ANNUAL REPORT
2017

Bactiguard®

Contents

Key ratios 2017

Revenues	MSEK 153.6
EBITDA	MSEK 34.4
EBITDA margin	22%
Total assets	MSEK 625
Equity ratio	62%
Earnings per share	SEK -0.10

Year in brief

40%

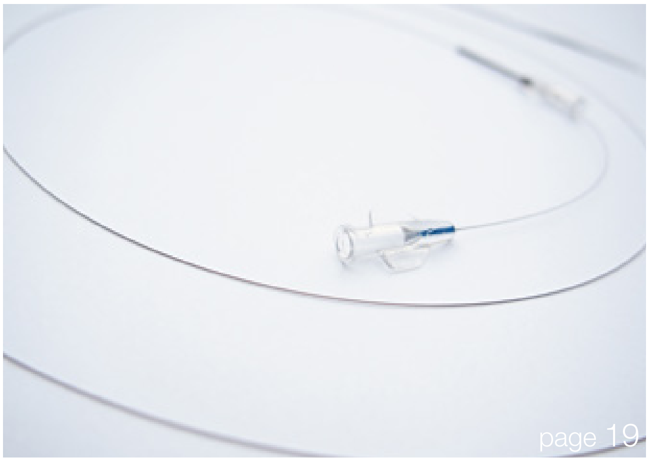
Rising sales

Sales of Bactiguard's own product portfolio (BIP) have developed positively. By the end of the year we had experienced nine quarters of rising sales, based on 12 months rolling figures, which generated sales growth for the year of almost 40%.

20%

Growth in line with financial targets

Bactiguard's financial targets include average growth of 20% a year over a five-year period (until 2020). Other targets include generating an EBITDA margin of at least 30% by the end of the five-year period, an equity ratio of at least 30% and a long-term objective to achieve a dividend of 30–50% of net profit.



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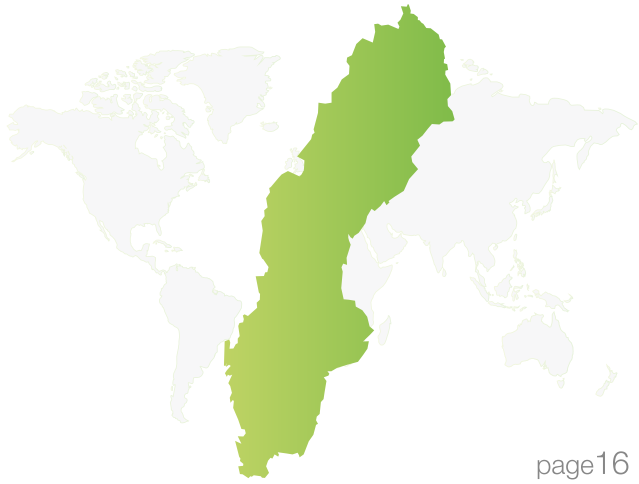
Stable licence revenue and new partnerships

Revenue from our largest licence partner C.R. Bard were stable in 2017. Cooperation with Vigilenz for orthopaedic trauma implants and Smartwise for advanced vascular injection catheters has developed positively, at the same time we are working on some new and exciting projects.

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

Bactiguard won tenders in Stockholm, Skåne and Västra Götaland in 2017, which means our products have been procured for approximately 65% of the Swedish population. The fact that Sweden's three largest county councils decided to procure our products is both a quality stamp and an important reference for our export markets.

Continued expansion in the world

By entering partnerships with new, leading distributors within medical devices, Bactiguard is expanding all over the world. In 2017, new partnerships were formed with distributors in Brazil, Egypt, India, Italy and South Africa.


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BIP products approved in India

India, one of the fastest growing markets in the world, now has access to our entire portfolio of effective infection prevention products. Bactiguard's endotracheal tube was approved at the end of the year, our central venous catheter was approved a few months prior to that, and our urinary catheter has been on the market since 2016.

Cecilia Edström new CFO

Bactiguard Holding AB appointed Cecilia Edström as the new CFO in August. Cecilia Edström has worked at Bactiguard since spring 2014, most recently as Senior Vice President Sales and New Business.

Secured three-year financing

In December, Bactiguard received a three-year credit facility for a total of MSEK 180 from Skandinaviska Enskilda Banken (SEB) — bank overdraft facilities in the amount of MSEK 30 and a bank loan in the amount of MSEK 150.

New study confirms patient safety

A pilot study conducted by Karolinska University Hospital was published in Q4, which shows that Bactiguard's infection prevention central venous catheter led to a significantly lower number of complications than standard catheters.

> In 2017, we generated growth of 20%, which is completely in line with our targets."

Bactiguard headed toward stable growth

Bactiguard had a good year in 2017. We help save many lives by preventing health care-associated infections. We are very proud to be able to help save lives, and doing so is a strong driving force for us at Bactiguard. It is also becoming increasingly clear that this is one of the greatest challenges of our times in light of the rapidly growing resistance to antibiotics. We are pleased that an increasing number of patients have access to effective and safe infection prevention, not least in Sweden where we have won several strategically important tenders.

Our objective for 2017 was to generate growth while maintaining cost control in order to begin approaching our long-term financial target of 20% growth and an EBITDA margin of 30%. It is therefore very gratifying that sales were close to MSEK 154 and that growth reached 20%, which is completely in line with our targets. The EBITDA margin reached 22%, which is almost twice that of 2016, but we still have a way to go before reaching our profitability target of a 30% margin.

Growth primarily originated from new licence business, while revenue from our largest licence partner C.R. Bard was stable. Our partnerships within orthopaedic trauma implants and advanced vascular injection catheters have developed positively. At the same time we are working on new and exciting projects in areas where the need to prevent infections is great.
Sales of our own product portfolio have developed positively. We have now experienced nine quarters of rising sales, based on 12 months rolling figures, which generated sales growth for the year of almost 40%, but we did not achieve our objective to double our sales.

Volumes have gradually increased in all of the regions, and revenues have risen through an improved product mix as the devices in our product portfolio have been approved for use in additional markets.

From a market perspective, the greatest growth was in China and the Middle East, but Europe developed positively as well. Sales in China increased by 50%, and efforts to cultivate major hospitals and develop our partners' sales organisations are in full swing. We have more than doubled our revenues in the Middle East due to strong development in all of the markets in the region. We have new partners in some of the largest markets as well as new partnerships in Egypt and South Africa. Our outlook on development is therefore positive.

From the perspective of sales, India was a bit of a disappointment during the year, primarily because finding suitable partners has taken time, which has delayed the marketing process. The importance of having a broad product portfolio that addresses the needs of patients who are severely ill and sensitive to infections also became clear in conjunction with concluding negotiations with our new partner, whose focus is on intensive care. We now have two distributors which together cover most of India's population, and all of the products in our portfolio have been approved for sale, which means the prospects for 2018 are much brighter.

We are also making strides in Europe. We initiated a new partnership in 2017 with a leading distributor of medical devices in Italy, and we signed a distribution agreement with a partner for the Benelux countries in Q1 2018. Above all, I would like to call attention to our success in Sweden. We won no less than three tenders in 2017 — in Stockholm, Skåne and Västra Götaland. The fact that Sweden's three largest county councils decided to procure our products is a seal of approval of which we are very proud and an important reference for our export markets. This is a very positive development which means that our products have been procured in regions that together represent approximately 65% of the population.

We have continued to invest in our sales and marketing organisation by increasing our sales staff, which has affected profitability and resulted in higher personnel costs, but we believe the investment is important for generating growth. At the same time we have continued to focus on keeping costs down.

The clinical evidence continues to be strengthened. A study conducted by Karolinska University Hospital was published in Q4, which shows that Bactiguard's infection prevention central venous catheter led to a significantly lower number of complications than standard catheters. The study also shows that Bactiguard's coating does not expose patients to risk when used intravenously, which paves the way for broader usage in this area.

Last but not least, in December we obtained long-term financing through an agreement with Skandinaviska Enskilda Banken — a three-year credit facility in the amount of MSEK 180 — which replaces both previous bank financing and a loan from the company's principal shareholder. The financing is on market terms, which is an important indicator of our credit worthiness.

We have made significant investments in product development, clinical studies and production capacity in the past few years, and at the same time that we have moved a large part of production to our headquarters in Sweden. These major investments are now largely behind us, and we can begin to capitalise on them while we continue to invest in sales. It is also becoming increasingly clear that infection prevention is a top priority in healthcare globally.

> "Above all, I would like to call attention to our success in Sweden where we won no less than three procurement contracts in 2017 in Stockholm, Skåne and Västra Götaland."

The development we have seen this year shows that we have achieved several important objectives and that we are better equipped than ever before to develop our business. We will prioritise continued growth in 2018 by increasing sales of our own product portfolio and developing new licence business. This will help us approach our profitability targets and, above all, save more lives.

CHRISTIAN KINCH
CEO and Board Member

Health care-associated infections major threat to global public health

Health care-associated infections (HAIs) are a growing international problem and constitute a major threat to global public health. They are currently the third most common cause of death in highly developed countries after cancer and cardiovascular disease. According to the World Health Organization, WHO, every tenth patient on average is afflicted by an HAI.[1]

Health care-associated infection (HAI), also known as nosocomial infection, is acquired by a patient during care delivery in hospital or other health care facility that was not present or incubationg on admission, often in conjunction with medical or surgical procedures. In addition to unnecessary suffering and longer hospital stays for the patient, the infections also entail higher costs for healthcare and society at large.[2]

In Sweden alone, almost 65,000 patients are afflicted every year, which results in approximately 750,000 extra days for care a year, at a cost of SEK 6.5 billion. [2]

According to WHO, many HAIs can be prevented with effective measures.[3] The OECD published a report in 2017 which emphasised that the costs for infection prevention are much lower than the costs associated with the occurrence of an HAI.[4]

Over half of all health care-associated infections are caused by bacterial growth on medical devices. The urinary tract, respiratory tract and bloodstream are three of the most common areas where HAIs arise. Many HAIs require treatment with antibiotics, which means they also greatly contribute to increased antibiotic resistance.[5]

In Sweden, health care-associated infections result in approximately 1,500 patient deaths a year in conjunction with hospital visits, which corresponds to four patients a day.[2]

> World Health Organization:
> Preventing HAIs has never been more important. Every infection prevented, is an antibiotic treatment avoided."[1]

1 in every 10 patients is affected by health care-associated infections worldwide[1]

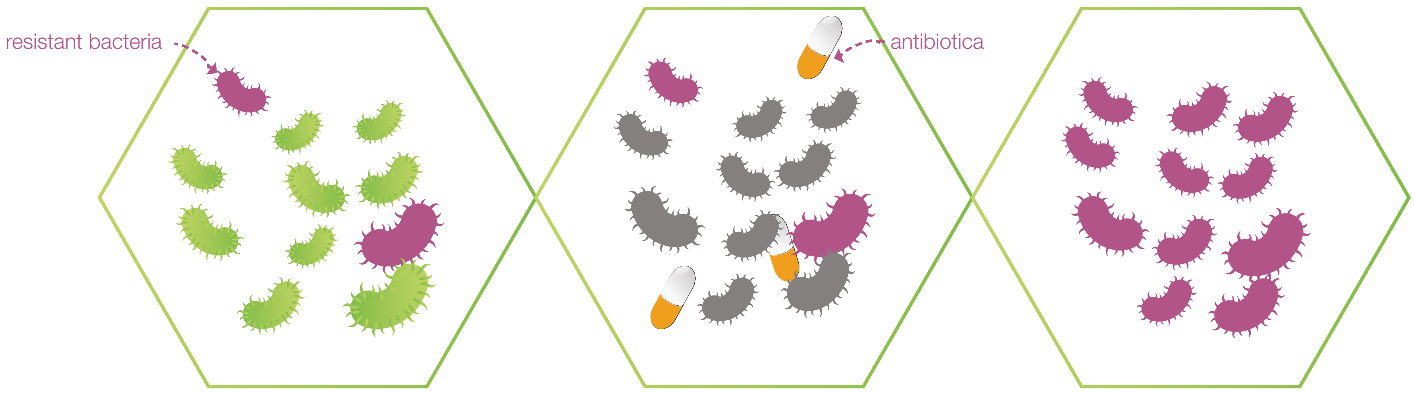
Our time with antibiotics is running out

According to the World Health Organization (WHO), if the current development continues, by 2050, 10 million people are at risk of dying every year due to antibiotic resistance. This can be compared to about 8 million people dying of cancer and approximately 1 million people dying in traffic accidents every year [6].

WHO warns that the high and constantly increasing levels of antibiotic usage will lead to common infections such as tonsillitis and ear infections becoming very risky, even resulting in death, due to the lack of effective medication.[7] The same applies to common and routine procedures such as hip replacement surgery and cancer treatments that rely on antibiotics, which could become too risky in the future.

Antibiotic resistance leads to longer hospital stays, higher costs for medicine and a higher mortality rate. To help cope with the problem of antibiotic resistance, it is important that antibiotics are only prescribed when necessary.[8,9]

How does antibiotic resistance arise?



1 Mutations that change bacteria arise all the time. Some of the changes lead to the bacteria becoming resistant to antibiotics.

2 Antibiotics kill both harmful bacteria that cause diseases and bacteria that protect the body — but not resistant bacteria. The strongest bacteria survive due to natural selection.

3 The new generation consists entirely of resistant bacteria. The conditions are ideal for antibiotic-resistant bacteria to take over and grow.

Sepsis — when an infection becomes life threatening

Antibiotic resistance is making it increasingly difficult to treat bacterial infections and to prevent them from developing into sepsis. Sepsis, commonly referred to as 'blood poisoning', is the life-threatening condition that arises when the body's response to infection results in organ dysfunction or failure.[10]

An estimated 50% of all cases of sepsis can be attributed to health care-associated infections.[11] Consequently, preventing HAIs is imperative in terms of reducing the occurrence of sepsis.

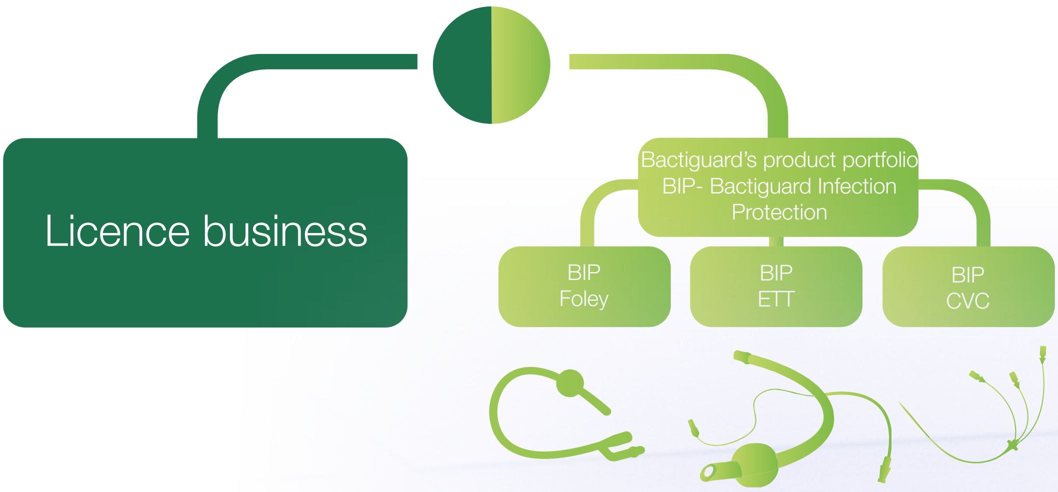
In May 2017, the World Health Organization made sepsis a global health priority, by adopting a resolution to improve, prevent, diagnose, and manage sepsis. The resolution urges governments to strengthen policies and processes related to sepsis, especially to prevent infections and the further spread of antimicrobial resistance.

With the mission of saving lives

Bactiguard is a Swedish medtech company tasked with saving lives. We develop and provide infection prevention solutions that reduce the risk of health care-associated infections, the use of antibiotics and thus the spread of multi-resistant bacteria — which also results in much lower costs for healthcare and society.

The company was founded in 2005, and is currently expanding all over the world. Operations are focused on the European, Chinese, Indian and Middle Eastern markets. At present we have approximately 70 employees globally. Our headquarters are in Stockholm, and we have production facilities in Sweden and Malaysia.

Bactiguard's unique technology makes it difficult for bacteria and other microbes to affix to medical devices, thus preventing the biofilm formation which leads to infections. We offer our technology in two different formats: through licence or through our own BIP range.



Clinical studies

Bactiguard's products have a large impact on the lives and health of human beings. It is for this reason that we conduct clinical studies on an ongoing basis in both Sweden and abroad, and in cooperation with physicians, nurses and other healthcare professionals. All of our studies are designed according to international and local laws, regulations and ethical principles. They are reviewed and approved by Bactiguard's management, ethical committees and the relevant government agencies. All of the studies are conducted in accordance with good clinical practice (GCP), Bactiguard's quality assurance system and documented standard operating procedures. Routine safety monitoring is conducted for all of our products, in all of our markets and in accordance with applicable laws and practice.

We save lives! This is our mission.

We do this by developing and providing infection prevention solutions that reduce the risk of health care-associated infections.

