
<b>Non-restricted equity</b>			
Retained earnings		581,255	155,938
Profit/Loss for the year		-53,030	-47,699
<b>Total</b>		<b>528,225</b>	<b>108,239</b>
<b>Total equity</b>		<b>529,058</b>	<b>108,739</b>
<b>Non-current liabilities</b>			
Bond	29	222,920	443,082
<b>Total</b>		<b>222,920</b>	<b>443,082</b>
<b>Current liabilities</b>			
Liabilities to group companies		–	9,196
Accounts payable		485	1,581
Other current liabilities		1,233	637
Accrued expenses and deferred income	31	4,102	4,282
<b>Total</b>		<b>5,820</b>	<b>15,696</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>757,799</b>	<b>567,517</b>
<b>Memorandum items</b>			
Assets pledged	32	564,574	564,574
Contingent liabilities		–	–

# Changes in equity, parent company

Amounts in TSEK	Share capital	Restricted equity	Retained earnings including net profit for the year	Total equity
<b>Opening balance January 1, 2013</b>	500	–	155,938	156,438
<b>Comprehensive income</b>				
Profit/loss for the year	–	–	-47,699	-47,699
<b>Total comprehensive income</b>	–	–	-47,699	-47,699
Total transactions with shareholders	–	–	–	–
<b>Closing balance December 31, 2013</b>	500	–	108,239	108,739
<b>Opening balance January 1, 2014</b>	500	–	108,239	108,739
<b>Comprehensive income</b>				
Profit/loss for the year			-53,030	-53,030
<b>Total comprehensive income</b>	–	–	-53,030	-53,030
<b>Transactions with shareholders</b>				
Share issue	333	–	473,017	473,350
Total transactions with shareholders	333	–	473,017	473,350
<b>Closing balance December 31, 2014</b>	833	–	528,225	529,058

# Cashflow statement, parent company

Amounts in TSEK	Note	2014	2013
<b>Cash flow from operating activities</b>			
Net profit/loss for the year		-53,030	-47,699
Adjustment for non-cash flow items		-5,043	9,887
		<b>-58,073</b>	<b>-37,812</b>
Increase/decrease other current liabilities and receivables		-6,369	9,239
<b>Cash flow from operating activities</b>		<b>-64,441</b>	<b>-28,573</b>
<b>Cash flow from investing activities</b>		-	-
<b>Financing activities</b>			
Share issue		250,850	-
Borrowings group companies		-100,611	26,528
<b>Cash flow from financing activities</b>		<b>150,239</b>	<b>26,528</b>
Cash flow for the year		85,798	-2,045
Cash and cash equivalents at start of year		1,521	3,566
<b>Cash and cash equivalents at end of year</b>		<b>87,319</b>	<b>1,521</b>



# Notes

## NOTE 1 General information

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

There are no significant minority interests.

## NOTE 2 Significant accounting policies

The consolidated financial statements for Bactiguard Holding AB were prepared in compliance with the EU approved International Financial Reporting Standards (IFRS), and interpretations of the IFRS Interpretations Committee as per 31 December 2014.

In addition, the group applies the Swedish Annual Accounts Act and Swedish Financial Reporting Board Recommendations (RFR 1) Supplemental Accounting Rules for Groups.

The consolidated financial statements contain valuations of items at cost, except in regard to certain financial instruments carried at fair value through profit or loss. The functional currency of the parent is the Swedish Krona, which is also the presenting currency for the group. All amounts are specified in thousands unless otherwise stated. The significant accounting policies used are stated below.

### New and amended standards and interpretations that enter into force starting 1 January 2014

The following new standards and interpretations entered into force as per 1 January 2014 or later.

IFRS 10 Consolidated financial statements

IFRS 11 Joint arrangements

IFRS 12 Disclosure of interest in other entities

Amendments to IFRS 10, IFRS 11 and IFRS 12 (Transitional provisions)

Amendments to IAS 27 Consolidated and separate financial reports

Amendments to IAS 28 Investments in associates and joint ventures

Amendments to IAS 32 Financial instruments: Presentation (Offsetting financial assets and financial liabilities)

Amendments to IAS 36, Impairments of assets, (information regarding the recovery value of non-financial assets)

All of these shall be applied to the financial years starting 1 January 2014 or later. The management has determined that these new standards have not had material impact on the consolidated financial reporting other than regarding specific informational requirements.

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

New and amended standards and interpretations that have been published but enter into force for financial years starting after 1 January 2015 have not been applied by the group. The new and amended standards and interpretations determined to have an impact on the consolidated financial reporting for the period and applied for the first time are described below..

Standards	Shall be applied financial year starting:
IFRS 9 Financial Instruments	1 January 2018 or later
IFRS 15 Revenue from contracts with customers	1 January 2017 or later

IFRS 9 Financial instruments issued on 24 July 2014 and shall replace IAS 39

Financial Instruments: Classification and measurement. The standard is issued in phases where the version issued in July 2014 replaces previous versions. The standard contains new requirements for classification and measurement of financial instruments, for derecognition, impairments, and general rules for hedge accounting. The standard is mandatory for periods that start 1 January 2018 and later, and it is still not adopted by the EU. The management's assessment is that IFRS 9 may impact the recognised amounts in the financial reporting in respect to the consolidated financial assets and liabilities. Management has not yet conducted a detailed analysis of the impact resulting from application of IFRS 9 and can therefore not quantify this.

IFRS 15 Revenue from contracts with customers issued 28 May 2014 and shall replace IAS 18 Revenue and IAS 11 Construction contracts. Application of IFRS 15 is mandatory for all IFRS reporting companies starting as of financial years that begin 1 January 2017 or later. IFRS 15 provides a model for

recognising revenue arising from agreements with customers, except for lease agreements, financial instruments, and insurance contracts.

The amendments to RFR 2 Accounting for legal entities that enter into force as per 1 January 2015 are not deemed to impact the parent's financial reporting.

The basic principle for revenue recognition is that companies shall recognise revenues when all the risks and rewards associated with the goods and or services transfer to the customer in exchange for payment for these goods or services. The new standard may have consequences for license-based sales. The amendments will mean that a renewed assessment must be made for new sales agreements regarding licensing deals or territorial fees. Management has not yet conducted a detailed analysis of the impact resulting from application of IFRS 15 and can therefore not quantify this.

