ANNUAL REPORT 2020

Bactiguard®

Infection prevention | Saving lives

The Board of Directors and Chief Executive Officer of Bactiguard Holding AB (publ.), corporate identity number 556822-1187, hereby present the Annual Report for the 2020 financial year for the parent company and Group, which comprises the Board of Directors' report (pages 4–5, 10–19, 24–25 and 30–49) and the financial statements, as well as the notes and comments (pages 50–80). The consolidated income statement and balance sheet and the parent company's income statement and balance sheet are adopted at the Annual General Meeting.

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more than 200
million catheters sold

69%
reduced risk of catheter-associated urinary tract infections

99.98%
of the new Coronavirus is inactivated by Hydrocyn aqua disinfectant

WE SAVE LIVES

Bactiguard is a Swedish medical device company with the mission to reduce the risk of infections and save lives. To achieve this mission, we develop and supply effective and safe infection prevention solutions.

Bactiguard has a unique offer in the field of infection prevention. Our products and expertise enable us to significantly lower the risk of infections, increase the quality of life for patients, shorten hospital stays and reduce costs. Our range of products also helps to reduce the use of antibiotics.

Bactiguard is a global company with its headquarters, product development and production next to the Karolinska University Hospital in Huddinge, Sweden. In Malaysia we have product development as well as a modern production facility. We have our own sales organisation covering the Nordic region and Malaysia, while distributors and license partners give us access to the rest of the world.

The core business comprises products that have Bactiguard's effective and safe coating technology, as well as Hydrocyn aqua, an alcohol-free product line for wound care and disinfection. We also license our coating technology to global medtech companies.

The risk of infections is high in healthcare around the world. An increase in infections leads to complications, a higher mortality rate and a lower quality of life for patients, longer hospital stays and higher costs. Infections also lead to a greater use of antibiotics, which increases the risk of antibiotic resistance. Infection prevention is therefore a crucial sustainability issue for the whole world and a central component in future healthcare.

Headquarters in Stockholm

Listed on the main list of Nasdaq Stockholm, the Mid Cap segment.

Global presence

Production in Malaysia and Sweden

Our vision

To eliminate infections in order to:

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

Our mission

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

YEAR IN BRIEF

Acquisitions

In February 2020 Bactiguard completed its first company acquisition. The acquisition of Vigilenz expanded our portfolio with products for wound care and disinfection, for example Hydrocyn aqua. It also increased our skills in product development, and gave us a modern and efficient production facility and a sales team in Malaysia.

More expertise in sales and marketing

We recruited key staff in sales and marketing and set up our own sales organisation for the Nordic region.

Pandemic

The pandemic resulted in healthcare resources being reallocated throughout the world. Regular health services were sidelined, with many planned operations postponed. This resulted in a drop in demand for consumables during the pandemic.

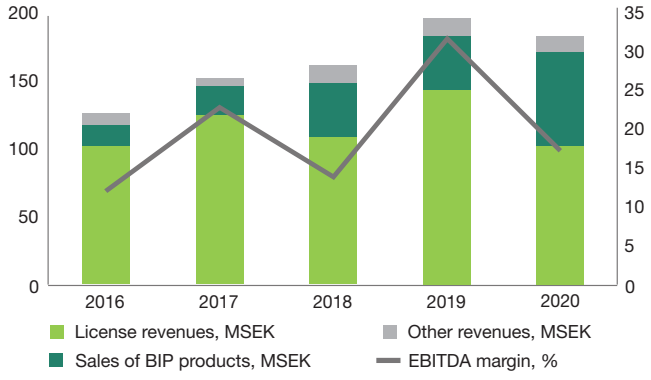
The pandemic has created a significant global healthcare backlog, which makes infection prevention one of the most important sustainability issues for future healthcare.

Key performance indicators

MSEK unless otherwise stated	2020	2019
Revenues	186.0	193.9
EBITDA [1]	26.7	61.6
EBITDA margin, % [1]	14	32
Operating profit/loss	-17.6	19.5
Profit/loss before tax	-41.9	10.4
Net profit/loss for the year [2]	-38,4	16.3
Cash flow from operating activities [1]	0.7	54.0
Net debt [1]	254.1	185.0
Equity ratio, % [1]	55	60
Return on assets, %	-2.3	3.1
Return on equity, %	-11.2	2.7
Earnings per share, SEK [2]	-1,14	0.49
Average number of employees	163	60

[1] Definition and reconciliation of key figures are presented in page 84.
[2] Information regarding change in this key figure compared to the report for the fourth quarter of 2020 is presented in page 60.