Our vision

Our vision is to eliminate health care-associated infections in order to:

1. save lives
2. reduce healthcare costs
3. reduce the spread of antibiotic resistance

Our core values

Everything we do in our daily operations is permeated by:

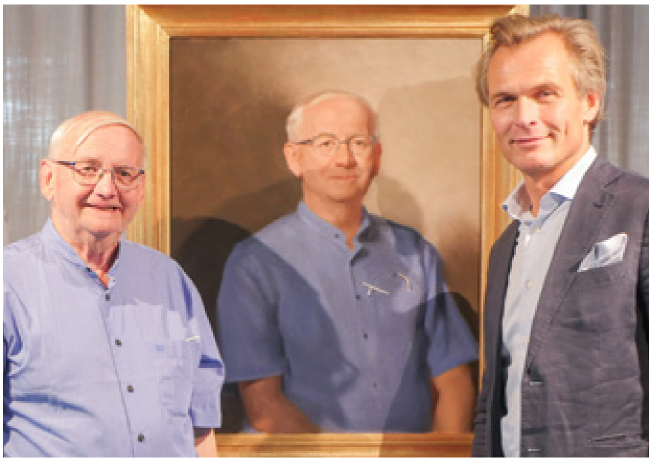
- Long-term partnership
- Trust and responsibility
- Creativity
- Responsiveness
- Resourcefullness

...and is embraced by empathy, respect and communication.

Bactiguard was founded in 2005, but our technology is almost 100 years old

Bactiguard's unique technology goes back to the Swedish Nobel Prize laureate Gustav Dahlén,the man behind the famous AGA Lighthouse. Gustav Dahlén had an apprentice called Axel Bergström, who developed the technique of applying a thin layer of metals to non-conductive materials. Axel then passed this knowledge on to his apprentice, Billy Södervall.

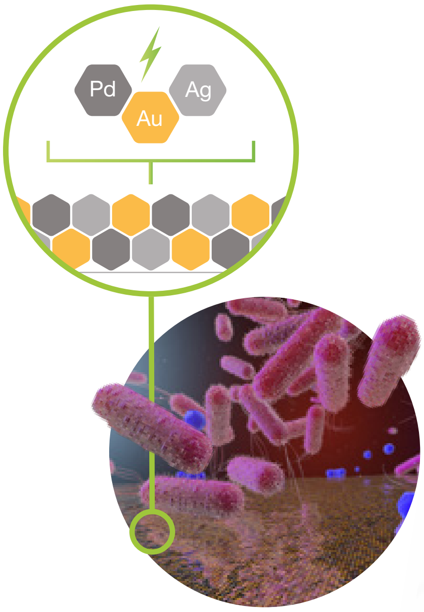
Billy Södervall, the innovator behind the Bactiguard technology, refined the technique and in the 1970's, he started applying the noble metals to medical devices. Twenty years later, the technology was approved for use in patients, and the rest is a history of success. Billy is very much an active part of the company, and he still works at the headquarters, appropriately located at Alfred Nobels Allé in Stockholm, Sweden.



Billy Södervall immortalised by artist Urban Larsson

How does Bactiguard's technology work?

The Bactiguard Infection Protection technology has been evaluated extensively in both *in vitro* tests and clinical studies. It is well proven to be both tissue-friendly and safe for the patient, as well as efficient in reducing microbial colonization of medical devices, and subsequent infections.



Galvanic effect

The Bactiguard Infection Protection (BIP) technology is based on a very thin noble metal alloy coating, consisting of gold, palladium and silver, firmly attached to medical devices. When in contact with fluids, the noble metals create a galvanic effect.

Reduces microbial adhesion

The galvanic effect creates a micro current that prevents microbial adhesion to the catheter material and subsequently reduces biofilm formation and potential infections.

Tissue-friendly technology

The coating is firmly bound to the surface of the device, which means that the effect is long lasting. It does not depend on releasing substances which not only kill microbes but can also harm human cells.

> Bactiguard's technology is well-proven, safe and tissue-friendly. So far, over 170 million catheters with Bactiguard's coating have been used without any side effects related to the coating being reported.”

Intangible assets

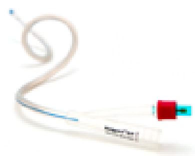
Bactiguard's patented technology protected by a trinity

Patent	The current patent is in force in the U.S. until 2029 and until 2027 in other countries. It comprises a combination of noble metals deposited on the surface of a product, the application process and most of the medical devices on which the technology can be applied.
Know-how	Both process know-how and pre-treatment tailored to the base material are called for to ensure that the coating attaches to the underlying material and has the desired effect.
Trade secrets	Trade secrets supplement both the patent and process know-how, and the formula is a valuable and well-safeguarded asset.

Bactiguard's own product portfolio

The BIP portfolio (Bactiguard Infection Protection) consists of urinary catheters, endotracheal tubes and central venous catheters with Bactiguard's coating, which reduce the risk of infections in the urinary tract, respiratory tract and bloodstream. The majority of all health care-associated infections affect these three areas, and medical devices often cause the problems.

BIP Foley Catheter



BIP Foley Catheter — Silicone

BIP Foley Catheter — Infection prevention urinary catheter

Indwelling urinary catheters are used for bladder drainage and washout, as well as to collect and measure the patient's urine. They can be made of latex or silicone.

Effect

BIP Foley Catheter in latex and BIP Foley Catheter - Silicone are suitable for patients who need a catheter for longer than 2 days, for example intensive care patients, patients who have undergone certain surgeries or for patients who require a permanent catheter. BIP catheters with Bactiguard's coating have proven to lead to a significant reduction of bacteria in the urine as well as fewer symptomatic catheter associated urinary tract infections (CAUTI) and antibiotic treatments.

Competition

Bactiguard is the market leader in coated indwelling urinary catheters through the company's own sales and its license business through C.R. Bard, which has been in place since 1995. Since the product was launched, 170 million catheters have been used for patients all over the world.

FACTS

Catheter associated urinary tract infections (CAUTI) constitute the most frequently occurring type of health care-associated infection (HAI), and are estimated to represent 30% of all HAIs[5].The infections are often caused by indwelling urinary catheters and can lead to serious complications that cause a great deal of suffering for the patient, higher mortality rate and increased healthcare costs. The risk of CAUTI rises with the number of catheter days.

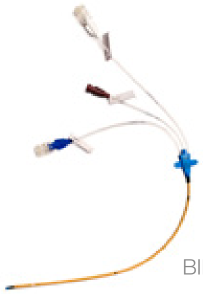
Catheter-related bloodstream infections (CRBSI) constitute one of the most common, expensive and most fatal complications associated with central venous catheters. CRBSI is defined as the presence of bacteraemia, that arises due to intravenous catheter usage.[12] According to WHO, treatment of one single case of CRBSI can cost up to USD 56,000. The American Center for Disease Control estimates that 12–25 % all patients who are afflicted by CRBSI die from the condition.[13]

Ventilator associated pneumonia

(VAP) is a common and very serious health care-associated respiratory tract infection that can afflict patients when endotracheal tubes are used. It is the second most common HAI in intensive care, and it is estimated to afflict up to 25% of patients.[5,14,15] VAP prolongs the time that the patient has to receive care at the hospital by up to 25 days, and the mortality rate that can be directly linked to VAP is as high as 30–50%.[16,17]

BIP ETT

BIP ETT Evac



BIP CVC

BIP ETT — Infection prevention endotracheal tube

Endotracheal tubes are used to maintain an open airway through intubation of the trachea, primarily in conjunction with intensive care and surgery. The tube can be inserted through the mouth or nose to the trachea, and is then connected to a ventilator.

Effect

BIP ETT reduces the risk of VAP since fewer bacteria can affix to the inside and outside of the tube and colonize. BIP ETT Evac offers twice the protection, in part through subglottic secretion drainage and in part through the coating's effect. A clinical study with 100 patients compared a standard endotracheal tube with a BIP ETT and concluded that Bactiguard's coating reduced the occurrence of VAP by 67%.[18]

Competition

Usage of endotracheal tubes with a suction function similar to that of BIP ETT Evac has become increasingly common since they have been proven to reduce the risk of VAP significantly. Bactiguard is the only company that can offer twice the protection through the suction function and the coating, which counteracts bacterial colonization.

BIP CVC - Infection prevention central venous catheter

Central venous catheters (CVCs) are used to administer medication and intravenous solutions, as well as to measure pressure and take blood samples. Examples of usage areas include intensive care, major operations and cancer treatment.

Effect

BIP CVC has been shown to reduce CRBSI in high risk patients by up to 52%.[19] Compared to central venous catheters that are uncoated, BIP CVCs have better blood compatibility and entail lower risk of thrombosis *ex vivo*.[20] Blood clotting is a common complication during CVC treatment. It can cause a clogged catheter or, in the worst case thrombosis for the patient.

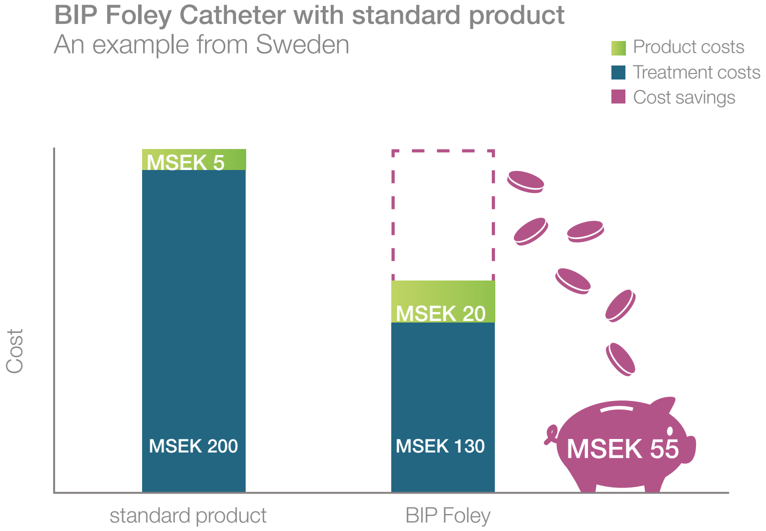
Competition

CVCs with infection prevention properties are an established treatment method in many parts of the world, and several different coatings are available on the market. One ex vivo study on human blood concluded that a competing product that contains chlorhexidine causes haemolysis, which can pose a health danger.[20]

Health economics

All BIP products are associated with lower costs thanks to fewer complications and thus shorter hospital stays, lower treatment costs and improved quality of life for patients.[21,22]

Cost comparison of:
BIP Foley Catheter with standard product
An example from Sweden



With an investment of MSEK 15, you can ultimately save MSEK 55

Urinary catheters used longer than 2 days	200,000
Incidence of infection	10%
Treatment cost CAUTI	SEK 5 000
Treatment cost sepsis	SEK 100 000
Infection reduction	35%
Extra cost per BIP Foley Catheter	SEK 75
Cost savings	MSEK 55

Bactiguard's educational materials are used at nursing schools

Catheters are administered by many different occupational groups from nurses, assistant nurses and district nurses to urotherapists and other healthcare professionals. The level of education and knowledge on HAIs varies greatly.

Bactiguard's technology and products are part of the solution to reduce the number of infections in healthcare. Other important factors include registering and reporting infection count, as well as preventative measures, proper treatment and staff training.

To help reduce the number of health care-associated infections, Bactiguard has produced a training concept known as BIP CIP — Bactiguard's Infection Protection Clinical Implementation Program — in cooperation with two experts in the field from Karolinska University Hospital: Helena Thulin, PhD and university nurse, and Märta Lauritzen, head of urotherapy department and author of the national guidelines for catheter treatment (sw. Vårdhandboken).

The BIP CIP concept includes a great deal of educational materials such as instructional videos, posters with handling procedures and brochures. Seminars are also offered free of charge to educate healthcare professionals on catheters and how to prevent infections.

The Swedish Red Cross University College in Stockholm and the nursing programme at Mälardalen University in Västerås/Eskilstuna use our BIP CIP materials in their catheter training for future nurses. We are very proud of this fantastic quality mark.

Participants of our BIP CIP courses:

Excellent selection of speakers with a high degree of expertise both in their fields and in their ability to engage the audience."

Informative day that gave rise to discussions with colleagues from other workplaces. Thank you for an excellent afternoon!"

Märta Lauritzen, Urotherapist, Head of Urotherapy Department, Urology Clinic, Karolinska University Hospital,

Åke Seiger, Professor Geriatrics, Karolinska Institutet, R&D Division Stockholms Sjukhem

Helena Thulin, University Nurse, PhD. Urology Clinic, Karolinska University Hospital

Best of all is not having to constantly take penicillin

Sometimes, everything can change in a heartbeat. Like that vacation day in Spain when Fredrik accidentally swam right into a sandbar and injured his spinal cord. Fredrik has lived with the after-effects for twenty years.

"People see someone in a wheelchair and think, "that poor person who can't walk'. But not being able to walk is far down on the list of things I would like to be able to do. The ability to have a bowel movement when I need to, have full lung capacity and be able to empty my bladder without encountering problems are much higher on the list," says Fredrik. Fredrik received a catheter right after the accident. The urinary tract infections began immediately and became a constant torment.

"It's a sort of uneasy feeling in your entire body. Since spinal cord injuries affect the nervous system, your blood pressure rises easily, and you get headaches and perspire. With a spinal cord injury, you feel pain not only where the infection is; you might also feel a burning sensation on your skin, for example."

Worrying about when the next infection was going to come was almost as bad as the infection itself. He has tested almost all of the existing antibiotics over the years — which concerns him.

"If you go through all of the options, eventually nothing will work. Not needing to constantly undergo penicillin treatments is almost the best part of finding a catheter that works," says Fredrik.

And now he has. Fredrik's home nurse suggested Bactiguard's urinary catheter a couple of years ago, and when he tried it out the effect was immediate.
"I used to have infections constantly, at least once a month. I didn't have more than three infections all of last year."
Fewer infections also means he does not need to change catheters as frequently.

"I am more at ease now. I have more control and can concentrate on other things. Bactiguard has made life with a catheter manageable. The catheter is like having household insurance — it gives a certain security," says Fredrik.

Bactiguard has made life with a catheter manageable. The catheter is like having household insurance — it gives a certain security."

Fredrik, user of Bactiguard's BIP Foley Catheter Silicone

*Fredrik is a fictitious name

The world as our market

Bactiguard's BIP product sales are handled by distributors in approximately 40 countries under the leadership of regional sales managers. Sweden has its own sales staff who market our products and solutions to hospitals, geriatric care and primary care. In 2017 we generated growth of 40% as a result of nine quarters of rising sales, based on 12 months rolling figures, but we did not achieve our objective to double the sales of our own portfolio. We have, however, noted an increasing level of awareness of the consequences of antibiotic resistance and a desire to reduce the number of health care-associated infections and the related costs. This is a good starting point for continued growth.

Sweden

Bactiguard made a breakthrough on a broad front in Sweden in 2017. We won three major tenders for urinary catheters — in Stockholm, Skåne and Västra Götaland. This is a very positive development which means that our products have been procured in regions that together represent approximately 65% of the Swedish population.

The fact that Sweden's three largest county councils decided to procure our products is a seal of approval of which we are very proud and an important reference for our export markets. From an international perspective, Sweden is considered to be at the top of the list in terms of quality of care, and we have taken a leading position in the battle against antibiotic resistance in both the EU and WHO. The government tasked the Public Health Agency of Sweden to produce a national action plan. Among other things, the action plan states that one way to reduce the need for antibiotics is to prevent health care-associated infections and the spread of contagion in all types of health and medical care. [23]

We have received very positive feedback from healthcare personnel who say that there are fewer infections and other complications when our BIP Foley Catheter is used in treatment. A survey conducted among patients in Skåne who require a permanent catheter showed that 90% of those who tested our catheter would prefer to keep it rather than switch back to their previous one.

Our other BIP products, BIP CVC and BIP ETT, broke new ground last year and have made strides at new hospitals such as the University Hospital in Lund, for example.

The results of a randomized study on BIP CVC conducted at Karolinska University Hospital were presented at the Scandinavian Society of Anesthesiology and Intensive Care (SSAI). The study showed that there was a significantly lower number of incidents with BIP CVC compared to comparable central venous catheters with no coating. We are now planning the next step, which is to increase the number of patients in the study.

We will continue our systematic efforts to execute our vision of eliminating health care-associated infections.

Nina Nilsson, SVP Sales and Marketing

China

China is by far our largest market with roughly 20,000 hospitals, coupled with major problems associated with increased antimicrobial resistance. The authorities want to reduce the level of antibiotic usage, and there is a great deal of potential for infection prevention solutions. Since the product was approved in 2016, Bactiguard has been addressing major hospitals in the most important regions together with our Chinese partner. Hong Kong is also being addressed, as it is a small but strategically important market that will serve as a reference for the rest of China. A study initiated by the Hong Kong Hospital Authority, and which was published at the beginning of the year, showed significant benefits with the BIP Foley Catheter in terms of infection reduction and how long patients could use the catheter before it needed to be replaced. Our sales in China increased by 50% in 2017, and we delivered a large order of urinary catheters right before the end of the year.

Luni Chen, Director China

India

Sales in our second largest market were something of a disappointment in 2017, primarily due to the amount of time it has taken to find suitable partners, which has delayed the marketing process. There is a great deal of potential in the country, which has the world's highest consumption of antibiotics, and finding the right partner is very important. Our new distributor focuses on intensive care and is appropriately positioned to market our product portfolio. BIP CVC and BIP ETT recently received product approval, which means our portfolio is now complete. Now we can fully address the most important needs of patients who are severely ill and sensitive to infections, and the launch is entering the next phase. We currently have two good distributors which together cover most of India's population, and all of the products in our portfolio have been approved for sale, which means the prospects for 2018 are much better.

Munish Agarwal, Sales Director India

The Middle East and Africa

We more than doubled our revenues in the Middle East in 2017 due to strong development in all of the markets in the region. This is the first region in which we established ourselves, our market position is good and we are working from a long-term perspective. Our outlook on future development is positive. We have new partners in some of the largest existing markets, and we have initiated new partnerships in Egypt and South Africa over the year. The product registration process took a long time, but thanks to the distribution agreement and partnership with Heal Pharma, we believe that Egypt could become one of our largest markets in the region within just a few years. We have invested in and strengthened our team in the Middle East during the year, and can now more effectively address our 12 markets, which include large countries such as Saudi Arabia, Pakistan and Iran. This strategy was successful in 2017, and we are now looking forward to yet another strong year in the Middle East.