The management assessment is that other new and amended standards and interpretations that have not yet entered into force are anticipated to have a material impact on the consolidated financial statements when they are applied for the first time.

### Accounting policies for the parent

#### Changed accounting policies

The amendments to RFR 2 Accounting for legal entities that have entered into force and apply to the 2014 financial year have not impacted the parent's financial reporting.

#### Amendments to RFR 2 that have not entered into force

De ändringar i RFR 2 Redovisning för juridiska personer som träder i kraft fr.o.m for recognising revenue arising from agreements with customers, except for lease agreements, financial instruments, and insurance contracts.

### Consolidated financial statements

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

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

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

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

### Transactions with holdings without control

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

### Loss of control

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

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

### Business combinations

#### Business combinations are recognised using the acquisition method.

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

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

- Deferred tax assets or liabilities and liabilities or assets attributable to the business combination agreements for remuneration to employees are recognised and valued in accordance with IAS 12 Income taxes and IAS 19 Employees benefits.

- Liabilities or equity instruments attributable to the acquired business' share-based allocations or to the exchange of the acquired businesses' share-based allocations against the acquiring entity's share-based allocations are valued at the acquisition date in accordance with IFRS 2 Share-based payment.

- Non-current assets (or disposal groups) classified as held for sale according to IFRS 5. Non-current assets held for sale and discontinued operations are measured according to the standard.

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

For business combinations where the total of cost, any holding without control, and fair value at the transfer date of previous shareholding, exceeds the fair value of identifiable acquired net assets, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, this is recognised as a gain from a bargain purchase immediately in the income statement after testing the difference.

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

#### Participations in associated companies

Holdings in associated companies are recognised using the equity method.

#### Goodwill

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

For impairment testing, goodwill is allocated to the cash generating units that are expected to benefit from synergies expected from combining operations. Goodwill shall be tested for impairment annually, or more often whenever events indicate 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 impairment loss is allocated, first to reducing the carrying amount for goodwill attributable to the cash generating unit and then to the carrying amount for goodwill attributable to the other assets in the unit. A recognised impairment of goodwill cannot be reversed in a later period.

At the sale of a subsidiary, the remaining carrying amount for goodwill is included in the determining the gain or loss.

#### Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered primarily through sale and not ongoing use. To meet this requirement, the asset (or disposal group) must be available for immediate sale in its current condition and the sale is highly probable.

Non-current assets (or disposal groups) classified as held for sale are recognised at the lower of carrying amount and fair value less costs to sell.

#### Operating segments

Operating segments are components of an entity that engage in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision maker, and for which discrete 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 performance and makes decisions on the allocation of resources. The company's assessment is that the executive management is the chief operating decision maker.

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

#### Revenues

Revenues are recognised as the fair value of the consideration received, less VAT, discounts and similar.

#### Sale of goods

Revenues from the sale of goods is recognised when the goods are delivered and ownership is transferred to the customer, whereby the criteria below are met:

- The group has transferred the significant risks and rewards associated with ownership of the goods.
- The group retains neither continuing managerial involvement to the degree usually associated with ownership.
- The group does not exercise effective control over the goods sold.
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the group.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Royalties

Revenues for royalties are recognised on an accruals basis in accordance with the economic substance of the relevant agreement. Royalties are based on the outcome of sales and recognised in accordance with the terms of the relevant agreement.

#### Sales of rights via distribution agreements

When the company enters a distribution agreement for a geographic market the consideration for this right is recognised as revenue as of the agreement date. This payment is non-refundable and the company has no remaining commitments to meet other than providing marketing support, and this commitment is recognised as a liability as of the agreement date.

#### Dividends and interest income

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

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

#### Lease agreements

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

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

#### Foreign currencies

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

Foreign currency transactions in each entity are translated into the parents' functional currency according to prevailing exchange rates on the date of the transaction. All monetary items in foreign currencies are translated at the balance sheet date exchange rate. 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 cost in a foreign currency are not translated.

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

In preparing these consolidated financial statements, foreign subsidiaries' assets and liabilities are translated to Swedish Krona using the balance sheet date exchange rate. 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 transaction date exchange rate is used. Any translation differences that arise are recognised in other comprehensive income and transferred to the foreign currency translation reserve. On disposal of a foreign subsidiary, such foreign currency translation reserves are recognised in the income statement as part of the 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 balance sheet date exchange rate.

#### Borrowing costs

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

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

#### Employee benefits

Remuneration to employees in the form of salaries, bonus, paid vacation, paid sick leave, and similar, and pensions are reported as incurred. Regarding pensions and other remunerations after terminated employment are classified as defined contribution or defined benefit plans. The group has only defined contribution retirement plans.

### Defined contribution plans

The company pays fixed fees to a separate independent legal entity for defined contribution plans and has no liability to pay additional fees. Group earnings are charged 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 current tax liabilities is calculated applying the tax rates that are enacted as of the balance sheet date.

#### Deferred tax

Deferred tax is recognised for all temporary differences that arise between the carrying amount of the assets and liabilities in the financial reports and the taxable amounts used when calculating taxable income. Deferred tax is recognised, using the balance sheet liability method. Deferred tax liabilities are recognised generally for all taxable temporary differences, and deferred tax assets are generally recognised for all allowable 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 differences are attributable to goodwill or if they arise from a transaction that is the first reporting of an asset or liability (that is not a business combination) and which, at the transaction date, does not affect reported or taxable income.

Deferred tax is recognised for taxable temporary differences that arise in investments in subsidiaries, except when the date for settling the temporary difference can be controlled by the group and it is probable that the temporary differences will not be reversed 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 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 allow the benefit of part or all of that deferred tax asset to be utilised against the deferred tax asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted on the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset when they are attributable to income tax levied by the same taxing authority 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 income or expense and included in the income statement, except to the extent that the tax arises from transactions that are recognised as other comprehensive income or directly against equity. In such cases, the tax is also reported in other comprehensive income or directly against equity. Current and deferred tax that arises from a business combination, the tax amounts are recognised in the acquisition calculation.

### Property, plant and equipment

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

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

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

Improvements, leasehold	5 to 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 the end of each financial year, the effect of any changes to assessments are recognized prospectively.