Revenues and EBITDA margin



Bactiguard advanced on Allbright's green list of Nasdaq Stockholm's most gender-equal companies.

Nasdaq Stockholm moved Bactiguard from the Small to the Mid Cap list.

WE ENTER 2021 AS A MUCH STRONGER COMPANY

Bactiguard made several strategic advances during a year dominated by the pandemic. The acquisition of Vigilenz expanded our product portfolio for infection prevention and increased our market presence. It also gave us an effective sales organisation, more resources in product development and a modern production facility in Malaysia, which will allow us to continue to expand. We also made great strides in our collaboration with Zimmer Biomet. With a new CE mark for trauma implants, a strengthened management team and sales and marketing organisation, we enter 2021 as a much stronger company.

For us, 2020 will be remembered for the pandemic and the strategic acquisition of the Malaysian company Vigilenz in February. This acquisition provided us with many important assets and expanded our product portfolio to include wound care and disinfection, alongside our existing products for the urinary tract, the bloodstream and the respiratory tract. We acquired a modern and efficient production facility in Asia and we also gained a stronger foothold in South-East Asia, with a well-established direct sales organisation in Malaysia. This resulted in sales in South-East Asia progressing well in 2020, even though several countries in the region were periodically in lock-down during the pandemic.

Great potential for our license business

Our license business with Becton, Dickinson and Company (BD) was hit by the pandemic as regular health services were cut back and planned operations were postponed, which had a negative effect on BD's sales of consumables. We saw a recovery to more normal levels during the final quarter of the year and BD has reported a more positive trend. The underlying business is stable and is expected to recover as healthcare returns to a more normal level of activity.

In 2020 we made great strides in the collaboration with the global medical device company Zimmer Biomet, which started in 2019. A real breakthrough was the CE mark for their trauma implants, which we received in January 2021. This paves the way for production and a launch in the first half of 2021. At the same time, work on registration in the United States continues and we see that the partnership with Zimmer Biomet definitely has the potential to considerably expand our license business.

We also had a breakthrough in China at the end of 2020. Despite the challenges caused by the pandemic, our partner, Well Lead, made significant progress in developing its own portfolio of medical devices with Bactiguard's technology. This resulted in a first order for our coating concentrate in December 2020. This concentrate will be used in product development and manufacturing, while awaiting regulatory approval for locally produced products. There is also great potential for a significant increase in license business here in the future.

Our strategy to secure 1–2 new license agreements per year remains firmly in place, focusing on orthopaedic and dental implants, as well as various kinds of products for the bloodstream, for example, stents and dialysis catheters. Although we have several exciting projects and dialogues underway, the pandemic has temporarily reduced the investment capacity of potential partners and extended the processes. We know that Bactiguard's technology is well-suited for different kinds of medical applications, both for short-term and long-term use, and we are convinced that the ongoing projects and studies will result in new license agreements.

Continued global expansion

In the autumn of 2020 we took the strategic decision to sharpen our focus and speed up the pace in our sales organisation, making Bactiguard more visible and influential. Our aim is to raise awareness of the importance of infection prevention and to make our products the natural choice by establishing them as the standard of care. This has included the recruitment of several very experienced leaders, marketers and sales representatives to Bactiguard. They bring the competence and experience required for Bactiguard's continued expansion. We also decided to change our sales strategy, creating our own sales force for the Nordic region, alongside the one we already have in Malaysia.

Our distribution partnerships remain important to us. For example, last year we started a partnership in Spain, one of the largest countries in Europe with considerable potential. In India we have also made progress on the market. This included supplying our catheters to several major hospitals that were focusing on caring for Covid-19 patients as our catheters reduce the risk of secondary infections.

We are very proud of the study presented in March 2021 which proves that urinary catheters with Bactiguard's coating for infection prevention reduce the risk of catheter-associated urinary tract infections (CAUTI) by 69% compared to standard catheters. The reduction is an effectiveness that many pharmaceuticals won't even come close to. The study, published in an internationally renowned scientific journal paves the way for increased awareness of Bactiguard's effective technology for infection prevention.