Omar Al Rayess, Sales Director Middle East & Africa

Europe

Bactiguard has increased its European presence considerably the past few years by setting up operations in Austria, Germany and Poland, among other places. We made additional strides in 2017 and established a partnership with a leading distributor of medical devices in Italy, one of the largest countries in Europe. Health care-associated infections occur frequently in Italy, and there is a lack of bed capacity, so the need for preventative measures is great. Greece is often cited as a warning example of what resistant bacteria can cause. Excessive usage of antibiotics over a long period of time has resulted in a situation where patients who are not carriers of resistant bacteria have to be kept isolated, rather than the other way around. One area of focus for the Greek authorities involves reducing the occurrence of bloodstream infections, and our BIP CVC is being used by several hospitals as an infection prevention solution. We are working hard to increase our presence in 2018 with strong partners in strategically important markets, and we signed an agreement for the Benelux countries in March.

Bram Reitsma, Sales Director Europe

Latin America

Brazil is the largest market in Latin America and one of the most populous countries in the world with over 200 million inhabitants. Bactiguard signed a distributor agreement in May 2017 to enter a partnership with a large distributor that has a history of successfully introducing new and advanced products to the Brazilian market. The distributor, whose headquarters are in Rio de Janeiro, covers Brazil as a whole with its large network of sales offices and secondary distributors. The first products were imported at the end of 2017 after the initial administration period, and 2018 will be a year of intense launch activities. Besides Brazil, Mexico is a large and interesting market where we intend to sign agreements with a local partner in 2018.

Miguel Servin, Regional Sales Manager Latin America

Stable licence revenue and new partnerships

Bactiguard's strategy is to develop new licence business based on its infection prevention technology. The technology is well-proven, effective and tissue-friendly, and can be applied to basically any material used for medical devices.

The clinical evidence is strong and shows that the technology reduces the number of health care-associated infections in an effective and tissue-friendly manner. A large number of published studies shows that the technology is safe and does not trigger any immune responses. Several studies have also shown that there is no risk of thrombosis in vascular applications.

Current licence collaboration initiatives

C.R. Bard

Our largest ongoing licence collaboration is the long-term and successful initiative with C.R. Bard, a global manufacturer and supplier of medical devices. Bactiguard coated Foley catheters were approved for use in the U.S. for the first time in 1994, and C.R. Bard markets the products in the U.S, Japan, Great Britain, Ireland, Canada and Australia under the Bardex IC and Lubrisil IC brands. The products represent a significant share of C.R. Bard's sales of urology products, and to date over 170 million catheters have been used by patients, primarily in the U.S. And Japan. C.R. Bard was acquired by BD in December 2017. Among other things, the acquisition was driven by a strategy to become stronger within infection protection.

Orthopaedic implants

Bactiguard also has a partnership with Vigilenz Medical Devices for orthopaedic implants in Southeast Asia. Vigilenz is a Malaysian manufacturer and supplier of medical devices. Health care-associated infections are both frequent and serious in conjunction with complicated bone fractures. Clinical studies are ongoing and we are planning on the products being CE marked during 2018.

Vascular applications

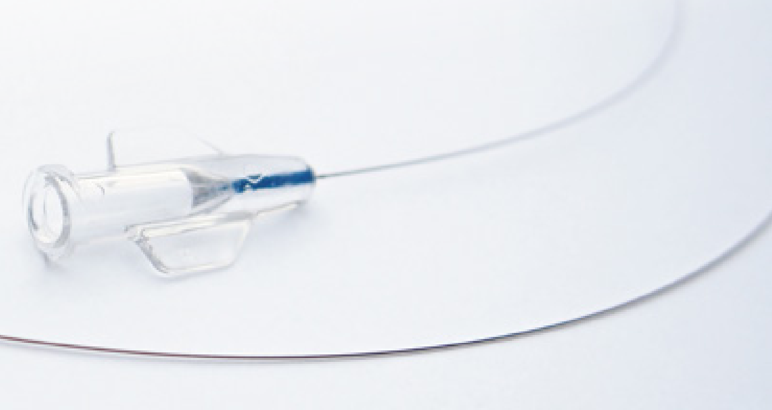
A development project for advanced, Bactiguard coated vascular injection catheters was launched in February 2017 with Smartwise Sweden AB. The area of use is entirely new. Advanced injection systems allow medication and other types of treatment to be directed to damaged tissue in vital organs after a stroke or heart attack, for example. High doses of cytostatics can also be injected into cancer tumours without systemic effects. Administering medicine and other therapies to vital organs is a complicated and sensitive form of intervention. The infection prevention and tissue-friendly properties of Bactiguard's coating can reduce the risk of infections, thrombosis and allergic reactions on the part of seriously ill patients. The product is currently in preclinical development, and is expected to take three to five years before it can be approved for clinical use.

New applications

The technology is suitable for different applications and areas of use where there is a great need for infection prevention and tissue-friendly properties.

The production process is adaptable and can be scaled up. New materials and alloys are always tested since every material has a unique composition. Bactiguard has successfully applied the coating to several types of titanium, stainless steel, latex, silicone, polymers, ceramics and non-woven materials. Process validation is based on well-defined steps to enable repetition and reproducibility. There are no specific packaging requirements for Bactiguard coated products, which can be sterilised using standardised methods. There are also no specific requirements for handling procedures or waste management, which is otherwise generally the case for other coating technologies.

Bactiguard's technology has the potential to promote prevention and better outcomes in many different types of applications, and efforts in relation to orthopaedic implants and vascular applications were intense in 2017. This will continue to be the case, at the same time that we continue to investigate new opportunities.



Bactiguard among the most equal Swedish companies

Bactiguard is a growing company characterized by innovation, entrepreneurship and diversity, and our core values form the basis for how we act and work. Our employees represent 17 different nationalities and consist of women and men of varying ages — factors which ensure our company is dynamic and which enrich our culture.

Equality and diversity are a natural aspect of our corporate culture. It was especially gratifying for this reason that our efforts to promote equality were recognised in 2017 when Bactiguard was one of four finalists for the AllBright award, which is given to the company on the Stockholm Stock Exchange deemed to have done the most in terms of achieving equality at the workplace during the past year. In 2017, just over half of the company's employees were women, and 50% of management positions were held by women.

Bactiguard currently has almost 70 employees, most of whom work at our headquarters in Sweden and at the production facility in Malaysia, but we also have employees in China, India, Iraq, Israel, Lebanon, Mexico, the Netherlands and Saudi Arabia.

We work together to achieve our objectives and thus create a work environment where employees experience job satisfaction and a sense of commitment. We work to ensure that our employees' competencies, which span several different areas such as product development, production, clinical studies, marketing and sales, are utilised.

Together we work to save lives. There is a strong driving force in our day-to-day efforts to promote a more sustainable society.

Number of employees	Women	Men
Total in the Group	60%	40%
Management position	50%	50%
Group management	2	2
Board of Directors	2	3

Focus on the entire value chain

To ensure Bactiguard's long-term success, we take sustainability in our business into account. It is for this reason we have a code of conduct, which together with compliance to laws and regulations, ensures that the company behaves in a responsible manner towards patients, society and other stakeholders.

We aim to be a reliable partner which inspires confidence and delivers high-quality and safe products to customers and the patients who ultimately use them. The code of conduct comprises the entire value chain, including our internal work and cooperation with external partners, and it includes, for example, guidelines for how the company is to conduct our day-to-day operations in a manner that is ethically, socially and environmentally sustainable. We believe that the best approach involves integrating sustainability aspects with the company's business processes. This working method has already been employed in some areas for quite some time, and we are increasing our efforts in other areas to ensure that sustainability permeates everything we do.

Quality assurance

Within the framework of Bactiguard's quality management system, assessing patient benefit including safety and quality aspects is an integrated part of our product development and product supply processes. The quality management system and its processes comprise all of the phases of product life cycles, including their use, and also support ongoing improvements of our products and our business. Bactiguard's quality management system is certified in accordance with the standard for medical devices, ISO 13485.

Environment

Within the framework of our overall sustainability work, Bactiguard's focus on the environment involves secure management of chemicals and waste within product development and production. Bactiguard aims to continue reducing the impact that our operations and our products have on the environment by increasing efficiency, reducing consumption of materials and improving waste management. The company encourages meetings to be conducted with teleconferencing or web conferencing as a means to reduce the amount of business travel.

Bactiguard's environmental management system is based on ISO 14001 to ensure the company adheres to the existing laws and requirements on the environment and that it conducts internal audits in a satisfactory manner.

Work environment

Work environment management is coordinated by the company's work environment committee, and is collaboratively conducted by the employer, employees and safety representative (appointed by the employees). Risks in the work environment are assessed, any incidents and accidents are followed up, and suitable action is taken.

Our employees are covered by medical and rehabilitation insurance. Besides providing quick access to care and rehabilitation, the insurance also includes a preventative component. Bactiguard also offers employees a fitness benefit and ergonomic solutions for improved health. Work environment management is evaluated once a year through an employee survey on the work environment. Employees respond to the survey questions and share their opinion of the work environment anonymously. The survey subsequently forms the basis for improvement measures in the organisation.

Morgan Olofsson, Shahrzad Kiavash, Adam Linder, Ulrika Knutsson and Nina Nilsson at Bactiguard's seminar at Almedalen.

Focus on sepsis at Almedalen

As a means to increase understanding of sepsis, Bactiguard and Sepsisfonden organised a seminar on sepsis at Almedalen at the beginning of July. Triathlete and survivor Shahrzad Kiavash took the stage together with Dr. Adam Linder, Ulrika Knutsson, who is head of communication and press relations at Sepsisfonden, and Bactiguard's Nina Nilsson.

Sepsisfonden ("Swedish Sepsis Trust")

Bactiguard sponsors Sepsisfonden, which collects and allocates funding to various research projects as a means to achieve improved sepsis diagnostics and treatment. Another important aim is to increase understanding and to share information about sepsis with the general public, decision-makers and healthcare institutions.

World Sepsis Day

Every year on 13 September, World Sepsis Day is organised in over 90 countries, and Bactiguard is one of the official main sponsors. The non-profit organisation Global Sepsis Alliance is behind the initiative. The organisation's aim is to increase understanding of sepsis all over the world and to reduce the number of deaths by 20% by 2020.

stop sepsis save lives | Official Sponsor of the World Sepsis Day

Research collaboration

Bactiguard collaborates with academia, healthcare institutions, organisations and companies to promote the development of new products and healthcare standards which will help reduce the number of health care-associated infections. At the same time, research collaboration is a way to partially fund research and product development, and it gives the company a chance to exchange experiences and share its knowledge of Bactiguard's technology.

Bactiguard belongs to several scientific networks which have received funding from the EU and Sweden.

DIRECT

This cooperation project has received funding through the European Union`s Seventh Framework Programme (FP7). Bactiguard and 11 other players within healthcare, academia and the industry took part in the project, whose final objective was to improve treatment of patients who suffer from chronic kidney disease. Haemodialysis is a common treatment for these patients. They require long-term usage of haemodialysis catheters in their bloodstream, which entails a high risk of infection. The project has provided enhanced understanding of blood proteins being absorbed by coating, and how this affects efficiency and tissue-friendly properties. The project was concluded in November 2017.

RedCath

In this project, which has received funding from Vinnova/Eurostars (Horizon 2020), Bactiguard is developing a new generation of intravenous catheters which reduce the risk of both infections and thrombosis/blood clot formation — two of the most serious complications associated with using venous catheters. The project began by developing a new generation of central venous catheters, and is now focusing on haemodialysis catheters and vascular transplants/grafts. The project was launched in 2016 and will conclude at the end of 2018.

MedTech4Health/Vinnova

Together with Professor Dan Andersson's research team at Uppsala University, Bactiguard received a grant from MedTech4Health/Vinnova for a six-month project that started in 2017 and will end in 2018. The project will survey bacteria and determine which characteristics are most and least significant in terms of the bacteria's ability to attach to and multiply on products with Bactiguard's coating. Understanding how patients respond to usage will be useful both when registering and marketing Bactiguard's products.

Pernilla Sundqvist, Urology Clinic in Örebro and Malin Fransson, Bactiguard.

Our scholarship recipients

Since 2016, Bactiguard has awarded scholarships aimed at rewarding, inspiring and stimulating research that addresses health care-associated infections. The scholarships are awarded in conjunction with two congresses: the annual congress for Nordic urotherapists (UTF) and Urologidagarna, a Swedish urology congress.

The recipients this year were Klara Elfsten and Pernilla Sundqvist, Urology Clinic, Örebro University Hospital.

samhall a valuable partner

One way Bactiguard takes corporate social responsibility is by investing in production at home. Bactiguard has a cooperation agreement with Samhall for Samhall's employees to manufacture Bactiguard's high-tech products at the facility in Stockholm.

Samhall is a state-owned company whose core assignment is to create job opportunities for individuals with functional impairments Samhall is also a member of the international collaboration organisation Workability International, which aims to ensure that the skills of people with functional impairments are utilised in the best possible manner.

Nina Nilsson, Magnus Norman, Johan Hedsberg, Måns Dahlberg, Arslan Temirhanov, Isac Strömberg, Robin Brage and Christian Kinch.

Good to Great Tennis Academy

Bactiguard values good health — both in terms of preventing infections and promoting a healthy lifestyle. Bactiguard has sponsored Team Bactiguard since 2012 through the Good to Great Tennis Academy, which was founded by Magnus Norman, Nicklas Kulti and Mikael Tillström. All three of the founders have won the Davis Cup for Sweden and been ranked among the best players in the world.

Bactiguard is very proud of its own team consisting of Isac Strömberg, Arslan Temirhanov, Måns Dahlberg, Henrik Bladelius and Tsegai Gebremeskel — all promising young players.

In April 2018, Mikael Ymer, one of Sweden's most promising tennis players, returned to Good to Great. He was part of the original team that was formed in 2012 and is now continuing to train and compete for Team Bactiguard.

> The support from Bactiguard is invaluable and makes it possible for me to work with Johan Hedsberg, who is a great coach and mentor. "

Mikael Ymer

Financial reporting

The Board of Directors and Chief Executive Officer of Bactiguard Holding AB (publ) hereby present their annual report and consolidated financial statements for the 2017 financial year.

Operations

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

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

Bactiguard’s product portfolio, Bactiguard Infection Protection (BIP) covers medical devices within three application areas; the urinary tract, respiratory tract and bloodstream.

Bactiguard has ISO 13485 certification, and EC certification for the BIP Foley Catheter (indwelling urinary catheters), BIP ETT (endotracheal tube) and BIP CVC (central venous catheters) product portfolios.

Group structure

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

Revenues, volumes and earnings

Revenues

Group revenues for the full-year were TSEK 153,639 (128,342). The increase in revenue originates primarily from new licensing business. The licensing agreement with Smartwise Sweden AB (“Smartwise”) regarding the exclusive and global rights to Bactiguard technology for advanced vascular injection catheters was signed at the beginning of the year, bringing in total revenues of some TSEK 21,300 during the year.

The lion’s share of revenues of around TSEK 104,300 (103,000) were down to license fees from C.R. Bard , which includes a negative currency effect compared with the previous year of around TSEK 700. Revenue from sales of BIP products grew by about 39% compared with the previous year, which is the result of a rise in delivered volumes while the product mix has changed and the value of delivered products has grown. Other revenues have dropped over the year as a result of exchange rate differences.

Bactiguard has the following revenue streams:

- Licence revenues are revenues from sales of products through licensing agreements. In 2017 these relate to the Group’s licensing agreement with C.R. Bard regarding Foley Catheters for the United States, Japan, UK, Ireland, Canada and Australia, licensing agreement with Vigilenz Medical Devices for orthopaedic trauma implants, for the South East Asian ASEAN region, and a global licensing agreement with Smartwise for vascular injection catheters, all with the Bactiguard coating.
- The sale of BIP products relates to BIP Foley Catheters, BIP ETT and BIP CVC, under own brand.
- Other revenues are largely related to exchange rate differences and other operating revenues.

Volumes

Approximately 502,000 products were delivered for the full-year 2017, compared to approximately 418,000 for the 2016 full-year.

Earnings

For the full year, EBITDA, operating profit before depreciation, totalled TSEK 34,432 (15,107). The positive change TSEK 19,325 compared with the previous year can be explained by a revenue increased of TSEK 25,297, while operating expenses only grew by TSEK 5,972.

The increase in Raw material and consumables compared to last year of TSEK 4,465 reflects the growth in the sale of BIP products in the year. Other external costs have dropped by TSEK 4,372 compared to the previous year, which is a consequence of general cost controls, and that external sales consultants have been replaced with in-house staff while marketing costs have fallen. Personnel costs have risen by TSEK 5,656 as a result of a conscious effort to grow the sales and marketing organisation.

Net financial items amounted to TSEK -7,710 (-13,065). The Group’s interest expenses have dropped significantly due to refinancing at the end of 2016, when previous bond loans were replaced by bank loans and loans from the company’s main shareholders.

Consolidated net profit for the full-year 2017 was TSEK -3,251 (-26,851).

Financial position

The equity ratio for the Group was 62% (62%) and shareholders’ equity totalled TSEK 387,105 (390,328).

Cash and cash equivalents for the Group totalled TSEK 11,550 which was a decrease of TSEK 4,095 compared to the previous year. Net debt totalled TSEK 152,392 (134,355).

Total assets for the Group were TSEK 625,390 (632,074). The largest asset items in the balance sheet refer to goodwill of TSEK 226,292 (226,292) and technology relating to Bactiguard’s product portfolio, which was TSEK 212,805 (236,612).