The carrying amount for property, plant, and equipment is derecognised in the statement of financial position when it is retired or disposed, or when no future economic benefits are expected from the use or retirement/disposal of

the asset. The gain or loss that arises when the asset is retired or disposed, is the difference between the carrying amounts recognised in profit for the period when the asset is derecognised in the statement of financial position.

### Intangible assets

#### Separately acquired intangible assets

Intangible assets with a determinable useful life that are acquired separately are recognised at cost less accumulated depreciation and any accumulated impairments. Depreciation is straight line over their estimated useful life. Estimated useful life and depreciation methods are retested at the end of each financial year. The effect of any changes to assessments are recognized prospectively.

#### Internally generated intangible assets

##### – Capitalised expenses for product development

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

- It is technically feasible to complete the intangible asset so 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 their development can be measured reliably.

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

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

#### Intangible assets acquired in a business combination

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

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

#### Estimated useful life for intangible assets

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

#### Disposals and retirements

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

#### Impairment of tangible non-current assets and intangible assets excluding goodwill

At the balance sheet date, the group measures 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 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 asset's fair value less selling cost or 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 in the income statement.

### Financial instruments

Financial assets or liabilities are recognised in the statement of financial position when the company becomes a party in the contractual terms of the instrument. A financial asset or a portion of a financial asset is derecognised from the statement of financial position with the contractual rights are realised, mature or when the company losses control over it. Financial liabilities or portions of financial liabilities are derecognised in the statement of financial position when the agreed obligation is performed or been otherwise extinguished.

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

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

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

#### Financial assets

- Fair value through profit and loss
- Loans and accounts receivables
- Investments held to maturity
- Financial assets available for sale.

#### Financial liabilities

- Fair value through profit and loss
- Other financial liabilities measured at amortised cost.

### The fair value of financial instruments

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

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

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

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

### Amortised cost

Amortised cost is the amount at which the financial asset or financial 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 receive or pay on the due date and less depreciation.

The effective rate is the interest rate at which when discounting estimated future cash flows over the expected maturity, results in the initial carrying amount of the financial asset or the financial liability.

### Offsetting financial assets and financial liabilities

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

### Cash and cash equivalents

Cash and cash equivalents include cash assets and bank balances, and other short-term securities that are readily convertible to cash and are subject to an insignificant risk of changes in value. Classification as cash or cash equivalents requires that the maturity of the asset be three months or less from the acquisition. Cash assets and bank balances are classified as 'Loans and accounts receivables' and these are carried at amortised cost. Since bank deposits are payable on demand, amortised cost equals the nominal amount. Short-term investments are classified as 'Held for trading' and are carried at fair value with value fluctuations recognised in the income statement.

### Accounts receivables

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

### Accounts payables

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

### Borrowing from credit institutions and other loans

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

### Bond

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

### Derivative instruments

Currency forwards are used to hedge foreign currency flows. The hedge instrument is recognised separately at fair value in the statement of financial position with the value fluctuations in the income statement. The group has not used any derivative instruments for the year.

### Inventories

Inventories are carried at the lowest of cost or net realizable value. Cost is measured by first applying, the FIFO (First in, first out) method. Net realizable value is the expected sales price less expected costs necessary to finish and expected costs necessary to sell.

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

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

### Accounting policies for the parent

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

The differences between the parent and group accounting policies are described below.

### Classification and Format

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



### Subsidiaries

Participations in subsidiaries are recognised at cost in the parent's financial statements. Acquisition related costs for subsidiaries that are charged in the consolidated financial statements are included as part of the cost for participations in subsidiaries.

### Group contributions

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

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

### Pensions

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

### Financial instruments

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

### Definitions for key ratios

#### Equity ratio

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

#### Net debt

Interest-bearing liabilities less cash equivalents.

## NOTE 3 Significant accounting estimates and assessments

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

### Revenue recognition

A basic condition for revenue recognition is that revenues from sales shall be recognised when the significant risks and rewards associated with ownership are transferred to the buyer. The assessment of when these risks and rewards are transferred requires review of each contract and circumstance under which each transaction is conducted. Normally, the determination that the risks and rewards are transferred is when a new contract is executed based on the design of that agreement. The substantial portion of revenues are normally recognised at this time. Some contracts contain clauses for market support that the customer is entitled to utilise for a specified period. Provisions for possible future costs associated with such market support are made in connection with recognition of the revenues for the new agreement.

### Impairment testing of goodwill and brands

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

### Assessment of provisions for doubtful accounts receivables

Accounts receivables are one of the most substantial items in the statement of financial position and are recognised at their nominal amount net deductions for doubtful receivables. Accounts receivables with a maturity greater than 12 months are discounted. Provisions for doubtful receivables are therefore subject to accounting estimates and estimates for accounting purposes. The group conducts continual assessments of all outstanding accounts receivables. Provisions are made for past due receivables where payment appears less probable. Provisions for doubtful accounts receivables are low, which is explained by the group credit risk being low and that credit losses have historically been minimal. See note 4 for additional information regarding credit risk. The group conducts continual assessments of all outstanding accounts receivables.

### Calculating deferred taxes

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

## NOTE 4 Financial risk management and financial instruments

Through their activities, the group is exposed to various types of risk. The group objective is to create a comprehensive risk management program that concentrates on minimizing potential unfavourable effects on financial results. The company Board of Directors are ultimately responsible for the exposures, management and follow-up of group risks. The frameworks that apply to the exposures, management, and follow-up of financial risks are set by the board and revised annually. The Board of Directors have delegated responsibility for daily risk management to the company 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 risk

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

See note 29 for additional information regarding the bond contract.