Disinfectants and wound care form a new and important part of our growth strategy. The global launch of the effective and non-alcoholic solution Hydrocyn® aqua is well underway, focusing on Europe, the Middle East, India and South-East Asia. The roll-out is in full swing, but until joint European regulations are in place, local provisions mean that it will take time before sales gather real momentum.

Infection prevention is an important sustainability issue and plays a central role in future healthcare

2020 was a challenging year as regular health services were cut back and elective surgeries were postponed as a result of the pandemic. This has resulted in a substantial global healthcare backlog that has to be managed. For example, Stockholm Regional Council believes it will take two years to deal with the backlog.

> Infection prevention is not only a strategic issue for Bactiguard, but a central component in healthcare and one of the most important sustainability issues for the future.

The global healthcare backlog puts an incredible amount of pressure on healthcare. Healthcare associated infections (HAIs) are a major problem for society and make it difficult to tackle the healthcare backlog. An average of one in every ten patients suffers from HAIs, which are often caused by medical devices. In serious cases infections can lead to sepsis, which is a life-threatening condition. The people who survive often suffer permanent damage. Approximately half of all sepsis cases can be traced to HAIs.

HAIs result not only in unnecessary suffering, but also longer hospital stays, high costs and greater pressure on healthcare. By preventing infections, healthcare can become more efficient, we can save millions of lives every year and we can reduce patient suffering. Infection prevention is therefore not only a strategic issue for Bactiguard, but a central component in healthcare and one of the most important sustainability issues for the future.

Future prospects

Although financial developments were not in line with our ambitions in 2020, the year of the pandemic, we made significant strategic advances and are therefore stronger than ever before.

The global roll-out of vaccines will have a positive impact on society and our daily lives, particularly for healthcare, which will be able to return to a more normal situation. However, factors such as the speed of the roll-out of the vaccine, the risk of mutations and new outbreaks still make it difficult to predict near term developments.

In February 2021 I announced to the Board that I would be leaving my post as CEO. I have been part of the executive management team for seven years and during this time we have created value for patients, partners and shareholders. Bactiguard is better equipped than ever before to benefit from an increase in global demand for infection prevention and deliver profitable growth. So this is the right time for me to hand over to a new CEO, who can set the bar for the coming five-year period and take Bactiguard to the next level.

Finally, I would like to take this opportunity to thank all our employees for your incredible work in the challenging year of 2020. I would also like to extend a warm welcome to our 1,700 new shareholders. It is such an inspiration to see more and more people understanding how important preventative work is and the significance of Bactiguard in preventing infections.

Cecilia Edström
CEO

INFECTION PREVENTION MORE IMPORTANT THAN EVER

Infections are a growing problem throughout the world. More infections lead to increased use of antibiotics, which escalates the risk of antibiotic resistance. Antibiotic resistance is an acute global threat to public health and one of the most important sustainability issues for the future.

Bactiguard's solutions and technology prevent infections when using medical devices and consumables, for example, implants and various different types of catheters.

One in every ten patients is affected

Healthcare associated infections (HAIs) affect patients being cared for in hospital or at other healthcare facilities, and during medical or surgical procedures. It is often the medical devices that cause the infections, which affect one in ten patients on average.

HAIs cause unnecessary suffering, longer hospital stays, high costs and a greater burden on healthcare and society. Millions of lives can be saved every year by preventing infections.

HAIs also result in significant quantities of antibiotics being used, causing problems with antibiotic resistance, as the use of antibiotics in itself leads to greater resistance. According to the World Health Organization (WHO), ten million people will be at risk of dying every year from infections by 2050 as a result of antibiotic resistance. This can be compared to about eight million people dying of cancer every year.

10 million people die of sepsis

In serious cases infections can lead to sepsis, which used to be called blood poisoning. Sepsis occurs when the body's immune system overreacts to an infection and it can quickly become life-threatening. Late diagnosis and antibiotic resistance are making it increasingly difficult to treat bacterial infections and to prevent them from developing into sepsis. Every year 47–50 million people develop sepsis, and one in five of them dies. Those who survive often suffer permanent damage. It is estimated that up to 50% of all cases of sepsis can be attributed to HAIs. This is why it is incredibly important to prevent HAIs.

Fewer infections will result in a reduction in the use of antibiotics and better health for patients. Fewer complications will also result in shorter hospital stays and lower treatment costs. In 2017 the OECD stated that the costs for preventing infections are much lower than the costs for HAIs.