Accounts receivable (short and long-term) have risen by TSEK 13,047 compared to the previous year, most of which refers to Accounts receivables regarding the licensing business with Smartwise and deliveries of BIP products at the end of the year.

At the end of 2017, the Company signed an agreement with the Skandinaviska Enskilda Banken (SEB) for a three year credit facility totalling TSEK 180,000 in the form of a bank overdraft of TSEK 30,000 and a bank loan of TSEK 150,000. The credit facility replaces the previous bank loan of TSEK 100,000, a bank overdraft of TSEK 30,000 and a loan from the company’s main shareholders of TSEK 50,000. Consequently, the main shareholders’ guarantee of the financing of the company has been terminated. The new bank loan of TSEK 150,000 is amortised with a total of TSEK 35,000 over the maturity period. The facility is subject to customary covenants. The loan runs at an interest base of STIBOR 90, however minimum 0%, and an interest surcharge of 3.0%.

Investments

Investments in property, plant and equipment for the year totalled TSEK 2,571 (961) and are mainly related to the investment in the production facility in Malaysia.

Investments in intangible assets totalled TSEK 3,661 (6,450) for the year and are primarily related to capitalised development expenditures.

No investments in financial assets took place during the year.

Financial overview

The Group's financial performance condensed TSEK	01/01/2017 – 31/12/2017	01/01/2016 – 31/12/2016	01/01/2015 – 31/12/2015	01/01/2014 – 31/12/2014	01/01/2013 – 31/12/2013
Group					
Revenues	153,639	128,342	138,463	98,294	123,895
Net sales	147,458	118,736	131,420	93,528	120,399
EBITDA[1]	34,432	15,107	20,184	-5,352	39,630
EBITDA margin [2], %	22	12	15	-5	32
Operating profit/loss	-582	-18,268	-12,666	-35,483	10,792
Profit before tax	-8,292	-31,333	-30,970	-115,841	-6,139
Profit after tax	-3,251	-26,851	-26,501	-110,737	-3,774
Total assets	625,390	632,074	676,246	811,128	717,230
Operating cash flow[3]	-117	-19,822	-32,456	-53,977	-54,151
Earnings per share[4], SEK	-0.10	-0.81	-0.80	-4.43	-0.19
Operating cash flow per share[5], SEK	0.00	-0.60	-0.97	-2.16	-2.71
Number of shares at period-end[6]	33,302,373	33,302,373	33,302,373	33,302,373	20,000,000
Weighted average number of shares[6]	33,302,373	33,302,373	33,302,373	25,007,242	20,000,000
Equity ratio, %	62	62	62	55	11
Net debt	152,392	134,355	120,021	90,422	479,544
Average number of employees	66	57	65	58	52

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

1 Earnings before interest, taxes, depreciation and amortisation.
2 EBITDA/Revenues
3 Cash flow from operating activities after investments and changes in working capital
4 Earnings for the period/weighted average number of shares during the period, issue-adjusted
5 Operating cash flow/weighted average number of shares during the period, issue-adjusted
6 Adjusted for split

Cash flow

Operating cash flow (cash flow from operating activities after investments and changes in working capital) totalled TSEK -117 (-19,822). The cash flow from operating activities was positive TSEK 6,116 (-12,411) but was negatively impacted by cash flow from investing activities TSEK -6,232 (-7 411) and cash flow from financing activities TSEK -3,198 (12,000). The latter consisted of amortisation of financial leasing debt of TSEK -1,398 and a up-front fee for the new credit facility of TSEK -1,800.
Total cash flow for the full-year was negative at TSEK -3,315 (-7,822).

Key ratios

The company presents certain financial measures in its annual report that have not been defined in line with IFRS (referred to as alternative key ratios as set forth in the ESMA guidelines). The company believes that these measures will provide valuable additional information to investors and the company's management as they facilitate the evaluation of the company's performance. As not all of the companies calculate financial measurements in the same way, these are not always comparable with measurements used by other companies. These financial measures must therefore not be seen as a replacement for the measures that are defined in line with IFRS.

The definitions and tables below describe how the company's key ratios are calculated. Key ratios are alternative in line with ESMA guidelines unless otherwise stated.

EBITDA

Demonstrates the earning capability of the business from ongoing operations without any regard to capital structure and the tax situation. The key ratios are used to facilitate a comparison with other companies operating in the same industry. The company considers this key ratios as the most relevant performance measure as the company has a major asset item in Technology that generates a lot of depreciation while it is judged to be of significant value even after it has been fully depreciated. Bactiguard's patented and unique technology can be applied to an extensive wide range of products, both in the BIP portfolio and through licensing business.

The company defines EBITDA as operating income excluding depreciation and impairment of tangible and intangible assets.

	Group	
	2017	**2016**
Operating profit/loss	-582	-18,268
Depreciation	35,015	33,375
EBITDA	34,432	15,107

EBITDA margin

Demonstrates the earning capability of the business from ongoing operations without any regard to capital structure and the tax situation, in relation to the company's revenue. Key ratios are used to facilitate performance monitoring and comparisons with comparable companies.

	Group	
	2017	**2016**
EBITDA	34,432	15,107
Revenues	153,639	128,342
EBITDA margin	22%	12%

Net debt

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

The company defines net deb as interest-bearing liabilities less cash and cash equivalents at the end of the period.

Interest-bearing liabilities consist of liabilities to credit institutions and shareholders, as well as the interest-bearing portion of other long-term and current liabilities.

	Group	
	2017	2016
Interest-bearing portion of other long-term liabilities	12,476	0
Non-interest-bearing portion of other long-term liabilities	-	-
Other long-term liabilities	12,476	0

	Group	
	2017	2016
Interest-bearing portion of other short-term liabilities	1,466	-
Non-interest-bearing portion of other short-term liabilities	5,389	3,835
Other short-term liabilities	6,855	3,835

	Group	
	2017	2016
Liabilities to credit institutions	150,000	100,000
Liabilities to shareholders	-	50,000
Interest-bearing portion of other long-term liabilities	12,476	-
Interest-bearing portion of other short-term liabilities	1,466	-
Interest-bearing liabilities	163,942	150,000
Cash and cash equivalents	-11,550	-15,645
Net debt	152,392	134,355

Equity ratio

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

	Group	
	2017	2016
Equity	387,105	390,328
Balance sheet total	625,390	632,074
Equity ratio	62%	62%

Operating cash flow

Cash flow from operating activities after investments and changes in working capital. Directly reconcilable in relation to the financial statements.

Financial income and expense

Financial income minus financial expense. Directly reconcilable in relation to the financial statements.

Key events during the year

- In February, Bactiguard and Smartwise Sweden AB ("Smartwise") established a joint development project for advanced, Bactiguard coated vascular injection catheters. At the same time, a licensing agreement was signed, which meant that in 2017 Smartwise was charged USD 2.5 million for the exclusive and global rights to use Bactiguard technology in this area of application. Once the products are commercialised, royalty payments will follow. Smartwise is owned by a group of private investors, including Christian Kinch and Thomas von Koch.
- During the year Bactiguard secured a total of three orders from its distributor in China, Jian An Pharmaceuticals, each comprising 100,000 infection prevention urinary catheters. The orders were delivered in June, September and December, and generated revenues totalling some MSEK 9.
- In August, product approval was completed for Bactiguard's central venous catheters (BIP CVC) in India, and in November, endotracheal tubes were also approved. This paves the way for new opportunities for Bactiguard to offer effective infection prevention in one of the largest and fastest growing markets in the world.
- In September, Bactiguard Holding AB (publ) appointed Cecilia Edström, former Senior Vice President of Sales and New Business, as acting CFO, a post that was made permanent at the turn of the year.
- During the year, Bactiguard won tenders in Kalmar County Council, Stockholm County Council (SLL), Region Skåne and Västra Götaland Region (VGR), which allows healthcare services in each region to order Bactiguard's infection prevention urinary catheters.
- Bactiguard entered into a partnership with new distributors in Egypt, Brazil, India, Italy and South Africa during the year.
- In December, Bactiguard entered into an agreement with the Skandinaviska Enskilda Banken for a three-year credit facility totalling MSEK 180, in the form of an overdraft facility of MSEK 30 and a bank loan of MSEK 150. The facility replaces the bank loan of MSEK 100 which fell due on 31 December 2017, an overdraft facility of MSEK 30 and a loan from the company's main shareholders of MSEK 50. The new bank loan of MSEK 150 is amortised with a total of MSEK 35 over the maturity period. The credit facility is subject to the customary covenants. Consequently, the main shareholders' guarantee of the financing of the company has been terminated.

Future expectations

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

Research and development

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

Personnel

The average number of employees in the Group for the year was 66 (57) employees.

Guidelines for remuneration to senior management

The Board of Directors proposes that the 2018 AGM decides on the following guidelines for remuneration and other employment terms for senior management (unchanged compared to the decision of the 2017 AGM).

Guidelines

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

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

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

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

Pensions

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

Benefits

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

Severance pay

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

Incentive programme

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

The Board of Directors will evaluate on an annual basis whether a long-term incentive programme should be proposed at the AGM or not, and if this is the case, whether the proposed long-term incentive programme should comprise transfer of shares in the company.

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

Environmental impact

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

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

The Bactiguard share

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

The closing price for listed B shares as per 31 December 2017 was SEK 23.00 with a market capitalisation of TSEK 766,955.

Shareholding as per 31 December 2017

Shareholders	Total series A shares	Total series B shares	Total shares	% of capital	% of votes
Christian Kinch with family and company	2,000,000	7,440,977	9,440,977	28.4	39.6
Thomas von Koch and company	2,000,000	7,440,878	9,440,878	28.4	39.6
Ståhlberg, Jan		1,584,786	1,584,786	4.8	2.3
Handelsbanken Fonder	–	1,139,784	1,139,784	3.4	1.6
Försäkringsaktiebolaget, Avanza Pension	–	898,415	898,415	2.7	1.3
Lancelot Asset Management AB		690,001	690,001	2.1	1.0
Swedbank Försäkring		671,415	671,415	2.0	1.0
Fröafall Invest AB		516,000	516,000	1.5	0.7
Rugfelt, Johan		401,632	401,632	1.2	0.6
Sargas Equity AB		364,090	364,090	1.1	0.5
Total, largest shareholders	**4,000,000**	**21,147,978**	**25,147,978**	**75.5**	**88.2**
Total, other	–	8,154,395	8,154,395	24.5	11.8
Total number of shares	**4,000,000**	**29,302,373**	**33,302,373**	**100.0**	**100.0**

Share capital in Bactiguard as per 31 December 2017 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 2017 was 33,302,373 shares and 69,302,373 votes.

For the company's series A shares the duty to give prior option of purchase applies in accordance with Section 15 of the articles of association, but for the rest there are no restrictions on transferability for these shares.

Significant risks and uncertainty factors

Bactiguard Holding's operations and profits are affected by several external factors. The company continually engages in a process of identifying all risks that may arise and assessing how each of these risks shall be managed. The company is primarily exposed to market related risks, operational related risks and financial risks. The risks Bactiguard is thus exposed to are addressed separately below.

Financial risk management and financial instruments

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

Financial risks are described in note 4.

Macroeconomic risk

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

Regulatory risk

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

Technology risk

There are technological advances in medical technology, which result in new products and improved treatment methods being launched continuously. Bactiguard has obtained patents in many of the countries in which the company operates in order to protect its technology, and has applied for patents in additional countries. Additionally, Bactiguard has taken several other measures to ensure that company-unique knowledge (such as application and manufacture of the Bactiguard coating) is not disclosed to any competitor.

Liquidity risk

Liquidity risk is defined as the risk of not having access to cash assets or credit available to cover payment commitments, including interest payments and amortisation. Liquidity risk is especially significant in the event large unanticipated payment commitments arise. Lack of liquidity to cover large payment commitments can have a negative impact on Bactiguard's operations and its financial position. As per 31 December 2017, the Group has liquidity amounting to TSEK 41,550, including approved bank overdraft facilities of TSEK 30,000. The liquidity risk is monitored on a monthly basis through rolling forecasts of 3 months which evaluate the liquidity situation and is the base of taking relevant measures (financial or operational).

Following the refinancing of the company's previous short-term loans, the company now has a long-term financing solution in place at market terms.

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

Parent company

Revenues consist of invoiced group-wide costs (management fees). The parent company has received interest on its receivables from group companies during 2017. The company's financial expenses relate to interest on bank loans and loans to related parties. No investments have been made during 2017.

Proposed appropriation of profit

Parent company

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

Retained earnings	-5,318,454
Share premium reserve	473,016,706
Profit/loss for the year	-5,722,096
	461,976,156

The Board of Directors proposes that the profits be distributed as carried forward	461,976,156
	461,976,156

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

The Corporate Governance Report for the 2017 financial year is available on page 30.

Bactiguard Holding AB (publ) ("Bactiguard" or "the company") has prepared this Corporate Governance Report in compliance with Chap 6, Section 6 of the Swedish Annual Accounts Act and Chap10 of the Swedish Code of Corporate Governance ("the Code"). The Corporate Governance Report has been reviewed by the company's auditors.

In addition to the principles for corporate governance required by law or other applicable legislation, at Bactiguard corporate governance is based on internal documents such as the articles of association, the Board of Directors' work plan and CEO instruction, and policies and guidelines, as well as external rules such as the Nasdaq Stockholm Rules and regulations for Issuers and the Code. In 2017, the company has not made any deviations from the Code.

Shares and shareholders

The Bactiguard series B share is listed on Nasdaq Stockholm. At year-end 2017, the total number of shares was 33,302,373 (of which 4,000,000 non-listed series A shares) and the number of shareholders was 2,417. Page 28 contains a list of the company's biggest shareholders as per 31 December 2017.

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 Sections 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 the Group's financial position.

An annual general meeting ('AGM') shall be held in Stockholm, Huddinge or Botkyrka within six months of the closing date for the financial year. The company's financial year begins on 1 January and closes 31 December. The AGM determines issues including adopting the company's annual report, appropriation of the company's profit or loss, and discharging the board members and the CEO from liability. The AGM also appoints board members and auditors, and determines the establishment of a nomination committee, fees for the Board of Directors and auditors, and guidelines for determining salaries and other remuneration to the CEO and other senior managers. Resolutions by the general meeting are normally passed by simple majority vote, except where the Swedish Companies Act imposes requirements for a higher portion of the shares and assigned votes represented at the general meeting, for example, resolutions regarding amendment of the company's articles of association. The general meeting has not authorised the Board of Directors to repurchase company shares.

The Articles of Association

Bactiguard's articles of association are published in full on the Bactiguard website, www.bactiguard.se. Changes to Bactiguard's articles of association are made in accordance with the provisions of the Swedish Companies Act. Bactiguard's articles of association stipulate that the Board of Directors shall consist of not less than three and no more than seven members. The board members are elected by the AGM for one year at a time. The company articles of association do not contain any special provisions on appointment or dismissal of board members.

Nomination committee

At the 2017 AGM, rules were adopted for appointment of members to the Nomination committee for the 2018 AGM. These rules, as adopted, provide that the Nomination committee is to consist of four members and shall be formed by the chairman of the Board of Directors contacting the three largest shareholders (by votes) as per ownership statistics on 31 August, who each shall be entitled to appoint one member to serve together with the chairman of the Board of Directors on the Nomination committee. For the 2018 AGM, the Nomination committee consists of Jan Lombach, Chairman, (appointed by KK Invest AB, a company controlled by Christian Kinch), Thomas von Koch (appointed by Bactiguard B.V., a company controlled by Thomas von Koch), Christian Brunlid (appointed by Handelsbanken Fonder AB) and Stanley Brodén (Chairman of the Board of Directors).

Board of Directors

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

The Board of Directors' work shall follow a written work plan that shall ensure that the Board of Directors is fully informed and that all control related aspects of the company's operations are addressed. Pursuant to the work plan, the Chairman of the Board of Directors is responsible for monitoring and discussing the developments of Bactiguard in regular contacts with the CEO. The Chairman of the Board of Directors shall also perform duties such as ensuring that the Board of Directors receive continual information from the CEO as necessary to monitor the company's financial position, financial planning and development, and that an annual assessment of the work of the Board of Directors is conducted. In addition to the specific responsibility of the Chairman of the Board of Directors, the Board of Directors has not allocated its areas of responsibility in any way, other than that stipulated in the instructions for the audit and remuneration committees.

The work plan of the Board of Directors stipulates that the Board of Directors shall, in a 12 month cycle, address at least the following areas of importance for the company; accounting and auditing issues; market and market analyses; risk identification; strategy; organisation; assessment of the Board of Directors and the CEO and the system for internal control; and the company's capital structure. The Chairman of the Board of Directors is responsible for the annual evaluation of the work of the Board of Directors.

During 2017 the Chairman conducted a written survey evaluation with all board members comprising of 15 different aspects of the work of the Board of Directors. The Chairman of the Board of Directors has presented results of the evaluation to both the Board of Directors and the Nomination committee. During 2017 the Board of Directors held a total of ten meetings where minutes were recorded. All board members attended all board meetings.

In 2017, the Board's work, in addition to the regular board work, focused on the long-term strategy of reaching the company's financial targets of an average growth of 20% and an EBITDA margin of 30% over a five-year period. In addition, the Board has focused on securing the company's long-term funding through a bank loan, a process completed in December 2017.

Prior to the Annual General Meeting in 2017, Peter Hentschel declined re-election and at the AGM, Svante Östblom was elected as a new member. Since the 2017 AGM, the Board has consisted of Stanley Brodén (Chairman), Mia Arnhult, Marie Wickman-Chantereau, Svante Östblom and Christian Kinch (CEO). Additional information on the board members is available on pages 34-35.