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

	Witin 3 months	3-12 months	2-5 years	Later than 5 years	Total
<b>Group 2013-12-31</b>					
Bond	–	49,500	549,000	–	598,500
Accounts payables	7,397	–	–	–	7,397
Bank overdraft	–	57,461	–	–	57,461
<b>Total</b>	<b>7,397</b>	<b>106,961</b>	<b>549,000</b>	<b>–</b>	<b>663,358</b>
<b>Group 2014-12-31</b>					
Bond	–	20,735	209 235	–	491,470
Accounts payables	10,995	–	–	–	10,995
Bank overdraft	–	–	–	–	–
<b>Total</b>	<b>10,995</b>	<b>20,735</b>	<b>209 235</b>	<b>–</b>	<b>502,465</b>
<b>The parent company 2013-12-31</b>					
Bond	–	49,500	549,000	–	598,500
Liabilities to group companies	–	9,196	–	–	9,196
Accounts payables	1,581	–	–	–	1,581
<b>Total</b>	<b>1,581</b>	<b>58,696</b>	<b>549,000</b>	<b>–</b>	<b>609,277</b>
<b>The parent company 2014-12-31</b>					
Bond	–	25,025	252 525	–	500,050
Liabilities to group companies	–	–	–	–	–
Accounts payables	485	–	–	–	485
<b>Total</b>	<b>485</b>	<b>25,025</b>	<b>252 525</b>	<b>–</b>	<b>500,535</b>

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

### Credit and counterparty risk

Credit risk refers to the risk that a counter part to a transaction causes a loss to the group by not fulfilling their contractual obligations. The group's exposure to credit risk is primarily attributable to accounts receivables. To limit the group's credit risk, every new customer is subjected to a credit assessment. The financial situation for existing customers is also continually monitored to identify warning signals at an early stage.

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

No substantial concentration of credit risk. Sales of goods are only made to customers for which the credit risk is assessed as small. The greatest exposures to credit risk is identified in the carrying amount in the statement of financial position for each financial asset respectively.

### Financial instruments

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

	2014-12-31		2013-12-31	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<i>Loan receivables and accounts receivables:</i>				
Accounts receivables	91,156	91,156	94,137	94,137
Cash and cash equivalents	105,147	105,147	5,417	5,417
<b>Total financial assets</b>	<b>196,303</b>	<b>196,303</b>	<b>99,554</b>	<b>99,554</b>
<b>Financial liabilities</b>				
<i>Financial liabilities valued at fair value through profit or loss:</i>				
Long-term interest-bearing	195,569	195,569	427,500	427,500
<i>Other financial liabilities:</i>				
Bank overdraft	–	–	57,461	57,461
Accounts payables	10,995	10,995	7,397	7,397
Other liabilities	46,618	46,618	39,522	39,522
<b>Total financial liabilities</b>	<b>253,182</b>	<b>253,182</b>	<b>531,880</b>	<b>531,880</b>

### Measurement of financial assets and financial liabilities at fair value

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

The table below presents group financial assets and liabilities measured at fair value and how they were classified in the fair value hierarchy. The levels are defined as follows:

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

	2014-12-31			2013-12-31		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Accounts receivable	-	-	9,531	-	-	-
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>9,531</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
Bond	195,569	-	-	427,500	-	-
<b>Total financial liabilities</b>	<b>195,569</b>	<b>-</b>	<b>-</b>	<b>427,500</b>	<b>-</b>	<b>-</b>

### Bond

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

### Accounts receivables

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

### Capital risk management

The Group objective in regard to managing capital is to ensure its capability to continue operations, in order to generate reasonable returns to the shareholders and benefit other stakeholders. The group monitors its capital structure based on its gearing ratio. The gearing ratio is determined as the net debt divided by EBITDA. Net debt is calculated as interest bearing liabilities less cash and cash equivalents.

### Currency risk

Currency risk relates to the risk that fair value or future cash flows fluctuated due to changes in exchange rates. The exposure for currency risk primarily derives from payment flows in foreign currencies, the transaction exposure, and from translating line items in foreign currency in subsidiaries' income statements and statements of financial position to the group's presentation currency which is Swedish Krona (balance sheet 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 rate.

Under the group currency policy such transaction exposure shall be reduced through the use of derivatives. Under this policy, the group may use forward contracts, swaps and currency options. Using such instruments should hedge 70 to 80% of the forecasted cash flows in USD for the next twelve months. However, as of 31 December 2014 the group held no outstanding currency contracts (-).

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

### Sensitivity Analysis

Based on the revenue, cost, and currency structures, a general one percent point change in the exchange rate between SEK and USD would impact group operating profit by approximately MSEK +/- 1.0 (1.5). A similar change in relation to the EUR (one percentage point) would impact group operating profit by approximately MSEK +/- 0.9 (0.7).

### Credit risk

No substantial concentration of credit risk. Sales of goods are only made to customers for which the credit risk is assessed as small. The greatest exposures to credit risk is identified in the carrying amount in the statement of financial position for each financial asset respectively.

### Interest rate risk

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

## NOTE 5 Revenue

	Group		Parent Company	
	2014	2013	2014	2013
License revenues	89,779	82,719	-	-
Territorial fees	17,108	7,178	-	-
Sales of BIP products	2,160	36,836	-	-
Exchange rate differences	8,187	2,040	-	-
Other revenue	1,624	2,326	12,287	9,324
<b>Total</b>	<b>118,858</b>	<b>131,099</b>	<b>12,287</b>	<b>9,324</b>

### Intra-group purchases and sales

Purchases and sales within the group Intra-group sales in the parent for 2014 were TSEK 12,287 (9,324) and purchases were 0 (-).

## NOTE 6 Segment reporting

### Group

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

Of total group revenues, sales to C.R. Bard represent 76% (63%).

Net revenues totalled TSEK 109,047 (126,733) allocated to the following geographic markets: America 93% (30%), MEA 6% (32%), Asia - (36%), Europe 1% (2%).

### Parent

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

**NOTE 7 Remunerations to auditors**

	Group		Parent Company	
	2014	2013	2014	2013
<b>Deloitte</b>				
Audit engagements	475	350	475	-
Audit-related services	483	-	483	-
Tax consultancy	239	9	239	-
Other services	452	-	452	-
<b>Total</b>	<b>1,649</b>	<b>359</b>	<b>1,649</b>	-
<b>Other auditors</b>				
Audit engagements	47	44	-	-
Audit-related services	-	-	-	-
Tax consultancy	-	11	-	-
Other services	140	-	140	-
<b>Total</b>	<b>187</b>	<b>55</b>	<b>140</b>	-

The audit assignment refers to fees charged for the statutorily required audit. The assignment includes auditing the annual accounts, and financial statements, reviewing the administration of the Board of Directors and chief executive officer, and the fees for audit advice provided to the company during the audit assignment. Other auditing services refer to quality assurance services and include review of the group interim financial statements and work prompted by observations made during the audit assignment. Other assignments for 2014 included services in preparation to the listing.