> Antimicrobial resistance is not just an existential threat, it is another global pandemic with millions of antibiotic-resistant infections and more than 700,000 deaths each year.
>
> **The Lancet**
> **November 2020**

The silent tsunami

Anti-microbial resistance (AMR) is sometimes referred to as the 'silent tsunami' and the pandemic has made this issue more relevant than ever before. One of the risk factors linked to Covid-19 is secondary infections, for example, pneumonia. In studies of Covid-19 patients, secondary bacterial infections are clearly associated with a deterioration in patients' condition and death, despite treatment with antibiotics.

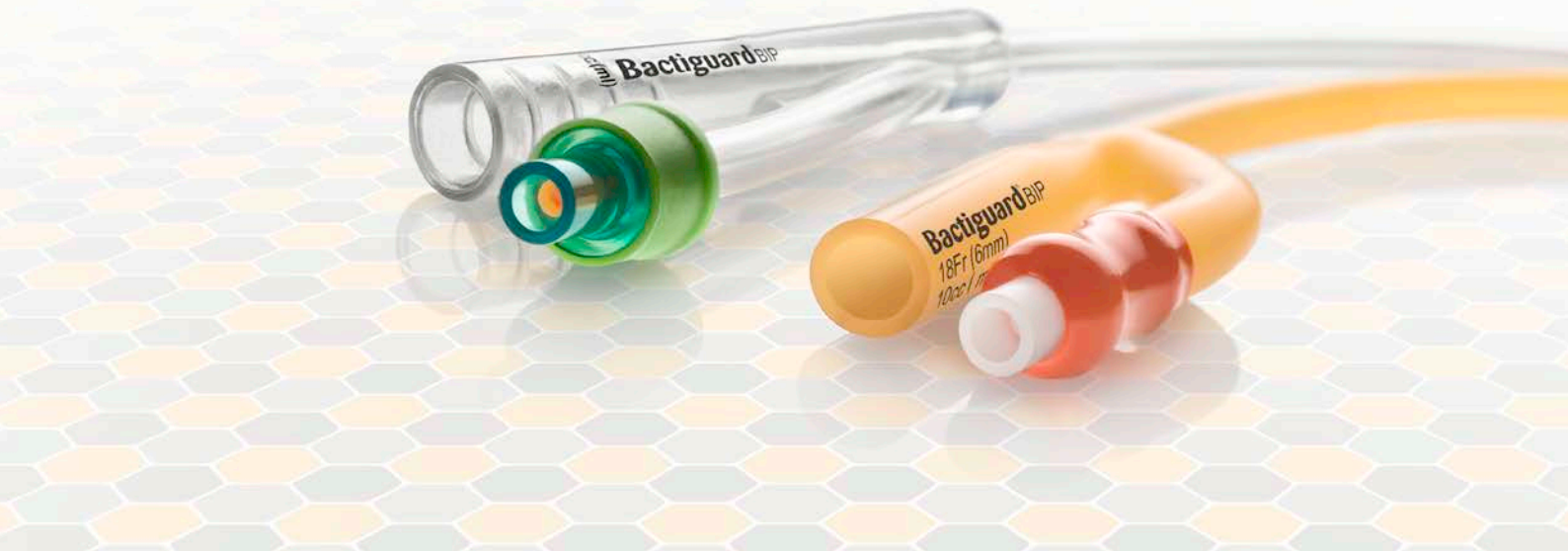
Although most bacterial pneumonias can still be treated effectively with antibiotics, broad-spectrum antibiotics are having to be used much more frequently. This accelerates the development of antibiotic-resistant bacteria, which will lead to worse treatment outcomes.

AMR will make common infections, such as tonsillitis and otitis, more difficult to treat in the future, and in the worst cases they could prove fatal. Routine surgeries and cancer treatments also depend on effective antibiotics to supplement a patient's own immune system.

Infection prevention one of the most important sustainability issues

"Antibiotic resistance is one of the most urgent health risks of our time and threatens to undo a century of medical progress," says Dr. Tedros Adhanom Ghebreyesus, Director General of WHO. According to WHO, antibiotic resistance threatens the UN's goal to eradicate the epidemics of, for example, AIDS, tuberculosis and malaria by 2030. Infection prevention is therefore one of the most important sustainability issues globally.

Bactiguard's technology forms an important link in the value chain for healthcare associated infections, as it reduces the risk of infections when using medical devices such as urinary catheters, endotracheal tubes, central venous catheters and implants.