Board Committees

The Audit committee is tasked with monitoring the company's financial reporting and the effectiveness of internal controls and risk management in the company, and internal audits as necessary. The committee shall also monitor and review the auditor's independence and impartiality, and especially follow whether the auditor provides other services than purely auditing services to the company. The committee also contributes proposals to the general meeting for adoption regarding the appointment of auditors. Up until the 2017 Annual General Meeting, the committee consisted of Mia Arnhult (Chairman), Stanley Brodén, Marie Wickman-Chantereau and Peter Hentschel. Since the 2017 AGM, Svante Östblom has replaced Peter Hentschel as a member of the committee. All members were present at audit committee meetings during 2017.

The Remuneration committee shall support the Board of Directors with proposals, advice, and preparation in regard to issues of remuneration principles for the CEO and other senior managers and individual remuneration to the CEO in accordance with remuneration principles. These principles include the relationship between fixed and any variable remuneration, and the relationship between performance and remuneration, the general terms for any bonus and incentive programme, and the general terms for non-monetary benefits, pension, notice of termination and severance pay. The Board of Directors is also responsible as a whole for establishing remuneration levels and other employment terms for the CEO. Share-related incentive programmes for group management are, however, adopted only by the AGM. The committee shall also; support the Board of Directors in monitoring the system through which the company complies with publication requirements stipulated by legislation, market regulations and the Code in regard to information related to remuneration of the CEO and other senior managers. Monitor and assess any ongoing or concluded incentive programs for variable remunerations to the CEO and/or other senior managers; evaluate compliance with the guidelines for remuneration to the CEO and other senior managers adopted by the AGM as well as the current structure and levels of remuneration. Up until the 2017 AGM, the remuneration committee comprised the board members Stanley Brodén (Chairman) and Peter Hentschel. Since the 2017 AGM, Marie Wickman-Chantereau has replaced Peter Hentschel as a member of the committee. All members comply with the Code's independence requirements for members of the committee. All members were present at remuneration committee meetings during 2017.

Chief Executive Officer

The CEO is appointed by the Board of Directors and is responsible for the daily administration of the company's operations in accordance with the instructions and regulations of the Board of Directors. The CEO also functions as the Chairman of the management making all decisions in consultation with other managers. Christian Kinch was the company's CEO in 2017. Additional information on the CEO is available on pages 32 and 35.

Internal controls and risk management activities regarding financial reporting.

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

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

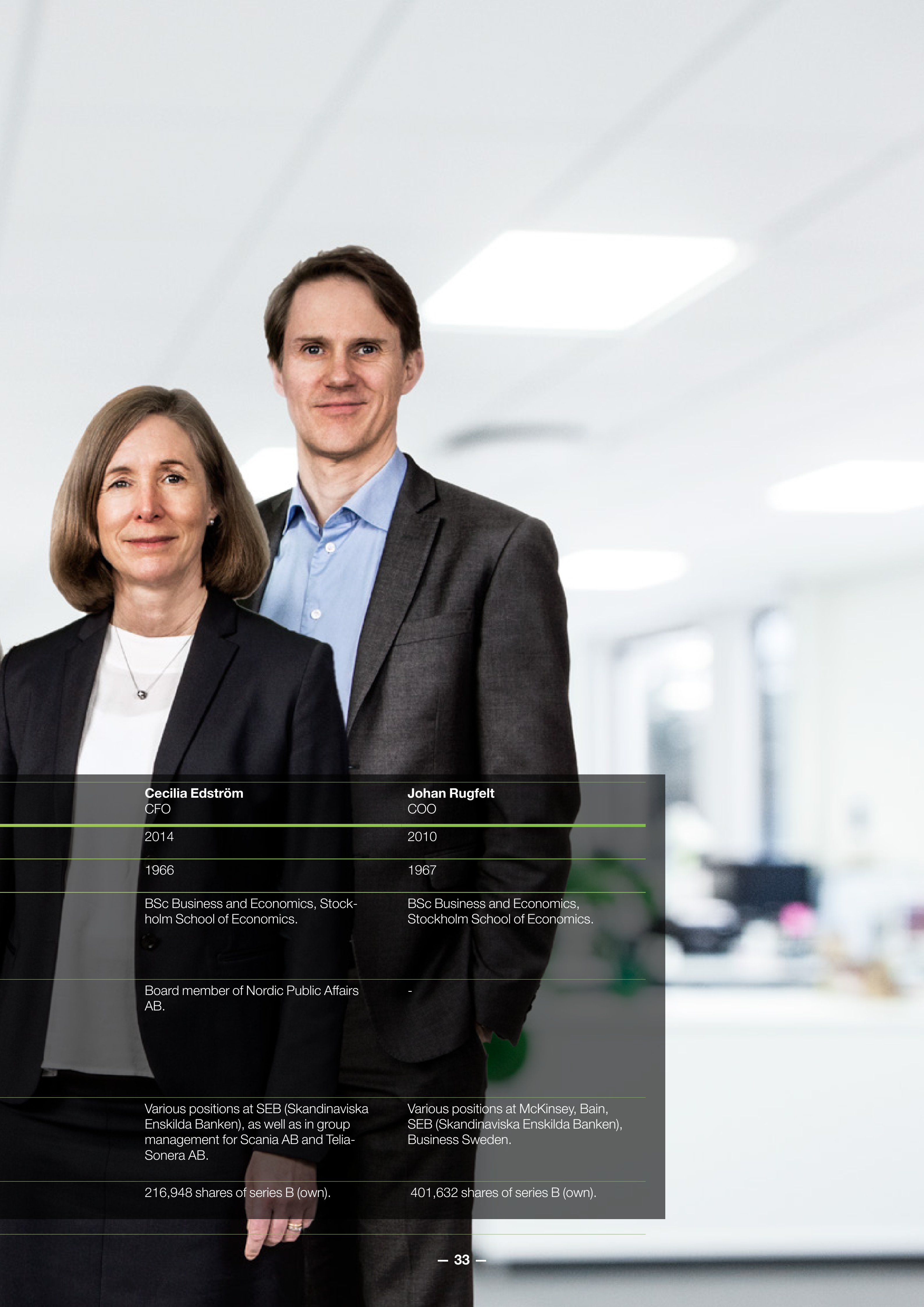
The internal steering documents define responsibilities and daily interactions between the positions involved so that all necessary information and communication reach all persons as necessary. The group management receives monthly financial information regarding the company and its subsidiaries in regard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

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

Internal audit

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

Name	**Christian Kinch** CEO	**Nina Nilsson** SVP Sales and Marketing
Employed	2005 (Founder)	2014
Born	1966	1977
Education	Studies at the Stockholm School of Economics.	Diploma in Marketing from IHM Business School. Medical education course, Karolinska Institutet and Stockholm University.
Other assignments	Board member of Swecare Aktiebolag. Chairman of the Board of Directors of SWIB Holding AB (holding company for Smartwise Sweden AB and Procella Therapeutics AB). Owner and Director of the Board of KK Consult AB.	-
Background	Founder and CEO of Kinchard AB and Netpharma AB.	Various positions at Johnson & Johnson, programme coordinator at the Swedish Agency for Health Technology Assessment and Assessment of Social Services (SBU).
Shareholding in the company	2,000,000 shares series A (legal entity) and 7,440,977 shares series B (direct, family and legal entity).	84,632 shares of series B (own).



Cecilia Edström CFO	Johan Rugfelt COO
2014	2010
1966	1967
BSc Business and Economics, Stockholm School of Economics.	BSc Business and Economics, Stockholm School of Economics.
Board member of Nordic Public Affairs AB.	-
Various positions at SEB (Skandinaviska Enskilda Banken), as well as in group management for Scania AB and TeliaSonera AB.	Various positions at McKinsey, Bain, SEB (Skandinaviska Enskilda Banken), Business Sweden.
216,948 shares of series B (own).	401,632 shares of series B (own).

Name	**Stanley Brodén** Chairman of the Board	**Mia Arnhult** Board member
Elected	2015	2014
Born	1951	1969
Education	Economic studies at Linköping University. MiL's Management training.	Degree in Business finance and trade law, Lund University.
Other assignments	Chairman of the Board of Directors of Frösunda Omsorg AB in Stockholm. Industrial Adviser to EQT.	CEO and Board member of M2 Asset Management AB, M2 Gruppen AB and M2 Gruppen 1 AB. CEO for Locellus AB and Arnhult Invest AB. Board member of Odd Molly International AB, Footway Group AB, Devyser Holding AB, Devyser AB, Suburban Properties Stockholm AB with subsidiary and M2 Capital Management AB.
Shareholding in the company	50,000 shares of series B (legal entity).	50,000 shares series B (own) and 516,000 shares series B (legal entity).
Independent of the company and company management	Yes	Yes

Christian Kinch Board member	**Marie Wickman-Chantereau** Board member	**Svante Östblom** Board member
CEO of the Group since June 2015 and during the period 2005 to March 2014. Chairman of the board from March 2014 to June 2015.	2016	2017
1966	1955	1960
Studies at the Stockholm School of Economics.	M.D and Med. DR., Associate Professor of Plastic Surgery, Karolinska Institutet Stockholm.	BSc Business and Economics, Uppsala University.
Board member of Swecare Aktiebolag. Chairman of the Board of Directors of SWIB Holding AB (holding company for Smartwise Sweden AB and Procella Therapeutics AB). Owner and Director of the Board of KK Consult AB.	Chief Medical Officer, Sophiahemmet and Professor in Medical Science at Sophiahemmets Högskola	Member of the Board of Directors of Adamo Telecom Iberia S.A., Global Connect A/S, CMA/Markör (Chairman), Bredbandsgruppen (BBG), Nora 24, IP-only and Candidator AB.
2,000,000 shares series A (legal entity) and 7,440,977 shares series B (direct, family and legal entity).	10,000 shares of series B (legal entity).	30,000 shares of series B (legal entity).
No	Yes	Yes

Condensed consolidated income statement

Amounts in TSEK	Note	2017	2016
Net sales	5, 6	147,458	118,736
Other operating revenues	5, 7	6,181	9,606
Total		**153,639**	**128,342**
Raw material and consumables		-20,262	-15,797
Other external expenses	8, 9	-42,329	-46,701
Personnel costs	10	-51,475	-45,819
Depreciation	15, 17-22	-35,015	-33,375
Other operating expenses	7	-5,141	-4,848
Profit participations in associates and joint ventures	24	-	-70
Total		**-154,221**	**-146,610**
Operating profit/loss		**-582**	**-18,268**
Profit/loss from financial items			
Financial income	11	1,378	9,735
Financial expenses	12	-9,088	-22,800
Total		**-7,710**	**-13,065**
Profit before tax		-8,292	-31,333
Taxes for the period	13	5,042	4,482
Net profit/loss for the year		**-3,251**	**-26,851**
Attributable to:			
The parent company's shareholders		-3,251	-26,851
Earnings per share in SEK*		-0.10	-0.81

*no dilution is applicable

Condensed consolidated statement of comprehensive income

Amounts in TSEK	2017	2016
Net profit/loss for the year	-3,251	-26,851
Other comprehensive income:		
Items that will be reclassified to profit or loss for the year		
Translation differences	28	-264
Other comprehensive income, after tax	28	-264
Total comprehensive income for the year	**-3,223**	**-27,115**
Attributable to:		
The parent company's shareholders	-3,223	-27,115
Total earnings per share, SEK	-0.10	-0.81

Condensed consolidated statement of financial position

Amounts in TSEK	Note	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	14	226,292	226,292
Technology	15	212,805	236,612
Brands	16	25,572	25,572
Customer relationships	17	10,548	11,728
Capitalised development expenditures	18	18,568	16,562
Patent	19	571	1,021
Total		**494,355**	**517,787**
Property, plant and equipment			
Improvements, leasehold	20	13,031	16,133
Machinery and other technical plant	21	19,580	5,659
Equipment, tools and installations	22	3,107	3,937
Total		**35,717**	**25,729**
Financial assets			
Accounts receivable	26	17,263	16,170
Participations in associates and joint ventures	24	-	1,228
Total		**17,263**	**17,398**
Total non-current assets		**547,336**	**560,914**
Current assets			
Inventories	25	13,608	15,144
Accounts receivable	26	39,596	27,642
Other current receivables		2,046	3,025
Prepaid expenses and accrued income	27	11,254	9,704
Cash and cash equivalents	28	11,550	15,645
Total		**78,054**	**71,160**
TOTAL ASSETS		**625,390**	**632,074**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent			
Share capital	29	833	833
Translation reserve		116	88
Other capital contribution		675,690	675,690
Retained earnings including net profit for the year		-289,533	-286,283
Total		**387,105**	**390,328**
Total equity		**387,105**	**390,328**
Non-current liabilities			
Advance payments from customers		17,263	18,207
Liabilities to shareholders		-	50,000
Deferred tax liabilities	13	25,243	30,285
Liabilities to credit institutions	30	142,500	-
Other long-term liabilities	21	12,476	-
Total		**197,482**	**98,492**
Short-term liabilities			
Liabilities to credit institutions	30	7,500	100,000
Accounts payable		4,832	4,896
Other short-term liabilities	21	6,855	3,835
Accrued expenses and prepaid income	32	21,616	34,523
Total		**40,803**	**143,254**
Total liabilities		**238,285**	**241,746**
TOTAL EQUITY AND LIABILITIES		**625,390**	**632,074**

Condensed consolidated statement of changes in equity

Amounts in TSEK	Share capital	Other capital contribution	Translation reserve	Retained earnings including net profit for the year	Total equity attributable to shareholders of the parent company
	Equity attributable to shareholders of the parent				
Opening balance 1 January 2016	**833**	**675,690**	**352**	**-259,432**	**417,443**
Comprehensive income					
Profit/loss for the year	–	–	–	-26,851	-26,851
Other comprehensive income:					
Translation differences	–	–	-264	–	-264
Total other comprehensive income, after tax	–	–	-264	**–**	-264
Total comprehensive income	**–**	**–**	**-264**	**-26,851**	**-27,115**
Transactions with shareholders					
Total transactions with shareholders	–	–	–	–	–
Closing balance 31 December 2016	**833**	**675,690**	**88**	**-286,283**	**390,328**
Opening balance 1 January 2017	**833**	**675,690**	**88**	**-286,283**	**390,328**
Comprehensive income					
Profit/loss for the year	–	–	–	-3,251	-3,251
Other comprehensive income:					
Translation differences	–	–	28	–	28
Total other comprehensive income, after tax	–	–	28	**-3,251**	-3,223
Total comprehensive income	**–**	**–**	**28**	**-3,251**	**-3,223**
Transactions with shareholders					
Total transactions with shareholders	–	–	–	–	–
Closing balance 31 December 2017	**833**	**675,690**	**116**	**-289,533**	**387,105**

Condensed consolidated statement of cash flows

Amounts in TSEK	Note	2017	2016
Cash flow from operating activities			
Net profit/loss for the year		-3,251	-26,851
Adjustment for non-cash flow items:			
Depreciation		35,015	33,375
Market valuation bond loan		-	-4,140
Other non-cash items		-3,224	-6,268
		28,540	**-3,884**
Increase/decrease inventory		1,565	-3,416
Increase/decrease accounts receivable		-12,476	-803
Increase/decrease other current receivables		1,231	370
Increase/decrease accounts payable		-56	933
Increase/decrease other current liabilities		-12,687	-5,611
Cash flow from operating activities		**-22,424**	**-8,527**
Investing activities			
Investments in intangible assets		-3,661	-6,450
Investments in property, plant and equipment		-2,571	-961
Cash flow from investing activities		**-6,232**	**-7,411**
Operating cash flow		**-117**	**-19,822**
Financing activities			
Amortisation of financial leasing debt		-1,398	
Amortisation of loan		-150,000	-138,000
Debt incurred		150,000	150,000
Up-front fee for loan		-1,800	-
Cash flow from financing activities	34	**-3,198**	**12,000**
Cash flow for the year		-3,315	-7,822
Cash and cash equivalents at start of year		15,645	22,119
Exchange difference in cash and cash equivalents		-780	1,348
Cash and cash equivalents at end of year		**11,550**	**15,645**

Condensed parent company income statement

Amounts in TSEK	Note	2017	2016
Net sales		–	–
Other revenues	5, 7	6,464	7,563
Total		**6,464**	**7,563**
Other external expenses	8, 9	-2,474	-3,207
Personnel costs	10	-7,467	-7,121
Total		**-9,941**	**-10,328**
Operating profit/loss		**-3,477**	**-2,765**
Profit/loss from financial items			
Interest income and similar items	11	3,076	4,431
Interest expenses and similar items	12	-5,321	-31,328
Total		**-2,245**	**-26,897**
Profit/loss after financial items		**-5,722**	**-29,662**
Taxes for the period	13	–	–
Net profit/loss for the year		**-5,722**	**-29,662**

Statement of comprehensive income, parent company

Amounts in TSEK	2017	2016
Net profit/loss for the year	-5,722	-29,662
Other comprehensive income	–	–
Total comprehensive income	**-5,722**	**-29,662**

Condensed parent company balance sheet

Amounts in TSEK	Note	2017	2016
ASSETS			
Non-current assets			
Financial assets			
Shares in subsidiaries	23	414,574	384,574
Receivables from Group companies		208,415	213,515
Total		**622,989**	**598,089**
Current assets			
Current receivables			
Receivables from group companies		-	22,395
Other current receivables		4	–
Prepaid expenses and accrued income	27	1,962	243
Total		**1,966**	**22,638**
Cash and bank balances	28	**374**	**1,118**
Total current assets		**2,340**	**23,756**
TOTAL ASSETS		**625,329**	**621,845**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	29	833	833
Total		**833**	**833**
Non-restricted equity			
Retained earnings		467,698	497,360
Profit/loss for the year		-5,722	-29,662
Total		**461,976**	**467,698**
Total equity		**462,809**	**468,531**
Non-current liabilities			
Liabilities to shareholders	30	-	50,000
Liabilities to credit institutions	30	142,500	-
Total		**142,500**	**50,000**
Short-term liabilities			
Liabilities to group companies		9,775	-
Liabilities to credit institutions	30	7,500	100,000
Accounts payable		296	85
Other short-term liabilities		369	809
Accrued expenses and prepaid income	32	2,080	2,420
Total		**20,020**	**103,314**
Total liabilities		**162,520**	**153,314**
TOTAL EQUITY AND LIABILITIES		**625,329**	**621,845**

Changes in equity, parent company

Amounts in TSEK	Share capital	Restricted equity	Non-restricted equity	Total equity
Opening balance 1 January 2016	**833**	**–**	**497,360**	**498,193**
Comprehensive income				
Profit/loss for the year	–	–	-29,662	-29,662
Total comprehensive income	–	**–**	**-29,662**	**-29,662**
Total transactions with shareholders	–	–	–	–
Closing balance 31 December 2016	**833**	**–**	**467,698**	**468,531**
Opening balance 1 January 2017	**833**	**–**	**467,698**	**468,531**
Comprehensive income				
Profit/loss for the year	–	–	-5,722	-5,722
Total comprehensive income	**–**	**–**	**-5,722**	**-5,722**
Total transactions with shareholders	–	–	–	–
Closing balance 31 December 2017	**833**	**–**	**461,976**	**462,809**

Cash flow statement, parent company

Amounts in TSEK	Note	2017	2016
Cash flow from operating activities			
Net profit/loss for the year		-5,722	-29,662
Adjustment for non-cash flow items:		-3,314	-2,057
		-9,036	**-31,719**
Increase/decrease other current liabilities and receivables		34,992	-7,400
Cash flow from operating activities		**25,956**	**-39,119**
Shareholder contributions subsidiaries		-30,000	-
Cash flow from investing activities		**-30,000**	**–**
Financing activities			
Amortisation of loan		-150,000	-227,500
Debt incurred		150,000	150,000
Up-front fee for loan		-1,800	-
Amortisation loan group companies		5,100	101,684
Cash flow from financing activities	34	**3,300**	**24,184**
Cash flow for the year		-744	-14,934
Cash and cash equivalents at start of year		1,118	16,052
Cash and cash equivalents at end of year		374	1,118

NOTE 1 General information

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

NOTE 2 Significant accounting policies

The consolidated financial statements for Bactiguard Holding AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and the interpretations of the IFRS Interpretations Committee (IFRIC) as per 31 December 2017.