Total fees to the auditor for the year were TSEK 1,836, of which TSEK 1,114 is attributable to issue expenses which were recognised directly against equity.

**NOTE 8 Operating leases**

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

	Group		Parent Company	
	2014	2013	2014	2013
Within 1 year	8,046	8,111	-	4,660
After 1 year but within 5 years	30,160	29,750	-	-
After more than 5 years	70,332	77,828	-	-
<b>Total</b>	<b>108,538</b>	<b>115,689</b>	<b>-</b>	<b>4,660</b>

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

Operating lease expenses for the year totalled TSEK 7,962 (5,268) for the group and TSEK 4,273 (4,251) for the parent.

**NOTE 9 Average number of employees, salaries, other remunerations and social security costs****Employees**

	2014		2013	
	Number of employees	Of which men	Number of employees	Of which men
<b>Average number of employees</b>				
Parent Company	3	2	3	1
Swedish subsidiaries	39	19	36	18
Foreign subsidiaries	16	5	13	5
<b>Group total</b>	<b>58</b>	<b>26</b>	<b>52</b>	<b>24</b>

	2014			2013		
	Total salaries and other remunerations	Social security costs	Total	Total salaries and other remunerations	Social security costs	Total
<b>Total salaries, other remunerations and social security costs to employees</b>						
Parent Company	5,750	2,785	8,535	4,245	1,894	6,139
- of which pension costs		978	978		563	563
Swedish subsidiaries	22,330	9,160	31,490	22,659	9,883	32,542
- of which pension costs		3,601	3,601		4,148	4,148
Foreign subsidiaries	3,085	483	3,502	2,195	224	2,419
- of which pension costs		-	-		-	-
<b>Group total</b>	<b>31,164</b>	<b>12,429</b>	<b>43,593</b>	<b>29,099</b>	<b>12,001</b>	<b>41,100</b>
- of which pension costs total		4,580	4,580		4,711	4,711

Salaries and other employee benefits to employees include remunerations to the board chair and exclude consultant fees (not employed). Other personnel costs totalled TSEK 1,403 including capitalised personnel costs of TSEK -1 346 regarding a discontinued project.



Cont. NOTE 9 Average number of employees, salaries, other remunerations and social security costs

Senior management

	2014		2013	
	Board of Directors	Senior management	Board of Directors	Senior management
<b>Gender distribution in Board of Directors and senior management</b>				
Men	3	6	3	5
Women	1	4	1	1
<b>Total</b>	<b>4</b>	<b>10</b>	<b>4</b>	<b>6</b>
	Salaries and other remunerations	Other benefits	Pension	Total
<b>Remunerations and benefits to senior management</b>				
<b>Senior management 2014</b>				
Chief Executive Officer	1,981	–	304	2,285
Other senior management	8,764	–	897	9,661
<b>Total</b>	<b>10,745</b>	<b>–</b>	<b>1,201</b>	<b>11,946</b>
<b>Senior management 2013</b>				
Chief Executive Officer	3,310	–	429	3,739
Other senior management	7,318	–	1,078	8,396
<b>Total</b>	<b>10,628</b>	<b>–</b>	<b>1,506</b>	<b>12,134</b>

The CEO for Bactiguard Holding AB was employed for the year.

No agreements regarding severance pay are in effect between the company and CEO or other senior managers. Other senior managers includes, in addition to senior managers for the group, the Production and Purchasing Manager, two regional sales managers, the Marketing Manager, Research and Development Manager and a Manager for Regulatory Affairs.

	2014				2013			
	Salary/ Board fee	Audit Committee fee	Pension	Summa	Salary/ Board fee	Audit Committee fee	Pension	Total
<b>Board of Directors</b>								
Christian Kinch, Chairman of the Board	2,933	–	471	3,404	–	–	–	–
Thomas von Koch, member of the board	–	–	–	–	–	–	–	–
Ulf Mattson, member of the board	164	–	–	164	164	–	–	164
Mia Arnhult, member of the board	124	–	–	124	–	–	–	–
<b>Total</b>	<b>3,221</b>	<b>–</b>	<b>471</b>	<b>3,692</b>	<b>164</b>	<b>–</b>	<b>–</b>	<b>164</b>

The executive chairman started as of March 2014 and was previously employed as CEO in Bactiguard Holding AB, whereby this salary was allocated between CEO and board chair in the tables above.

Bonuses, included in the salary items above and remunerations to board directors and the CEO totalled TSEK 0 (-). Defined benefit plans do not form any portion of the group or parent pension expenses.

**NOTE 10** Financial income

	Group		Parent Company	
	2014	2013	2014	2013
Interest income	130	5	128	2
Interest income, group company	–	–	5,741	6,236
Market valuation of the bond	–	33,750	–	–
Exchange rate gains	3,511	–	–	–
<b>Total financial income</b>	<b>3,641</b>	<b>33,755</b>	<b>5,869</b>	<b>6,238</b>

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

**NOTE 11** Financial expenses

	Group		Parent Company	
	2014	2013	2014	2013
Interest expenses	36,716	50,214	38,510	49,514
Interest expenses, group company	–	–	72	–
Market valuation of the bond	32,101	–	–	–
Other financial expenses	15,181	472	14,000	2,339
<b>Total financial expenses</b>	<b>83,998</b>	<b>50,686</b>	<b>52,582</b>	<b>51,853</b>

All interest expenses are attributable to the bond and bank overdraft that are measured at their amortised cost. The bond is carried at market value.

## NOTE 12 Taxes

	Group		Parent Company	
	2014	2013	2014	2013
Nominal tax (22%)	22,032	1,270	11,667	10,494
Tax effect non-deductible expenses	-812	-915	-	-
Tax effect non-deductible income	-	1	-	-
Tax effect taxable deficit for which no deferred tax receivable is reported	-16,116	2,009	-11,667	-10,494
<b>Total</b>	<b>5,104</b>	<b>2,365</b>	<b>-</b>	<b>-</b>

The group has tax loss carry forwards as per 31 December 2014 of TSEK -320,140 (-246,410) corresponding to the maximum deferred tax asset of TSEK 70,431 (54,210), of which TSEK 33,606 (33,606) are recognised as deferred tax assets.