STRONG OFFER FOR INFECTION PREVENTION

Bactiguard's focus is infection prevention. Revenues are generated by our own product portfolio and license business. Bactiguard's offering is an important contribution to the sustainability efforts of reducing the risks of healthcare associated infections.

Until February 2020 our business comprised Bactiguard's unique technology, which we license to leading medical device companies globally, and offer in our own range of products. The acquisition of the Malaysian company Vigilenz in 2020 expanded our range with a portfolio of products for wound care and disinfection, Hydrocyn aqua, as well as sutures and other wound care products.

License business

We license Bactiguard's technology to leading medtech companies that apply our technology to their own products and sell them under their own brand. This license business gives us access to a large global market, while making our technology available to as many as possible.

In our license business we receive initial fees related to the right to use Bactiguard's technology for products within a specific application and geographical area. The license revenues also comprise royalties; which is a variable remuneration when the products reach the market and generate sales revenues. The licensees gain access to Bactiguard's expertise in technology, production and regulatory approval processes. We also supply them with the coating itself; a concentrate from noble metals.

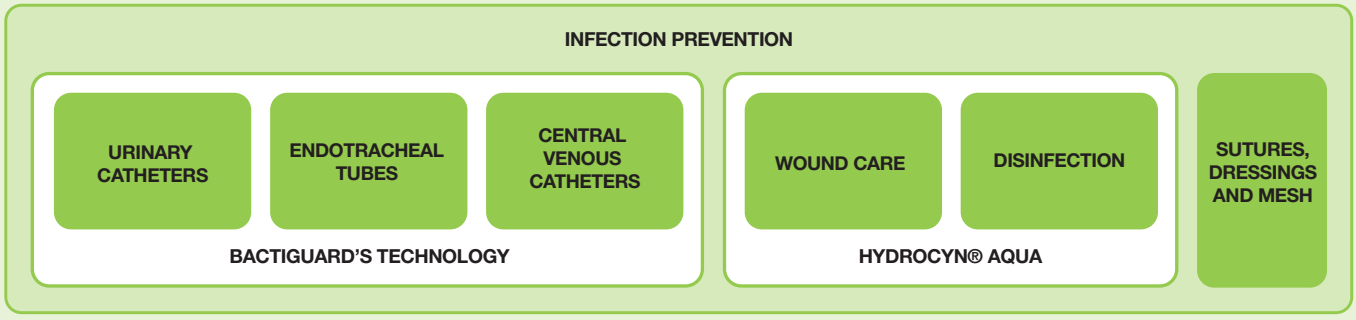
BIP portfolio

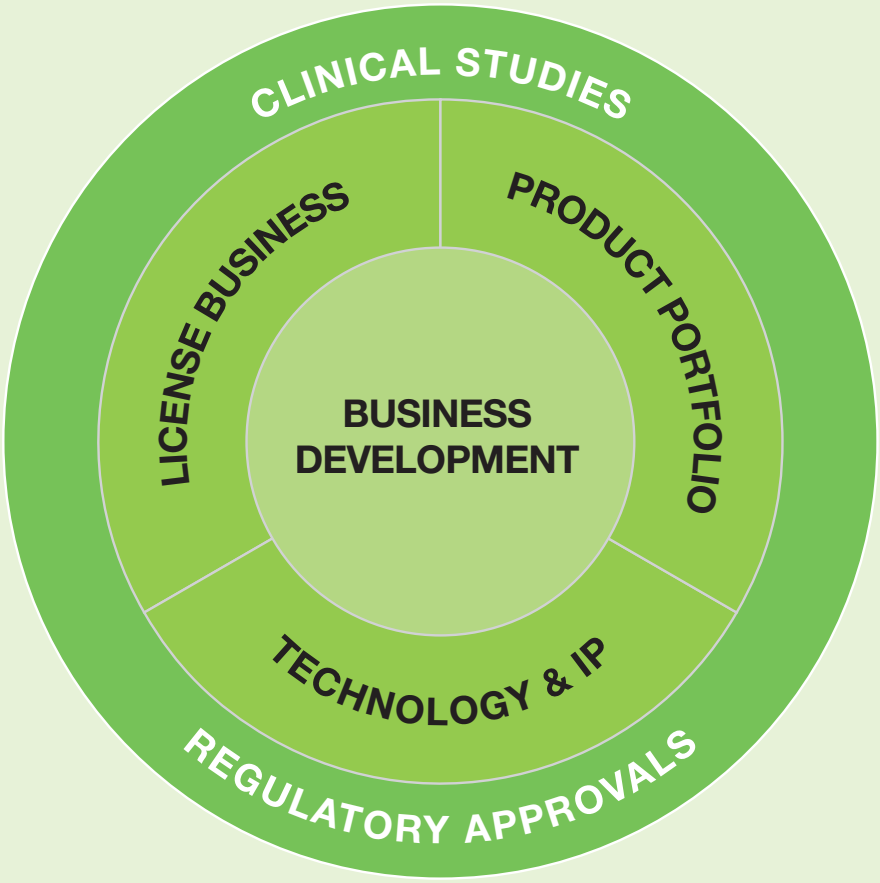
We call our own product portfolio 'BIP' (Bactiguard Infection Protection). The portfolio contains urinary catheters, endotracheal tubes, central venous catheters, Hydrocyn for disinfection and wound care, as well as sutures and other wound care products. Our products prevent infections, and are effective and biocompatible.