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

Items in the consolidated financial statements have been prepared on a cost basis, except for certain financial instruments which are stated at fair value.

The functional currency of the parent company is the Swedish krona, which is also the presentation currency of the Group. All amounts are specified in thousands unless otherwise stated. The significant accounting policies which have been applied are described below.

New and amended IFRS standards and new interpretations 2017

The amendments to IAS 7 Cash flow statement ("Disclosure Initiative") means additional disclosure requirements in order to understand the changes in liabilities whose cash flow is recognised in financial operations. The Group has applied these changes for the first time in the Annual Report for 2017. Reconciliation between the opening and closing balances for these items is given in Note 34. Comparative information for the periods prior to 2017 has not been provided.

The management assesses that other new or amended standards and new interpretations, which have entered into force in 2017, are not expected to have any material impact on the Group's financial reports.

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

The new or amended standards and new interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) but that entered into force for the financial year beginning after 1 January 2018 are not yet applied by the Group. Those that are determined to have an impact on the consolidated financial reporting for the period they are applied for the first time are described below.

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

IFRS 9 Financial instruments replaces IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 contains rules for accounting, classification and valuation, impairment, derecognition and rules for hedge accounting. Bactiguard will be applying IFRS 9 from 1 January 2018 and has chosen not to recalculate the comparative year. As with previous years, the Group does not apply hedge accounting.

In the first report that complies with IFRS 9, the financial assets are classified as fair value via the income statement, amortised cost or as fair value via other comprehensive income.

- The classification assessment is based on two criteria: (a) the company's business model for managing the financial asset; (b) the contractual cash flow of the instrument.
- The classification of equity instruments is fair value via the income statement, except when the company has chosen to present such instruments at fair value via other comprehensive income.
- The rules for the classification and valuation of financial liabilities remain largely unchanged from IAS 39.

IFRS 9 removes the requirement of identifying an eventual loss event and introduces a model for expected credit losses. The model establishes a three-stage classification based on whether there has been a significant increase in credit risk or not. For financial assets where there has been no significant increase in credit risk, a credit loss related to the loss which is expected to occur within 12 months is accounted for. For financial assets where a substantial rise in the credit risk has occurred and for those who are uncertain, a credit loss is recognised relating to the loss that is expected to occur throughout the remaining maturity period of the asset.

In line with IFRS 9, Bactiguard has reviewed the classification of financial assets and prepared a new model for calculating credit reserves of accounts receivable. Bactiguard's holding of participations in associated companies falls outside the scope of IFRS 9 and will continue to be recognised in line with the equity method.

For short-term accounts receivable, where there are no significant financing components, the Group will apply the simplified model with a lifetime perspective, i.e. the reservation will correspond to the expected loss covering the entire life span. For accounts receivable, as recognised in the Group's statement of financial position in long-term financial assets, an analysis has been undertaken in order to identify any significant financing components. As long-term accounts receivable consist of territorial fees to a significant extent that correspond to prepaid income and advances from customers of the same amount, no significant financing component has been identified. Consequently, the Group will apply the simplified model of lifetime perspective for long-term accounts receivable.

The new calculation model is based on the historical percentage that is default adjusted for future expectations as well as the likelihood of default. Calculations show that the Group's credit reserves for accounts receivable will need to be adjusted by less than MSEK 1.0, which will be recognised in the opening balance sheet for Equity as at 1 January 2018. The application of IFRS 9 will also lead to increased disclosures.

IFRS 15 will replace IAS 18 Revenue, IAS 11 Construction contracts and related interpretations. The new standard means a new model of revenue recognition (five-step model) based on when the control of a product or service is transferred to the customer. The basic principle is that a company reports revenue to illustrate the transfer of promised goods and services to customers at an amount that reflects the remuneration that the company is expected to be entitled to in return for these goods or services.

IFRS 15 introduces a five-step model:
Step 1 Identify the agreement
Step 2 Identify the performance commitments
Step 3 Determining the transaction price
Step 4 Allocation of transaction price for performance commitments
Step 5 Report revenue when (or as) the company satisfies its performance commitments

IFRS 15 also contains more guidance and comprehensive disclosure requirements.

The management's assessment is that IFRS 15 will not affect the recognised amounts in the financial statements. A detailed analysis in line with the five-step model has been conducted regarding the company's significant customer agreement. The analysis shows the Group's revenue streams, how the transaction price is determined, and how revenue recognition for each revenue stream illustrates the transfer of promised goods and services to the Group's customers. Based on this analysis, management has concluded that there are no quantifiable effects on revenue flows following transition to IFRS 15.

IFRS 16 Leasing agreements will be replacing IAS 17 Leasing agreements. IFRS 16 has a leasing model for the lessees, which means that virtually all leasing agreements are to be recognised in the statement of financial position. The right of use (leasing asset) and the liability are valued at the present value of future lease payments. The right of use also includes direct costs attributable to the signing of the leasing agreement. In the income statement depreciation is recognised on depreciation on the right of use and interest expenses.

The right of use is recognised separately from other assets in the statement of financial position, or is to include the item in which the corresponding assets would be recognised if they were owned. If it is included among other assets, this has to stated along with the items that include rights of use. In subsequent periods, the right of use is recognised at acquisition value less depreciation and impairments, if any, and is adjusted for any revaluation of the leasing liability.

The leasing liability is recognised separately from other liabilities. If the leasing liability is not recognised separately, the items that cover these liabilities must be indicated. In subsequent periods, the liability is recognised at the amortised cost and is reduced by the paid leasing payments. The leasing liability is revalued following changes to the leasing period, residual value guarantees and changes to lease payments, if any.

Short leasing contracts (12 months or shorter) and leasing agreements where the underlying assets amount to a low value need not be recognised in the statement of financial position. These will be recognised in operating income in the same way as current operating leasing agreements.

Bactiguard holds leasing agreements primarily for premises. The management's assessment is that IFRS 16 will affect the recognised amounts in the financial statements. A detailed analysis of IFRS 16 has begun but not been completed, why there is an inability to quantify the effects.

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

Accounting policies for the parent company

Amended accounting policies

Amendments to IAS 7 Disclosure Initiative implies additional disclosure requirements for understanding changes in liabilities whose cash flow is recognised in the financial operations. The changes have resulted in a new reconciliation between the opening and closing balances, which is presented in note 33. Comparative information for the periods prior to 2017 has not been provided.

Other amendments to RFR 2 have not had any material impact on the parent company's financial reports for 2017.

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

Swedish Financial Reporting Board has also decided on the following amendments that have not yet entered into force.

IFRS 9 Financial instruments deal with the classification, measurement and accounting of financial assets and liabilities. The amendments to RFR 2 regarding IFRS 9 are to be applied for financial years beginning 1 January 2018 or later.

Given the relationship between accounting and taxation, companies need not apply IFRS 9 to legal entities. If an entity does not apply IFRS 9, the following must apply:

- The principles in IFRS 9 regarding when financial instruments are to be recognised in, and removed from, the balance sheet are to be applied.
- Financial instruments are to measured on the basis of the acquisition value.
- When calculating the net realisable value of receivables recognised as current assets, the principles for impairment testing and loss risk reserves in IFRS 9 are to apply.
- When assessing and calculating impairment requirements for financial assets recognised as non-current assets, the principles for impairment testing and loss risk reserves in IFRS 9 are to be applied wherever possible.
- Interest income and interest expenses are to be recognised using the effective interest rate method. Dividend income is recognised when:
  -the company's entitlement to receive dividend payment is established,
  -it is probable that the economic benefits associated with the dividend will accrue to the Group, and the dividend can be reliably measured.

The parent company will not be applying IFRS 9 to legal entities. Management has conducted an analysis of the effects, and the changes will not have any significant effects on the recognised amounts in the parent company's financial reports when the changes are applied for the first time, but the changes will lead to increased disclosures.

The changes to RFR 2 regarding IFRS 15 Revenue from agreements with customers is to apply on 1 January 1, 2018 or later. IFRS 15 contains two alternative methods for reporting the transition to the new standard. The principles chosen for reporting the transition in the consolidated accounts are also be applied to legal entities.

Management's assessment is that the changes will not have a significant effect on recognised amounts in the parent company's financial statements.

IFRS 16 Leasing agreements mean, in particular, changes in the way leasing agreements are to be recognised to the lessee. A lessee is to recognise all leasing agreements as assets and liabilities in the balance sheet, with the exception of short-term leasing agreements and leasing agreements where the value of the underlying assets is low.

Due to the relationship between accounting and taxation, the rules in IFRS 16 need not be applied to legal entities. The companies that choose to apply the exemption instead introduce rules that include the principles that apply to the reporting of leasing agreements by lessees and lessors, as well as disclosure requirements. The amendments to RFR 2 regarding IFRS 16 will start to be applied for the financial year beginning 1 January 2019 or later.

The parent company will not be applying IFRS 16 in the legal entity. The management's assessment is that IFRS 16 will not affect the recognised amounts in the Parent Company's financial reports but may lead to increased disclosures.

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

Consolidated financial statements

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

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

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

Loss of control

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

i) the total of the fair value for the compensation received and the fair value of any remaining holding, and

ii)the previous carrying amount for the subsidiary's assets (including goodwill), and liabilities, and any holding without control.

Business combinations

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

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

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

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

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

Participations in associated companies

Participations in associated companies are recognised using the equity method.

Goodwill

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

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

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

Operating segments

Operating segments are components of a company that engages in business activities from which it may earn revenues and incur expenses, whose operating profit/loss is audited regularly by the company's chief operating decision maker, and for which independent financial information is available. The company's reporting of operating segments matches the internal reporting to the chief operating decision maker. The chief operating decision maker is the function that assesses the operating segment's results and makes decisions on the allocation of resources. The company's assessment is that the group management is the chief operating decision maker.

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

Revenues

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

Licence revenues

The Group's revenues from licensing agreements are recognised over the period to which the license entitlement refers. A new license agreement may contain several performance commitments. If so, the company analyses when the revenue is to be recognized in relation to performance commitments. When the respective performance commitment have been accomplished, the revenue attributable to the commtment is recognized as revenue. In 2017, a new licensing agreement was signed with Smartwise Sweden AB for the exclusive global rights to use Bactiguard technology for advanced vascular injection catheters. Revenues from the Smartwise licensing agreement have been divided into two phases, the collaborative phase and the commercial phase in order to reflect the Group's transfer of control over the relevant commitments within the agreement. In 2017, revenue of USD 2.5 million, attributable to the collaborative phase, has been recognised as revenue and corresponds to the commitment made by the Group.

Sale of goods

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

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

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

Royalties

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

Sales of rights

Previously entered distribution agreements regarding the rights to geographical markets are recognised as accounts receivables and prepaid income. The distributor is entitled to call off products at a value corresponding to the prepaid revenue. Revenue is recognised once settlement against prepaid income occurs, that is once the products are delivered.

Since 2015, no new agreements have been concluded with the right to call off products.

Dividends and interest income

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

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

Leasing agreements

A financial leasing agreement is an agreement that essentially transfers all the financial risks and rewards associated with ownership of an object from the lessee to the lessor. Other lease agreements are classified as operating leasing agreements. As of 31 December 2017, the Group has a financial leasing agreement for part of a production plant, which is recognised in the balance sheet, while other agreements are classified as operating leasing agreements.

Assets held under financial leasing agreements are recognised as non-current assets in the consolidated balance sheet at fair value at the beginning of the lease period, or at the present value of the minimum lease payments whichever is lower. Corresponding liabilities to the lessor are recognised in the balance sheet as financial leasing liability. Leasing payments are divided between interest rates and amortisation of the liability. The interest is allocated over the leasing period to ensure that each accounting period is charged with an amount corresponding to a fixed interest rate on the liability recognised during each reported period. The interest expense is recognised directly in the income statement. If the interest expense is directly attributable to the acquisition of an asset that necessitates taking considerable time to complete the intended use or sale, the interest expense is instead to be included in the asset's acquisition value in line with the Group's borrowing costs principles (see below). Fixed assets are depreciated over the shorter period of the useful life of the asset and the leasing period.

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

Foreign currencies

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

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

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

In preparing these consolidated financial statements, foreign subsidiaries' assets and liabilities are translated to Swedish krona using the exchange rate on the balance sheet date. Revenue and cost items are translated to the average exchange rate for the period, unless the exchange rate has fluctuated significantly during the period, whereby the exchange rate on the transaction date is used instead. Any translation differences that arise are recognised in other comprehensive income and transferred to the Group's translation reserve. On disposal of a foreign subsidiary, such translation differences are recognised in the income statement as a part of the capital gain or loss.

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

Borrowing costs

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

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

Employee benefits

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

Defined contribution plans

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

Taxes

Tax expense is the sum of current and deferred tax.

Current tax

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

Deferred tax

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

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

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

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

Deferred tax assets and tax liabilities are offset when they are attributable to income tax levied by the same authority and when the Group intends to settle the tax with a net amount.

Current and deferred tax for the period

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

Property, plant and equipment

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

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

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

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

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

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

Intangible assets

Separately acquired intangible assets

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

Internally generated intangible assets – Capitalised expenses for product development

The Group's product development expenses are recognised as internally generated intangible assets in cases where the following conditions have been met:

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

If these conditions are not met, the expenses of development is recognised instead as a cost in the period in which they arise.

Depreciation of the asset begins once product development for each internally generated intangible asset is considered complete. The asset is then recognised at amortised cost less accumulated depreciation and any accumulated impairments.

Intangible assets acquired in a business combination

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

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

Estimated useful life for intangible assets

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

Disposals and retirements

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

Impairment of tangible assets and intangible assets excluding goodwill

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

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

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

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

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

Financial instruments

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

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

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

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

Financial assets

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

Financial liabilities

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

The fair value of financial instruments

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

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

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

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

Amortised cost

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

Offsetting financial assets and financial liabilities

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

Cash and cash equivalents

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

Accounts receivable

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

Accounts payable

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

Borrowing from credit institutions and other loans

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

Derivative instruments

The Group does not apply hedge accounting, and all derivative instruments are therefore categorized as "Fair value via the income statement" in the subcategory "Held for trading". Derivative instruments with a positive fair value are recognised as assets in the "Derivative Instrument" line item. Derivative instruments with a negative fair value are recognised as liabilities on the "Derivative Instrument" line item. Changes in value from derivative instruments are recognised either in net financial items or in operating income depending on the purpose of the instrument.

Currency forwards are used to hedge foreign currency flows. The Group used currency futures to hedge the USD flow in the year. The results for these are recognised under financial items.

Inventories

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

Provisions

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

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

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

Accounting policies for the parent company

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation (RFR 2) Accounting for legal entities. The application of RFR 2 means that the parent company, to the extent possible, follows all the EU approved IFRS within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and considers the relationship between accounting and taxation.