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

	Group		Parent Company	
	2014	2013	2014	2013
Current taxes	-	-	-	-
Deferred taxes	5,104	2,365	-	-
<b>Total</b>	<b>5,104</b>	<b>2,365</b>	<b>-</b>	<b>-</b>

### Deferred tax

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

	Group	
	2014	2013
<b>Deferred tax assets</b>		
Loss carry-forwards	33,606	33,606
Bond	-	-
<b>Total deferred tax assets</b>	<b>33,606</b>	<b>33,606</b>
<b>Deferred tax liabilities</b>		
Intangible assets	72,843	78,003
<b>Total deferred tax liabilities</b>	<b>72,843</b>	<b>78,003</b>
<b>Net deferred tax liabilities</b>	<b>39,237</b>	<b>44,398</b>

Changes to deferred tax liabilities attributable to temporary differences related to depreciation of intangible assets.

## NOTE 13 Goodwill

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening acquisition value	226,292	226,292	-	-
<b>Closing accumulated acquisition value</b>	<b>226,292</b>	<b>226,292</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>	<b>226,292</b>	<b>226,292</b>	<b>-</b>	<b>-</b>

The carrying amount for 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. Goodwill that arose in connection with a business combination was allocated at the transfer date to the cash generating units in the group that were expected to obtain the 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 management that cover a five-year period. The assessment of future cash flows includes assumptions regarding primarily sales growth, operating margins and discount rates. The discount rate of 12.4% (16.3%) before taxes reflects specific risks tied to the asset. The forecasted operating margins was based on previous performance and the management's expectations for the market. Growth beyond the forecasted 5 year period is expected to be 1.5% (1.5%) per year, which matches the group's long-term assumptions for inflation. These assumptions are in line with the previous year's impairment testing. The assumptions for the impairment follow the company's growth strategy which is divided into four phases (as illustrated in the company growth strategy on page 7);

#### Phase 1

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

#### Phase 2

- Development of the BIP portfolio
- Sign distribution agreements for 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 deals in the next five years

#### Phase 4

- Sign additional licensing deals
- Increase sales generated by the BIP portfolio
- Develop new products

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

Based on the assumptions presented above the value in use exceed the carried goodwill. Conducting sensitivity analyses of the above assumptions indicates that it requires greater changes to the assumptions (more than 10% reduction in future cash flows, in combination with not less than 5% increase in the discount rate) in order to cause any impairment requirement in regard to goodwill and brands.

## NOTE 14 Technology

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening acquisition value	357,100	357,100	-	-
<b>Closing accumulated acquisition value</b>	<b>357,100</b>	<b>357,100</b>	-	-
Opening accumulated depreciation	-49,069	-25,262	-	-
Depreciation for the year	-23,807	-23,806	-	-
<b>Closing accumulated depreciation</b>	<b>-72,876</b>	<b>-49,068</b>	-	-
<b>Net carrying amount</b>	<b>284,225</b>	<b>308,032</b>	-	-

## NOTE 15 Brands

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening acquisition value	25,572	25,572	-	-
<b>Closing accumulated acquisition value</b>	<b>25,572</b>	<b>25,572</b>	-	-
<b>Carrying amount</b>	<b>25,572</b>	<b>25,572</b>	-	-

Brands refer to the Bactiguard name. The group conducts impairment testing for the brands annually or whenever there is an indication they may be impaired, see note 13.

## NOTE 16 Customer relationships

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening acquisition value	17,700	17,700	-	-
<b>Closing accumulated acquisition value</b>	<b>17,700</b>	<b>17,700</b>	-	-
Opening accumulated depreciation	-2,432	-1,252	-	-
Depreciation for the year	-1,180	-1,180	-	-
<b>Closing accumulated depreciation</b>	<b>-3,612</b>	<b>-2,432</b>	-	-
<b>Net carrying amount</b>	<b>14,088</b>	<b>15,268</b>	-	-

## NOTE 17 Capitalised development costs

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening acquisition value	6,900	4,263	-	-
Capitalization for the year	1,896	2,637	-	-
<b>Closing accumulated acquisition value</b>	<b>8,796</b>	<b>6,900</b>	-	-
Opening accumulated depreciation	-264	-	-	-
Depreciation for the year	-760	-264	-	-
<b>Closing accumulated depreciation</b>	<b>-1,024</b>	<b>-264</b>	-	-
<b>Net carrying amount</b>	<b>7,772</b>	<b>6,636</b>	-	-

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

## NOTE 18 Patents

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening acquisition value	1,773	1,065	-	-
Capitalization for the year	501	708	-	-
<b>Closing accumulated acquisition value</b>	<b>2,274</b>	<b>1,773</b>	-	-
Opening accumulated depreciation	-407	-120	-	-
Depreciation for the year	-414	-287	-	-
<b>Closing accumulated depreciation</b>	<b>-821</b>	<b>-407</b>	-	-
<b>Net carrying amount</b>	<b>1,454</b>	<b>1,366</b>	-	-

**NOTE 19** Improvements, leasehold

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening acquisition value	12,581	7,798	-	-
Purchases	6,868	4,783	-	-
Sales/scrapping	-3,420	-	-	-
Reclassifications	-53	-	-	-
<b>Closing accumulated acquisition value</b>	<b>15,976</b>	<b>12,581</b>	-	-
Opening accumulated depreciation	-1,704	-769	-	-
Depreciation for the year	-1,645	-935	-	-
Sales/scrapping	3,185	-	-	-
<b>Closing accumulated depreciation</b>	<b>-164</b>	<b>-1,704</b>	-	-
<b>Net carrying amount</b>	<b>15,812</b>	<b>10,877</b>	-	-

**NOTE 20** Machinery and other technical plant

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening acquisition value	9,469	9,484	-	-
Purchases	4,170	462	-	-
Sales/scrapping	-303	-	-	-
Exchange rate changes	794	-477	-	-
<b>Closing accumulated acquisition value</b>	<b>14,131</b>	<b>9,469</b>	-	-
Opening accumulated depreciation	-2,986	-1,418	-	-
Depreciation for the year	-1,680	-1,637	-	-
Sales/scrapping	303	-	-	-
Reclassifications	247	-	-	-
Exchange rate changes	-253	75	-	-
<b>Closing accumulated depreciation</b>	<b>-4,369</b>	<b>-2,986</b>	-	-
<b>Net carrying amount</b>	<b>9,763</b>	<b>6,489</b>	-	-