We sell our product portfolio either directly or through distributors across of the world. When we sign a new distributor agreement, it normally takes between one and one and a half years before the collaboration starts to produce tangible results. The amount of time required depends, for example, on national regulatory approval processes.

The acquisition of Vigilenz gave us access to a well-established sales organisation in Malaysia. In 2020 we took the strategic step to build our own sales organisation in the Nordic region so that we can approach our domestic market more effectively.

Bactiguard's product portfolio





Bactiguard works continually on developing products, our license business and business model. One of our priorities is to find new areas of application for our technology to ensure that more patients can have access to effective and safe infection prevention. New areas of application open the doors to a larger market and more license agreements.

Our own product portfolio generates increasing revenues and contacts with healthcare providers. These contacts are essential as they enable us to perform clinical studies. Clinical evidence is required for technology and products to be granted regulatory approval. The clinical studies and the knowledge we gain from the approval processes give us an important competitive advantage when negotiating license agreements, developing our product portfolio and building our distributor network.

All parts of our business model are interlinked and dependent on each other. Together they provide the right conditions for Bactiguard to continue to create value and save lives.

CLEAR GROWTH STRATEGY

Bactiguard is a growth company that has a clear strategy for developing its business. We will grow with our own product portfolio on existing and new markets and develop new license business, while continuing to expand our portfolio with new products.

The pandemic forced healthcare around the world to reprioritise. Regular health services were cut back and elective surgeries were postponed, which had a negative impact on our business. However, the pandemic has not reduced the need for infection prevention; rather the opposite. It has made people aware of how important it is to have effective and safe healthcare. As a result, our view of the market and our growth plans did not change during the year of the pandemic.

New markets

Our license and distribution agreements mean that we are present on many markets throughout the world. The USA and China are our largest markets. By offering a broader portfolio, we can expand our business on both current and new markets.

Following the acquisition of Vigilenz in 2020, we now have a well-established sales organisation in Malaysia that is is now selling the original Bactiguard portfolio. We have started launching Vigilenz's effective Hydrocyn products in Europe as well. Investing in our own sales organisation for the Nordic region will help to create closer and more active customer contacts so that we can grow our business more rapidly.

We are also continuing to develop our distributor network to reach a large global market with our products.