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

Classification and format

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

Subsidiaries

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

Group contributions

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

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

Pensions

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

Financial instruments

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

NOTE 3 Significant accounting estimates and assessments

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

Revenue recognition

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

Impairment testing of goodwill and brands

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

Estimation of useful life for intangible and tangible fixed assets

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

Assessment of provisions for doubtful accounts receivable

Accounts receivable are one of the most substantial items in the balance sheet and are recognised at their nominal amount net deductions for doubtful accounts receivable. Accounts receivable with a maturity of more than 12 months are discounted. Provisions for doubtful accounts receivable are subject to accounting estimates and assessments. The Group conducts continual assessments of all outstanding accounts receivable. Provisions are made for past due receivables where payment appears less probable. 30% of accounts receivable refer to territorial fees and correspond to deferred income and advance payments from the customer of the same amount, i.e. these accounts receivable have not been recognised as income yet and any provision of them would reduce deferred income and not earnings. See note 4 for additional information regarding credit risk.

NOTE 4 Financial risk management and financial instruments

	Within 3 months	3–12 months	2–5 years	Later than 5 years	Total
Group 31/12/2016					
Liabilities to shareholders	535	1,337	50,880	–	52,752
Liabilities to credit institutions	1,069	102,674			103,743
Accounts payable	4,896	–	–	–	4,896
Bank overdraft	–	–	–	–	–
Total	**6,500**	**104,011**	**50,880**	**–**	**161,391**
Group 31/12/2017					
Liabilities to credit institutions	1,188	10,899	150,406	–	162,493
Other liabilities	360	1,106	6,616	5,860	13,942
Accounts payable	4,832				4,832
Bank overdraft	–	–	–	–	–
Total	**6,380**	**12,005**	**157,022**	**5,860**	**181,267**
The parent company 31/12/2016					
Liabilities to shareholders	535	1,337	50,880	–	52,752
Liabilities to credit institutions	1,069	102,674			103,743
Accounts payable	85	–	–	–	85
Total	**1,689**	**104,011**	**50,880**	**–**	**156,580**
The parent company 31/12/2017					
Liabilities to credit institutions	1,188	10,899	150,406		162,493
Accounts payable	296	–	–	–	296
Total	**1,484**	**10,899**	**150,406**	**–**	**162,789**

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

Liquidity and financing risks

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

Credit and counterparty risk

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

Accounts receivable are spread to a large number of customers where, however, a few of these represent a substantial amount of total accounts receivable. The company's largest customer is C.R. Bard, whose payment history is excellent, and payment terms with 50% advance invoicing are applied. Advance invoicing is also applied to larger transactions and to new distributors in order to minimise credit risk. One of the largest accounts receivable relates to Iraq, whereby the company closely follows the financial and political situation prevailing in the country.

Accounts receivable are not concentrated to any single geographic area. There is no significant concentration of credit risks. Sales of goods are only made to customers for which the credit risk is assessed as small. Bactiguard uses the Swedish Export Credits Guarantee Board's assessment of credit worthiness in each country. The greatest exposure to credit risk is identified in the carrying amount in the balance sheet for each financial asset respectively.

	31/12/2017		31/12/2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and accounts receivable:				
Accounts receivable	56,860	56,860	43,812	43,812
Cash and cash equivalents	11,550	11,550	15,645	15,645
Total financial assets	**68,410**	**68,410**	**59,457**	**59,457**
Financial liabilities				
Long-term interest-bearing liabilities	142,500	142,500	50,000	50,000
Short-term interest-bearing liabilities	7,500	7,500	100,000	100,000
Accounts payable	4,832	4,832	4,896	4,896
Other liabilities	40,947	40,947	38,358	38,358
Total financial liabilities	**195,779**	**195,779**	**193,254**	**193,254**

Measurement of financial instruments at fair value

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

Accounts receivable

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

Capital risk management

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

The Group is working to reduce its capital risk by:

- Establishing sufficient credit facilities in good time for the forecasted needs.
- Monitor maturities for total debt with the purpose of matching amortisation in relation to the expected cash flow.
- Meet key ratios in line with loan agreements. Covenants in the three-year credit facility totalling MSEK 180 in the Skandinaviska Enskilda Banken are reported to the lender at the dates specified in the agreement. Current covenants in this agreement are based on EBITDA.
- Optimise operating capital in the Group.
- Monitoring the net debt ratio. The net debt ratio is determined as the net debt divided by EBITDA (Operating result adjusted for depreciation). Net debt is calculated as interest-bearing liabilities less cash and cash equivalents.

Currency risk

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

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

Under the Group's currency policy such transaction exposure can be reduced through the use of derivative instruments. Pursuant to the currency policy, the Group may use forward contracts, swaps and currency options. If such instruments are used, hedging should take place by 40-80% of the forecasted cash flows in the relevant currency for the next twelve months. However, as of 31 December 2017 the Group held no (-) outstanding currency contracts.

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

Sensitivity analysis

Based on the year's revenues, cost, and currency structures, a general one percent point change in the exchange rate between SEK and USD would impact the Group's operating profit by approximately MSEK +/– 0.6 (0.9). A similar change to the rate of SEK in relation to the EUR (one percentage point) would impact the Group's operating profit by approximately MSEK +/- 0.1 (0).

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows fluctuate due to changes in market rates of interest. The Group is primarily exposed to interest rate risk through its loan financing.

As the loan runs at an interest base of Stibor 90, however minimum 0%, and an interest surcharge of 3.0%, the company's foremost interest risk to possible changes is represented by the underlying Stibor rate.

NOTE 5 Revenues

	Group		Parent company	
	2017	2016	2017	2016
Licence revenues	125,609	102,983	–	–
Sales of BIP products	21,849	15,753	–	–
Change in inventory of finished goods and products in progress	1,238	2,102	–	–
Other operating revenues	4,943	7,504	6,464	7,563
Total	153,639	128,342	6,464	7,563

Intra-group purchases and sales

In 2017, intra-group sales in the parent company totalled TSEK 6,464 (7,563) and purchases TSEK 0 (-)

NOTE 6 Segment reporting

Group

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

Of the Group's total revenues, sales to the customer C.R. Bard. represent 68% (80%). Net revenues totalled TSEK 147,458 (118,736) allocated to the following geographic markets: America 71% (87%), MEA 4% (2%), Asia (7%) (8%), Europe 18% (3%) of which Sweden 15% (0.5%).

Of the Group's total intangible and tangible assets of TSEK 530,072 (543,516), less than 1% (1%) are attributable to foreign companies.

Parent company

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

NOTE 7 Exchange rate differences

	Group		Parent company	
	2017	2016	2017	2016
Operating profit/loss includes exchange rate differences relating to operating receivables and operating liabilities as follows:				
Other operating revenues	2,208	4,199	–	–
Other operating expenses	- 5,141	- 4,848	–	–
Total	- 2,933	-649	–	–

NOTE 8 Information on fees and remuneration to auditors

	Group		Parent company	
	2017	2016	2017	2016
Deloitte				
audit engagements	510	501	510	501
audit-related services	124	118	124	62
tax consultancy	2	22	2	22
other services	–	–	–	–
Total	636	641	636	585
Other auditors				
audit engagements	48	47	–	–
audit-related services	–	–	–	–
tax consultancy	–	–	–	–
other services	–	–	–	–
Total	48	47	–	–

The audit assignment refers to fees charged for the statutorily required audit. The assignment includes auditing the annual accounts and financial statements, reviewing the administration of the Board of Directors and Chief Executive Officer, and the fees for audit advice provided to the company during the audit engagement. Audit-related services refer to quality assurance services and include a review of the Group's interim financial statements and an in-depth review of the new IFRS rules.

NOTE 9 Operating leasing agreements

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

	Group		Parent company	
	2017	2016	2017	2016
Within 1 year	9,178	9,533	–	–
Between 1 year and 5 years	35,839	36,109	–	–
After more than 5 years	57,018	58,190	–	–
Total	102,035	103,832	–	–

The rental commitment is the largest portion of the amounts above. Expenses for operating leasing agreements for the year totalled TSEK 10,391 (9,861) for the Group and TSEK 0 (18) for the parent company.

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

Employees

Average number of employees	2017 Number of employees	2017 Of which men	2016 Number of employees	2016 Of which men
Parent company	3	2	3	2
Swedish subsidiaries	36	14	31	13
Foreign subsidiaries	27	10	23	8
Group total	**66**	**26**	**57**	**23**

Total salaries and other remuneration to employees	2017 Salaries and other remuneration	2017 Social security costs	2017 Total	2016 Salaries and other remuneration	2016 Social security costs	2016 Total
Parent company	4,467	2,634	7,100	4,814	2,755	7,569
– of which pension costs		1,231	1,231		1,153	1,153
Swedish subsidiaries	28,665	12,284	40,949	24,997	11,389	36,386
– of which pension costs		4,995	4,995		4,644	4,644
Foreign subsidiaries	3,253	542	3,795	3,326	493	3,819
– of which pension costs		–	–		–	–
Group total	**36,385**	**15,459**	**51,844**	**33,137**	**14,637**	**47,774**
– of which total pension costs		6,226	6,226		5,797	5,797

Salaries and remuneration to employees excludes consultant fees, i.e. not employees. The above figures do not include other personnel costs, which amount to TSEK 1,474 (1,529). Capitalised personnel costs relating to the time spent on ongoing product development projects of TSEK -1,843 (-3,484) are not included in the figures above, but in personnel costs in the income statement.

Board of Directors and senior management in the Group

Gender distribution in Board of Directors and senior management	2017 Board of Directors	2017 Senior management	2016 Board of Directors	2016 Senior management
Men	3	5	3	5
Women	2	5	2	5
Total	**5**	**10**	**5**	**10**

The CEO, also board member, is included in the Board in the above table.

Remuneration and other benefits to senior management in the Group	2017 Salaries/ Remuneration	2017 Other benefits	2017 Pension	2017 Total	2016 Salaries/ Remuneration	2016 Other benefits	2016 Pension	2016 Total
Chief Executive Officer	2,113	–	522	2,635	2,159	–	522	2,681
Other senior management	12,362	62	2,182	14,606	14,183	62	2,361	16,606
Total	**14,475**	**62**	**2,704**	**17,242**	**16,342**	**62**	**2,883**	**19,287**

The CEO has, during the year, been employed in the parent company. No agreements regarding severance pay are in effect between the company and the current CEO or other senior management. Other senior management includes, in addition to group management, finance manager, three regional sales managers, head of product development and market access, clinical research manager, and a manager for production and purchasing. Guidelines for remuneration to senior management are described in the Directors' Report on Page 28.

Board of Directors	2017 Salaries/ Board fee	2017 Other remuneration	2017 Pension	2017 Total	2016 Salaries/ Board fee	2016 Other remuneration	2016 Pension	2016 Total
Stanley Brodén, Chairman of the Board	500	100	–	600	417	58	–	475
Christian Kinch, member of the board	–	–	–	–	–	–	–	–
Mia Arnhult, member of the board	200	100	–	300	179	58	–	237
Marie Wickman-Chantereau, member of the board	200	–	–	200	117	–	–	117
Svante Östblom, member of the board from Annual General Meeting May 2017	117	_	–	117	–	–	–	–
Peter Hentschel, member of the board until Annual General Meeting May 2017	83	–	–	83	179	–	–	179
Total	**1100**	**200**	**–**	**1,300**	**892**	**116**	**–**	**1,008**

Board fees are paid from the parent company. Bonuses, included in the afore-mentioned salaries and remuneration to the Board of Directors and CEO totalled TSEK - (-). Defined benefit plans do not form any portion of the total pension costs of the Group or the parent company. Other remuneration comprises fees for the chair of the audit and remuneration committees.

NOTE 11 Financial income

	Group		Parent company	
	2017	2016	2017	2016
Interest income	–	2	–	1
Interest income, group company	–	–	3,076	4,430
Market valuation bond loan	–	4,140	–	–
Exchange rate gains	–	2,418	–	–
Other financial income	1,378	3,175	–	–
Total financial income	**1,378**	**9,735**	**3,076**	**4,431**

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

NOTE 12 Financial expenses

	Group		Parent company	
	2017	2016	2017	2016
Interest expenses	6,438	15,233	5,321	25,798
Market valuation bond loan	–	–	–	2,859
Exchange rate loss	796	326	–	–
Other financial expenses	1,854	7,241	–	2,671
Total financial expenses	**9,088**	**22,800**	**5,321**	**31,328**

Interest expenses in the Group are attributable to interest on bank loans, interest on loans from related parties and interest on financial leasing debt. The bank overdraft facility has been measured at amortised cost. Other financial expenses consist of impairment of participations in jointly controlled companies as well as the discounting of long-term liabilities.

NOTE 13 Taxes

	Group		Parent company	
	2017	2016	2017	2016
Nominal tax (22%)	1,824	6,893	1,259	6,526
Tax effect non-deductible expenses	-470	-461	-1	-1
Tax effect non-deductible income	537	–	–	–
The tax effect of loss carry-forwards for which no deferred tax assets are recognised	4,410	4,443	–	–
Tax effect for which no deferred tax loss carry-forwards are recognised	-1,259	-6,493	-1,258	-6,525
Total	**5,042**	**4,482**	**–**	**–**

The Group has tax loss carry-forwards on 31 December 2017 of TSEK -293,947 (-284,975) that can be used against future profits. The tax loss carry-forwards have no maturity date. No deferred tax has been recognized in the balance sheet for the loss of the year, since there are no convincing factors justifying this.

	Group		Parent company	
	2017	2016	2017	2016
Current taxes	–	–	–	–
Deferred taxes	5,042	4,482	–	–
Total	**5,042**	**4,482**	**–**	**–**

Deferred tax

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

	Group	
	2017	2016
Deferred tax assets		
Loss carry-forwards	33,606	33,606
Total deferred tax assets	**33,606**	**33,606**
Deferred tax liabilities		
Intangible assets	58,848	63,891
Total deferred tax liabilities	**58,848**	**63,891**
Total net deferred tax liabilities	**25,242**	**30,285**

The deferred tax asset of TSEK 33,606 (33,606) arose when Bactiguard Holding acquired Bactiguard AB. The deferred tax asset has reduced deferred tax liability on intangible assets in connection with the acquisition. The net is recognised as deferred tax liability in the balance sheet. The year's change to deferred tax liabilities is attributable to temporary differences related to depreciation of intangible assets.

NOTE 14 Goodwill

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening acquisition value	226,292	226,292	–	–
Closing accumulated acquisition value	**226,292**	**226,292**	**–**	**–**
Net carrying amount	**226,292**	**226,292**	**–**	**–**

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

Impairment testing intangible assets with indeterminable useful life

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

The recoverable amount for a cash generating unit is established based on estimations of value in use. These estimations are based on expected future cash flows identified in financial forecasts that were approved by the company management that cover a 5 year period. The assessment of future cash flows includes assumptions regarding primarily sales growth, operating margins and discount rates. The discount rate of 13.2% (12.8%) before taxes reflects specific risks tied to the asset. The forecasted operating margin was based on previous performance and the management's expectations of the market. Growth beyond the forecasted 5 year period is expected to be 1.5% (1.5%) per year, which matches the Group's long-term assumptions for inflation. These assumptions are in line with the previous year's impairment testing.

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

Phase 1

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

Phase 2

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

Phase 3

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

Phase 4

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

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

Based on the assumptions presented above, the value in use exceeds the carried goodwill. Conducting sensitivity analyses of the above assumptions indicates that it requires greater changes to the assumptions (more than 10% reduction in future cash flows, in combination with at least 2 percentage points increase in the discount rate) in order to cause any impairment requirement in regard to goodwill and brands. The impairment testing does not include any effects of potential future restructuring or future improvements to the bulk of assets. The forecast revenue is based on the present and existing condition of the assets.

NOTE 15 Technology

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening acquisition value	357,100	357,100	–	–
Closing accumulated acquisition value	**357,100**	**357,100**	**–**	**–**
Opening depreciation	-120,488	-96,683	–	–
Depreciation for the year	-23,807	-23,806	–	–
Closing accumulated depreciation	**-144,295**	**-120,488**	**–**	**–**
Net carrying amount	**212,805**	**236,612**	**–**	**–**

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

NOTE 16 Brands

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening acquisition value	25,572	25,572	–	–
Closing accumulated acquisition value	**25,572**	**25,572**	**–**	**–**
Net carrying amount	**25,572**	**25,572**	**–**	**–**

The carrying amount for brands is attributable to Bactiguard Holding's acquisition of Bactiguard AB as Bactiguard was identified as an intangible asset. The brand is known, established and enjoys trademark protection for an indeterminate period in relevant markets where the company operates. The Group conducts impairment testing annually for the brand or whenever there is an indication that it may be impaired, see note 14.

NOTE 17 Customer relationships

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening acquisition value	17,700	17,700	–	–
Closing accumulated acquisition value	**17,700**	**17,700**	**–**	**–**
Opening depreciation	-5,972	-4,792	–	–
Depreciation for the year	-1,180	-1,180	–	–
Closing accumulated depreciation	**-7,152**	**-5,972**	**–**	**–**
Net carrying amount	**10,548**	**11,728**	**–**	**–**

NOTE 18 Capitalised development expenditures

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening acquisition value	20,586	14,433	–	–
Capitalisation for the year	3,658	6,153	–	–
Closing accumulated acquisition value	**24,245**	**20,586**	**–**	**–**
Opening accumulated depreciation	-4,024	-2,371	–	–
Depreciation for the year	-1,652	-1,653	–	–
Closing accumulated depreciation	**-5,677**	**-4,024**	**–**	**–**
Net carrying amount	**18,568**	**16,562**	**–**	**–**

Capitalised development expenditures refers to ongoing development projects. Depreciation is initiated when the project is completed.