**NOTE 21** Equipment, tools and installations

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening acquisition value	3,619	3,165	-	-
Purchases	4,661	453	-	-
Sales/scrapping	-1,470	-	-	-
Reclassifications	53	-	-	-
Exchange rate changes	1	1	-	-
<b>Closing accumulated acquisition value</b>	<b>6,864</b>	<b>3,619</b>	-	-
Opening accumulated depreciation	-1,483	-755	-	-
Depreciation for the year	-646	-728	-	-
Sales/scrapping	1,470	-	-	-
<b>Closing accumulated depreciation</b>	<b>-660</b>	<b>-1,483</b>	-	-
<b>Net carrying amount</b>	<b>6,204</b>	<b>2,135</b>	-	-



## NOTE 22 Shares in subsidiaries

	Parent Company	
	2014-12-31	2013-12-31
Opening balance	384,574	384,574
<b>Closing balance</b>	<b>384,574</b>	<b>384,574</b>

Subsidiaries	Corp. Id. no.	Domicile	Share of equity %	Share of voting power %	Book value
Bactiguard AB	556668-6621	Stockholm	100	100	384,574
Bactiguard International AB	556754-7731	Stockholm	100	100	-
Bactiguard China Limited		Hongkong	100	100	-
Bactiguard Malaysia SDN. BHD.		Malaysia	100	100	-
Bactiguard Singapore Pte. Ltd.		Singapore	100	100	-
Bactiguard Israel Ltd.		Israel	100	100	-
Avisere Technology Private Ltd.		Indien	99	99	-
<b>Total</b>					<b>384,574</b>

## NOTE 23 Shares in associates

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening balance	1,293	1,322	-	-
Investments	145	-	-	-
Participations in result of associate	-69	-29	-	-
<b>Closing balance</b>	<b>1,368</b>	<b>1,293</b>	<b>-</b>	<b>-</b>

The investment is related to 50% ownership in BG Casil Ltd (Ahmedabad, India).

## NOTE 24 Inventory

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Raw material	1,269	645	-	-
Work in progress	1,438	1,040	-	-
Finished goods	6,267	1,905	-	-
<b>Total inventory</b>	<b>8,974</b>	<b>3,590</b>	<b>-</b>	<b>-</b>

## NOTE 25 Accounts receivable

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Accounts receivable, gross	101,312	103,248	-	-
Provision for bad debts	-10,156	-9,111	-	-
<b>Total accounts receivable, net after provision for bad debts</b>	<b>91,156</b>	<b>94,137</b>	<b>-</b>	<b>-</b>

Of which non-current accounts receivables are TSEK 9,531.

The management has assessed that the carrying amount for accounts receivables, net after provisions for doubtful receivables, matches fair value.

Credit risk analysis of accounts receivable	Group	
	2014	2013
Not due	12,717	51,668
Overdue 1–30 days	2,026	5,473
Overdue 31–90 days	5,721	29,895
Overdue > 90 days	80,848	16,212
of which provision for bad debts	-10,156	-9,111
<b>Total</b>	<b>91,156</b>	<b>94,137</b>

Provision for bad debts	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening balance	-9,111	-2,009	-	-
Provision for doubtful receivables	-1,337	-7,102	-	-
Realized loss	292	-	-	-
<b>Closing balance</b>	<b>-10,156</b>	<b>-9,111</b>	<b>-</b>	<b>-</b>

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

**NOTE 26** Prepaid expenses and accrued income

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Prepaid rent	2,128	1,164	–	1,064
Other	6,157	6,750	489	92
<b>Total</b>	<b>8,285</b>	<b>7,914</b>	<b>489</b>	<b>1,156</b>

**NOTE 27** Cash and cash equivalents

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Cash and bank	105,147	5,417	87,319	1,521
<b>Total</b>	<b>105,147</b>	<b>5,417</b>	<b>87,319</b>	<b>1,521</b>

**NOTE 28** Share capital

Equity in Bactiguard as per 31 December 2014 was TSEK 833 allocated to 29,302,373 series B shares each carrying a single vote (29,302,373 votes) and 4,000,000 series A shares, each with ten votes (40,000,000 votes). The total number of shares and votes in Bactiguard as per 31 December 2014 was 33,302,373 shares and 69,302,373 votes. The shares have par value of SEK 0.025.

The equity in Bactiguard totalled TSEK 500 allocated to 10,000 shares as per 31 December 2013. All shares had the same series, fully paid and entitled to one vote. The shares have par value of SEK 50.

**NOTE 29** Bond

The company issued a bond at nominal value TSEK 450,000 carrying 11% interest in December 2011. The bonds are unrated five-year maturity bonds dated 12 December 2016. The amount due on maturity is the higher of the nominal value or EBITDA for the period from 30 September 2015 to 30 September 2016 multiplied by three.

However, the amount due may not exceed 166.67% of the nominal value. In the event of a change of control, Bactiguard is liable to settle all outstanding bonds for an amount equal to no more than 166.67% of the nominal value plus accrued interest. The company has an early repayment option that may be exercised as of 12 December 2015. Repayment on 12 December 2015 shall be in an amount equal to 148% of the nominal value plus accrued interest. The bond contract includes financial conditions that the company shall fulfil throughout its duration. In the event that any of these conditions are not met, the company may be liable for immediate repayment of all obligations.

The bond is carried at fair value in accordance with level 1. The bond is listed on the Nasdaq Stockholm and is carried at the quoted price and all value fluctuations are recognised in the income statement. The portion of the value fluctuations for the period that is attributable to changed credit risk is zero. The accumulated change in value attributed to changed credit risk is zero.

The bond is carried in the parent at cost after financial expenses.

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

At the time of Bactiguard's listing on the Nasdaq Stockholm, holders of a nominal TSEK 222,500 chose to offset their bonds against shares. After the offset share issue the total outstanding nominal value was TSEK 227,500.

Bonds were repurchased on the market for a nominal value of TSEK 39,000. On 31 December 2014 the outstanding nominal value and netted amount was TSEK 188,500 (450,000).