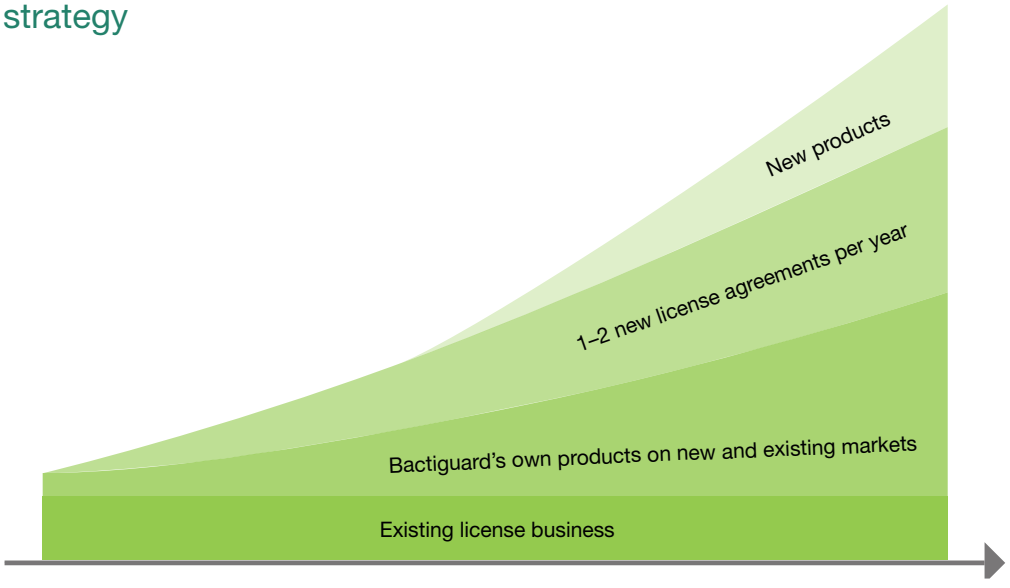
New license business

We have several interesting license projects in the pipeline and have identified new, exciting business opportunities. Our goal is to sign 1–2 new license agreements per year. Bactiguard's technology is documented as being effective and safe and approved for both short-term and long-term use, we see the potential for new areas of application and license agreements. We are currently looking at orthopaedic and dental implants as well as different kinds of products for the urinary tract, the bloodstream and the respiratory tract, where we are targeting the global market.

New products

We continue to expand our product portfolio for infection prevention by developing new products and areas of use where wound care is an interesting addition.

Growth strategy



> We are convinced of the strength of Bactiguard's technology for different medical applications for both short-term and long-term use.
>
> **Cecilia Edström**
> **CEO**

EFFECTIVE AND SAFE TECHNOLOGY

Bactiguard's technology for medical devices and implants is safe and significantly reduces the risks of healthcare associated infections. The technology has been approved for both short-term and long-term use, so there are many new applications where it could be used to increase patient safety.

For more than 30 years Bactiguard's unique technology of noble metals has been developed and applied to medical devices. We performed our first clinical tests back in 1986, and in 1994 urinary catheters with Bactiguard's coating were approved by the FDA in the USA. The technology has been clinically proven to save lives by reducing the risk of infections.

Many new areas of application

We work continually on developing new products and applications for this technology. As it has been approved for use with implants that can remain life-long, we have identified many new areas of use, including knee and hip joints as well as stents.

Our technology can be used in most areas where there is a need for infection prevention and tissue-friendly properties. It has been successfully applied to different types of titanium, stainless steel, latex, silicone, polymers, ceramics and textile materials. The coating is very thin, and does not affect the products' other properties such as thickness, appearance or stiffness.

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

One important part of the development work is our collaboration with academia, healthcare, organisations and other companies. We are members of several scientific networks that are funded by the EU and Sweden, including Vinnova and Medtech4Health.

We protect the technology

The concentrate itself – which we deliver to our licensees – is based on a valuable recipe, which is a well-kept trade secret. The technology is also protected by a patent that is based on a combination of noble metals deposited on the surface of a product, the application process and most of the medical devices and implants on which the technology can be applied. The current patent is in force in the USA until 2027 and until 2029 in other countries. Patent applications have been submitted for a new generation of technology. We also have unique process expertise to ensure the coating attaches to the products and is effective.

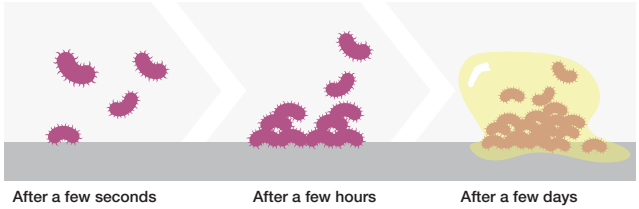
How the technology works

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

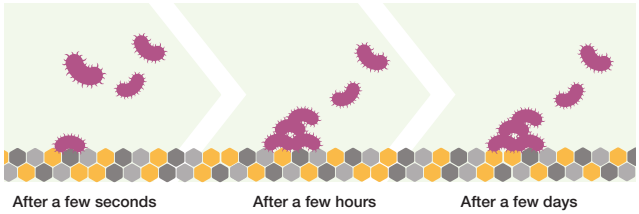
The Bactiguard technology comprises a very thin coating of gold, silver and palladium. When in contact with fluids it creates a galvanic effect resulting in fewer microbes adhering to the surface. This reduces the risk of biofilm formation leading to infection.