NOTE19 Patents

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening acquisition value	2,856	2,559	–	–
Capitalisation for the year	3	297	–	–
Closing accumulated acquisition value	**2,859**	**2,856**	**–**	**–**
Opening depreciation	-1,835	-1,287	–	–
Depreciation for the year	-453	-548	–	–
Closing accumulated depreciation	**-2,288**	**-1,835**	**–**	**–**
Net carrying amount	**571**	**1,021**	**–**	**–**

NOTE 20 Improvements, leasehold

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening acquisition value	21,058	20,382	–	–
Purchases	–	676	–	–
Closing accumulated acquisition value	**21,058**	**21,058**	**–**	**–**
Opening depreciation	-4,925	-2,465	–	–
Depreciation for the year	-3,102	-2,460	–	–
Closing accumulated depreciation	**-8,027**	**-4,925**	**–**	**–**
Net carrying amount	**13,031**	**16,133**	**–**	**–**

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

NOTE 21 Machinery and other technical plant

	Group		Parent company	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
Opening acquisition value	10,777	13,482	–	–
Purchases	17,431	200	–	–
Sales/scrapping	–	-3,223	–	–
Exchange rate differences	-1	318	–	–
Closing accumulated acquisition value	**28,207**	**10,777**	**–**	**–**
Opening depreciation	-5,118	-6,070	–	–
Depreciation for the year	-3,510	-2,146	–	–
Sales/scrapping	–	3,217	–	–
Exchange rate differences	1	-119	–	–
Closing accumulated depreciation	**-8,627**	**-5,118**	**–**	**–**
Net carrying amount	**19,580**	**5,659**	**–**	**–**

This year's purchases include a new financial leasing agreement for production equipment in Tullinge with a current value of a minimum lease fee of TSEK 15,340. During the year,the lease asset was depreciated by TSEK -1,704, whereby the closing value in the balance sheet as at 31/12/2017 is TSEK 13,636. The remaining lease commitments are given in the table below, these are also recognised as leasing liabilities in the balance sheet under other long and other short-term liabilities. Once the leasing agreement is completed, Bactiguard is entitled to acquire ownership of the production equipment for SEK 1.

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Within 1 year	1,466	–	–	–
Between 1 year and 5 years	6,616	–	–	–
After more than 5 years	5,860	–	–	–
Total	**13,942**	**–**	**–**	**–**

NOTE 22 Equipment, tools and installations

	Group		Parent company	
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
Opening acquisition value	7,707	7,620	–	–
Purchases	480	85	–	–
Sales/scrapping	-411	–	–	–
Exchange rate differences	–	2	–	–
Closing accumulated acquisition value	**7,777**	**7,707**	**–**	**–**
Opening depreciation	-3,770	-2,188	–	–
Depreciation for the year	-1,310	-1,582	–	–
Closing accumulated depreciation	**-4,669**	**-3,770**	**–**	**–**
Net carrying amount	**3,107**	**3,937**	**–**	**–**

NOTE 23 Shares in subsidiaries

	Parent company	
	31/12/2017	**31/12/2016**
Opening acquisition value	384,574	384,574
Shareholder contributions subsidiaries	30,000	–
Closing acquisition value	**414,574**	**384,574**

Subsidiaries	**Corp.ID. no.**	**Domicile**	**Share of equity %**	**Share of voting power %**	**Book value**
Bactiguard AB	556668-6621	Stockholm	100	100	414,574
Bactiguard International AB	556754-7731	Stockholm	100	100	–
Bactiguard China Limited	1403452	Hongkong	100	100	–
Bactiguard Malaysia SDN. BHD.	970618-V	Malaysia	100	100	–
Bactiguard Singapore Pte. Ltd.	201135972E	Singapore	100	100	–
Bactiguard Israel Ltd.	514794247	Israel	100	100	–
Avisere Technology Private Ltd.	U72200WB2004PTC098738	India	99	99	–
Total					414,574

NOTE 24 Participations in associates and joint ventures

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening balance	1,228	1,298	–	–
Investments	–	–	–	–
Sales/scrapping	-1,228			
Participations in result of associates	–	-70	–	–
Closing balance	**–**	**1,228**	**–**	**–**

The shares relate to 50 % ownership in Casil BG Medical Ltd (Joint venture in Cadila Pharmaceuticals in India) which is being phased out, with the shares being written down in their entirety in 2017.

NOTE 25 Inventory

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Raw material	2,750	1,967	–	–
Products in progress	1,716	1,461	–	–
Finished goods	9,142	11,716	–	–
Total inventory	**13,608**	**15,144**	**–**	**–**

The Inventories item includes an impairment of TSEK 5,261 (2,809) and for the parent company by TSEK - (-). No significant reversals of previous impairments have been made in 2017 or 2016.

NOTE 26 Accounts receivable

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Accounts receivable, gross	57,547	102,004	–	–
Provision for bad debts	-688	-58,191	–	–
Total accounts receivable, net after provision for bad debts	**56,859**	**43,812**	**–**	**–**

Of which non-current accounts receivable are TSEK 17,263 (16,170).
30% (46%) of accounts receivable refer to territorial fees and correspond to deferred income and advance payments from customers of the same amount and have thereby not impacted the income statement.

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

	Group	
Age analysis of accounts receivable	**2017**	**2016**
Not due	19,712	18,443
Overdue 1–30 days	6,600	2,740
Overdue 31–90 days	1,553	744
Overdue > 90 days	29,682	80,076
Of which provision for bad debts	-688	-58,191
Total	**56,859**	**43,812**

	Group		Parent company	
Provision for bad debts	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening balance	-58,191	-45,958	–	–
Provision for doubtful receivables	-476	-12,233	–	–
Realised loss	57,978	–	–	–
Closing balance	**-688**	**-58,191**	**–**	**–**

Previous provisions of accounts receivable made between 2013-2017, which were linked to previous business models, were cleared from the balance sheet over the year and therefore resulted in a realised loss of TSEK 57,978, which has had no effect on earnings or cash flow.

The company's assessment is that payment will be received for accounts receivable that are past due but not impaired. The assessment is confirmed by the conducted customer balance inquiries.

NOTE 27 Prepaid expenses and accrued income

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Prepaid rent	2,403	2,549	–	–
Other items	8,851	7,155	1,962	243
Total	**11,254**	**9,704**	**1,962**	**243**

NOTE 28 Cash and cash equivalents

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Cash and bank balances	11,550	15,645	374	1,118
Total	**11,550**	**15,645**	**374**	**1,118**

NOTE 29 Share capital

Share capital in Bactiguard as per 31 December 2017 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 2017 was 33,302,373 shares and 69,302,373 votes. The shares have a quotient value of SEK 0.025.

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

NOTE 30 Loans

	Group		Parent company	
	2017	2016	2017	2016
Liabilities to shareholders	–	50,000	–	50,000
Long-term liabilities to credit institutions	142,500	–	142,500	–
Short-term liabilities to credit institutions	7,500	100,000	7,500	100,000
Total	**150,000**	**150,000**	**150,000**	**150,000**

At the end of December 2017, the Company signed an agreement with the Skandinaviska Enskilda Banken (SEB) for a three year credit facility totalling TSEK180,000 in the form of a bank overdraft of TSEK 30,000 and a bank loan of TSEK 150,000. The loan runs at an interest base of STIBOR 90, however minimum 0%, and an interest surcharge of 3.0%. The new bank loan of TSEK 150,000 is amortised with a total of TSEK 35,000 over the maturity period. The facility is subject to customary covenants. The credit facility replaces the previous bank loan of TSEK 100,000, a bank overdraft of TSEK 30,000 and a loan from the company's main shareholders of TSEK 50,000.

NOTE 31 Bank overdrafts

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Bank overdraft facilities granted	30,000	30,000	–	–
Unutilised bank overdrafts	30,000	30,000	–	–
Utilised bank overdrafts	**–**	**–**	**–**	**–**

NOTE 32 Accrued expenses and prepaid income

	Group		Parent company	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Accrued interest expenses	63	300	63	300
Accrued holiday pay	5,806	6,342	1,053	1,013
Prepaid income	12,036	22,704	–	–
Other items	3,712	5,177	965	1,107
Total	**21,616**	**34,523**	**2,080**	**2,420**

Prepaid income largely refers to the sale of rights to sell BIP products in an agreed geographic market and is taken up as income during product delivery. The year's change in prepaid income is attributable to product deliveries and changes to agreements.

NOTE 33 Pledged assets and contingent liabilities

	Group		Parent company	
Pledged assets	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Shares in subsidiaries	169,328	134,944	414,574	384,574
Floating charge	150,000	100,000	–	–
Total	**319,328**	**234,944**	**414,574**	**384,574**

There are no contingent liabilities in effect.

NOTE 34 Reconciliation of liabilities attributable to financing activities

			Non-impacting changes in cash flow				
Group	31/12/2016	Cash flow from financing activities	Acquisition of subsidiaries	Sales of subsidiaries	Effect of changes to exchange rate	Other changes	31/12/2017
Non-current liabilities							
Leasing liability	-	-1,398				13,874	12,476
Liabilities to shareholders	50,000	-50,000					-
Liabilities to credit institutions	-	142,500					142,500
Short-term liabilities							
Leasing debt						1,466	1,466
Liabilities to credit institutions	100,000	-92,500					7,500
Reconciliation of liabilities attributable to financing activities	**150,000**	**-1,398**	**-**	**-**	**-**	**15,340**	**163,942**

* Total leasing liability of TSEK 15,340 has been added to the Group during the year. Only amortisation of leasing liability has an impact on cash flow.

Contd. NOTE 34 Reconciliation of liabilities attributable to financing activities

Parent company	31/12/2016	Cash flow from financing activities	Non-impacting changes in cash flow: Acquisition of subsidiaries	Sales of subsidiaries	Effect of changes to exchange rate	Other changes	31/12/2017
Non-current liabilities							
Liabilities to shareholders	50,000	-50,000					-
Liabilities to credit institutions		142,500					142,500
Short-term liabilities							
Liabilities to credit institutions	100,000	-92,500					7,500
Reconciliation of liabilities attributable to financing activities	**150,000**	-	-	-	-	-	**150,000**

NOTE 35 Related party transactions

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

Services and other transactions between companies within the Group are charged based on commercial principles. Bactiguard has a bank loan of TSEK 100,000 up until 27 December 2017 in which the board member – also CEO and main shareholder – Christian Kinch as well as the main shareholder Thomas von Koch ("the main shareholders") have undertaken to, without compensation, enter into guarantee commitments for Bactiguard Holding AB's obligations during the loan agreement. In addition, Bactiguard also had a loan directly from the main shareholders of TSEK 50,000 in which the credit has been issued without collateral and for the rest ran at corresponding commercial terms as the bank loan of TSEK 100,000. The interest rate on the loan to related parties runs at an interest basis of STIBOR 90, but at least 0 %, as well as an interest rate surcharge of 3.5 %. Interest expense for loans to related parties for the year 2017 totalled TSEK 1,755 (97).

Upon refinancing the above bank loan of TSEK 100,000 and loans from the main shareholders of TSEK 50,000, with a credit facility in SEB as at 27 December 2017, the guarantee commitments by the company and the main shareholders has ended.

In 2017, a licensing agreement was signed with Smartwise Sweden AB, a company owned by a group of private investors, including Christian Kinch and Thomas von Koch. In 2017, revenues received from Smartwise Sweden AB totalled USD 2.5 million for the exclusive and global right to use Bactiguard technology for the application area of vascular injection catheters.

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

Details of remuneration and benefits for key individuals in a managerial position are provided in note 10.

NOTE 36 Key events after the balance sheet date

- The nomination committee of Bactiguard Holding AB (publ) proposes the election of Jan Ståhlberg to the Board of Directors for the 2018 Annual General Meeting. As Stanley Brodén, who has been Chairman of the Board since 2015, has declined re-election, the nomination committee proposes that Jan Ståhlberg be appointed new Chairman of the Board. At year-end 2017/2018, Jan Ståhlberg had a shareholding corresponding to 4.8 per cent of the capital and 2.3 per cent of the votes, which means that he was the third largest shareholder in the company at the same time.
- Bactiguard signed a framework agreement with Region Skåne in 2017, which enables both the county councils and municipalities to order Bactiguard's infection prevention urinary catheters. The initial contract expires on April 30 2018, and in February Region Skåne chose to extend the agreement for another year.
- In March, Bactiguard signed a new distributor agreement for Belgium and the Netherlands with Ecomed Services NV, a leading provider of infections prevention in the Benelux countries. Through this collaboration with Ecomed, Bactiguard has extended its European market presence.
- Bactiguard is extending the range of central venous catheter BIP CVC, by launching sets of the popular Raulserson syringe for easier handling and insertion. BIP CVC has been shown to reduce the risk of costly blood infections that are common in the use of central venous catheters.
- Bactiguard secured a major order from China comprising 100,000 infection prevention urinary catheters delivered in March and generating revenues of approximately MSEK 3.

NOTE 37 Dividends

No dividends were issued during 2017 and no dividends are proposed to the 2018 AGM.

NOTE 38 Proposed appropriation of profit

Parent company

The following retained earnings are at the disposal of the Annual General Meeting (SEK)	
Retained earnings	-5,318,454
Share premium reserve	473,016,706
Profit/loss for the year	-5,722,096
	461,976,156
The Board of Directors proposes that the profits be distributed	
as carried forward	461,976,156
	461,976,156

Signing the annual report

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

Stockholm 18 April 2018

Christian Kinch
CEO and Board member

Stanley Brodén
Board member

Svante Östblom
Board member

Marie Wickman-Chantereau
Board member

Mia Arnhult
Board member

Our auditor's report was submitted on 18 April 2018.
Deloitte AB

Kent Åkerlund
Authorised Public Accountant

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Bactiguard Holding AB (publ) for the financial year January 1, 2017 – December 31, 2017 except for the corporate governance statement on pages 30 - 35. The annual accounts and consolidated accounts of the company are included on pages 25 - 59 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 30 – 35. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.
We therefore recommend that the general meeting of shareholders adopts the statement of comprehensive income for the parent company and the group, the balance sheet for the parent company and the statement of financial position for the group.

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

Basis for Opinions

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

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

Key Audit Matters

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

Revenue recognition

The Group revenue amounts to 154 MSEK for the financial year 2017 and consists to 82 % of license revenues and to 14 % of revenues from products sales.

License revenues are received and recognised based on the volume that the company's clients have sold to the end-customers and is recognised in the period of the sale. The license contracts can contain various components and revenue streams that must be evaluated under the recognition criteria of IAS18. For example revenue that is recognised directly upon signing of agreement. Revenues from product sales are recognised when the products are delivered and risks and rewards associated with the ownership of the products have been transferred to the buyer. In the instances where deliveries are made close to a period-end an estimate needs to be made to determine when risk and rewards for the products have been transferred to the buyer and in what period to recognise the revenue.

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

For further information refer to accounting principles on page 45, Note 3 and Note 5 in the annual report.

Our audit procedures

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

- We have gained an understanding of the company's processes for recognising revenue in accordance with the criteria in IAS18. We have also tested key controls in these processes.
- We have audited a sample of material product deliveries to determine whether the revenue recognition criteria have been fulfilled.
- We have reviewed all material new agreements and assessed how the company have treated them in the financial reports.
- We have reviewed that appropriate disclosures have been presented in the relevant notes to the financial statements.

Valuation of Goodwill and other intangible assets

The Group has goodwill amounting to 226 MSEK and other intangible assets, foremost technology, amounting to 268 MSEK accounted for in the balance sheet. These assets are tested annually, or as soon there are events indicating that there is a need, for impairment. Since the total value of these assets represent a significant part of the total assets and is sensitive to changes in assumptions such as growth rate and discount factor we consider it to be a key audit matter in our audit.
For further information refer to accounting principles on page 46, Note 3 and Notes 14 to 18 in the annual report.

Our audit procedures

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

- We have reviewed and evaluated Group's process for impairment-testing of goodwill and other intangible assets in order to assure that assumptions are reasonable, that the processes are consequently applied and that there are integrity in the calculations performed.
- We have reviewed the integrity in calculations performed and the arithmetic correctness in the model used for impairment testing of goodwill by involving a valuation expert.
- We have compared the value of the company's assets with current market value in the form of the company's market cap.
- We have reviewed that appropriate disclosures have been presented in the relevant notes to the financial statements.

Accounting for accounts receivable

The Group has accounts receivable amounting to 57 MSEK, non-current accounts receivables amounting to 17 MSEK and current accounts receivables amounting to 40 MSEK. The receivables have in some instances long payment terms and are to a great extent related to foreign clients. For a portion of the receivables there is a risk for customers not paying due to that regulatory approvals are delayed or due to country and client specific risks.

Accounts receivable represent a significant asset in the Group's statement of financial position, is associated with difficult judgments related to the customer's ability to pay and as a consequence it is key audit matter in our audit.

For further information refer to accounting principles on page 47 and Note 3 as well as 26 in the annual report.

Our audit procedures

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

- We have reviewed the company's estimate of each individual significant receivable and performed client confirmation procedures for a sample of the most significant receivables.
- We have reviewed that receivables with payment conditions exceeding one year are accounted for in accordance with IAS 18.
- We have per discussion with management confirmed status on significant outstanding receivables up until the release of the annual report.
- We have reviewed that appropriate disclosures have been presented in the relevant notes to the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1 - 24 and 63. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bactiguard Holding AB (publ) for the financial year January 1, 2017 – December 31, 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 58 - 67 has been prepared in accordance with the Annual Accounts Act.
Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Deloitte AB, was appointed auditor of Bactiguard Holding AB (publ) by the annual general meeting of the shareholders on May 18, 2017 and has been the company's auditors' since May 18, 2012.

Stockholm April 18, 2018
Deloitte AB

Kent Åkerlund
Authorised 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 CVC
Bactiguard Infection Protection (BIP) central venous catheter.

BIP ETT
Bactiguard Infection Protection (BIP) endotracheal tube.

BIP Foley
Bactiguard Infection Protection (BIP) foley catheter.

Hemolysis
Causes the red blood cells to burst

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

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

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

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