**NOTE 30** Bank overdrafts

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Bank overdraft facilities granted	60,000	60,000	–	–
Unutilized bank overdrafts	60,000	2,539	–	–
<b>Utilized bank overdrafts</b>	<b>–</b>	<b>57,461</b>	<b>–</b>	<b>–</b>

**NOTE 31** Accrued expenses and prepaid income

	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Accrued interest expenses	1,025	2,750	1,251	2,750
Accrued vacation pay liability	6,694	5,581	2,312	1,532
Accrued market contribution	26,066	20,270	–	–
Other items	8,894	1,734	539	–
<b>Total</b>	<b>42,679</b>	<b>30,335</b>	<b>4,102</b>	<b>4,282</b>

## NOTE 32 Pledged assets and contingent liabilities

Pledged assets	Group		Parent Company	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Shares in subsidiaries	248,810	303,546	384,574	384,574
Floating charge	60,000	60,000	–	–
Pledged loans	–	–	180,000	180,000
<b>Total</b>	<b>308,810</b>	<b>363,546</b>	<b>564,574</b>	<b>564,574</b>

Shares in subsidiaries are pledged as security for the bond. For additional information regarding the terms of the bond contract, see note 29. There are no contingent liabilities in effect.

## NOTE 33 Related party transactions

Transactions between the company and its subsidiaries, which are related to the company, have been eliminated in the consolidation, and information regarding these transactions is therefore not provided in this note. Information 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. Board members Christian Kinch and Thomas von Koch have undertaken guarantees for the Bactiguard AB undertakings in relation to Samhall AB. Certain members of the board and senior managers, or parties related to these hold bonds issued by the company and are therefore lenders to the company. The company has had commercial relationships with companies in which board member Mia Arnhult is active as CEO. These commercial transactions have been charged in accordance with commercial principles. In addition to the above, neither Bactiguard nor their subsidiaries have provided loans, guarantees, or sureties to or for the benefit of any board directors or senior managers in the group.

## NOTE 34 Key events after the year

The Board of Directors for Bactiguard appointed Niels Christiansen as new CEO. Mr. Christiansen has long experience in various positions in medtech, life science and energy sector operations. He was most recently CEO at HemoCue AB and took his new position with Bactiguard in March 2015. Johan Rugfelt has returned to his previous post as Chief Operating Officer (COO).

During the first quarter of 2015 Bactiguard has terminated the distribution agreement for Russia and initiated an evaluation of an alternative sales strategy for India. In this regard, the company has decided to make reservations in the interim report for Q1 2015 for doubtful accounts receivables with negative effect on results of approximately MSEK 24. A detailed description is provided on page 19.

## NOTE 35 Dividends

No dividends were issued during 2014 and no dividends are proposed to the 2015 AGM.

## Signing the annual report

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

Stockholm 2 April 2015

Johan Rugfelt  
*Chief executive officer*

Christian Kinch  
*Chair of the Board of Directors*

Thomas Von Koch  
*Director*

Ulf Mattsson  
*Director*

Mia Arnhult  
*Director*

Our auditors report was submitted on 8 April 2015

Deloitte AB

Kent Åkerlund  
*Certified Public Accountant*

# Auditor's report

To the Annual General Meeting for Bactiguard Holding AB (publ) company registration number 556822-1187

## Report regarding the annual accounts and consolidated financial statements

We have conducted the audit of the annual accounts and consolidated financial statements for Bactiguard Holding AB (publ) for 2014 except for the corporate governance report on pages 22 to 24. The Company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 17 to 48.

## Board of Directors and the Chief Executive Officer are responsible for these annual accounts and consolidated financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated financial statements based on our audit. We performed the audit in accordance with the International Auditing Standards and generally accepted accounting practice in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance that the annual report and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and other information in the annual accounts and consolidated financial statements. The auditor selects the procedures to perform, including assessing the risks of material misstatement in the annual accounts and consolidated financial statements, regardless whether these are due to fraud or error. In making those risk assessments, the auditor considers all aspects of the internal controls relevant to the company's preparation of the annual accounts and consolidated financial statements, in order to design appropriate audit procedures for the circumstances, though not for the purpose of expressing an opinion regarding the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and of the reasonableness of the company's accounting estimates made by the Board of Directors and the Chief Executive Officer, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

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

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014, and of their financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the group's financial position as of 31 December 2014, and of their financial performance and cash flows for the year in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinion does not include the corporate governance report on pages 22 to 24. The administration report is consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual general meeting of shareholders adopt the income statement and statement of financial position for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements for the group, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive Officer for Bactiguard Holding AB (publ) for 2014. We have also conducted a statutory examination of the corporate governance report.

## Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors are responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Chief Executive Officer are responsible for administration under the Swedish Companies Act and that the corporate governance report on pages 22 to 24 is prepared in compliance with the Annual Accounts Act.

## Auditor's responsibility

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

As a basis for our opinion on the Board of Director's proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Swedish Companies Act. As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we have examined material decisions, actions taken, and circumstances of the company in order to determine whether any member of the Board of Directors or the Chief Executive Officer is liable to the company. We have also examined whether any member of the Board of Directors or the Chief Executive Officer has in any other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act, or the Articles of Association.

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

We have read the corporate governance report and based on this reading, and our knowledge of the company and the group, we believe that we have sufficient basis for our opinions. This means that our statutory examination of the corporate governance 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.

## Opinions

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

A corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm 8 april 2015

Deloitte AB

Kent Åkerlund  
Certified Public Accountant



# Glossary

## Antibiotic resistance

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

## BIP CIP

Clinical Implementation Program is a structured program for how the products shall be implemented and used.

## BIP CVC

The company's central venous catheter.

## BIP ETT

The company's endotracheal tube.

## BIP Foley

The company's urinary catheter.

## Clinical study

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

## Multi-resistant bacteria

Bacteria that exhibit resistance towards several antibiotic treatments, so that established antibiotic alternatives can no longer be used for treatment or preventative purposes.

## Urosepsis

This is sepsis (blood poisoning) resulting from a urinary tract infection.

## Healthcare associated infections (HAI)

HAI is the designation for healthcare associated infections, which are infections that occur in hospital environment.

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