The amount of noble metals is very low and no toxicological or pharmacological quantities are released. This makes the technology both tissue-friendly and safe. It can be used on virtually all kinds of materials that are used for medical devices and implants.

Uncoated surface



Bactiguard's coating



CLINICAL EVIDENCE A COMPETITIVE ADVANTAGE

Clinical studies are strategic and priority investments. They verify the efficacy and safety of the technology. They also provide us with data that enables regulatory approval of the products.

Clinical studies are important in the sales process. Combined with our knowledge of regulatory requirements and approval processes, they give us a strategic competitive advantage when negotiating and developing new license agreements. Approval processes can often take several years, so it is a significant competitive advantage if we can shorten them. Requirements are also getting stricter and the new European MDR regulation will make it more difficult for new products to enter the market if they lack clinical evidence.

More than 40 clinical studies have so far been performed on Bactiguard's technology including a total of more than 100,000 patients. The studies are performed in Sweden and internationally in collaboration with healthcare and academia.

These extensive studies have proven that the technology is safe and effective and can be used life-long. We also study user-friendliness and patient satisfaction to enable us, for example, to adapt the shape and design of the products. At the same time we are studying new areas of use and applications for our technology, which will pave the way for new products and license agreements.

In 2020 several important studies were completed on products with Bactiguard's coating technology.

- The VITAL study in Liège, Belgium. A study of IVA patients with endotracheal tubes (ETT), carried out using a 'randomised controlled design', which is the most reliable way of conducting a study. This means that the participants are randomly selected to the group that receives the treatment to be studied or to a control group. The results are expected to be published in 2021.
- The Rehab study in Stockholm, Sweden. This study has examined the long-term use of the urinary catheter BIP Foley for patients with spinal cord injuries who require permanent treatment with a urinary catheter. It provides crucial knowledge about how the technology affects the urinary tract and the inflammation system in the long term. Analyses and data are expected to be completed in the first half of 2021.

In March 2021 a randomized, controlled multicenter study was published which shows that urinary catheters with Bactiguard's coating for infection prevention significantly reduce the risk of catheter-associated urinary tract infections (CAUTI) compared to standard catheters. A total of 1,000 patients in India were randomly assigned to a standard catheter or a urinary catheter with Bactiguard's coating for infection prevention. The group that received the Bactiguard catheter had a 69% lower risk of developing catheter-associated urinary tract infections (CAUTI) during the treatment period. In addition, no side effects related to Bactiguard's technology were reported.

> "Clinical studies give us important competitive advantages and knowledge about our technology."
>
> **Stefan Grass**
> **Chief Medical Officer**

Clinical data

More than 200 million catheters with Bactiguard's technology have been used over 25 years.

More than 40 clinical studies with over 100,000 patients.

No side effects relating to the coating have been reported.

Studies show that Bactiguard's technology:

Reduces catheter-associated urinary tract infections by 69%.

Reduces catheter-related blood infections by 52%.

Reduces ventilator-associated pneumonia by 53%.

IMPORTANT BREAKTHROUGHS IN EUROPE AND CHINA

We made several important advances in our license business at the end of 2020 and in January 2021. In 2020 license revenues were affected by the pandemic, as regular health services were cut back and planned operations were postponed.

In 2020 license revenues amounted to MSEK 103.5 (144.8). This comparison is affected by the initial license revenue of MSEK 29.4 from Zimmer Biomet in 2019.

BD affected by the pandemic

License revenues from BD have been stable for many years, but were hit by the pandemic in 2020. BD's sales of consumables were affected when regular health services were cut back and elective surgeries were postponed. At the end of the year revenues returned to more normal levels. Revenues from BD amounted to MSEK 93.4 (113.3) in 2020 and were also hit by negative currency effects of MSEK 3.3.

BD has a leading market position in countries such as the USA and Japan. Its underlying business is stable and is expected to continue to recover as healthcare returns to its regular activities.

Progress in Europe with Zimmer Biomet

Our collaboration with Zimmer Biomet continues at a high pace, with Bactiguard receiving a CE mark for Zimmer Biomet's trauma implants featuring Bactiguard's technology in January 2021. This is an important step forwards as it paves the way for the start of production and launch of these products in Europe in the first half of 2021. Bactiguard will receive regular license revenues as soon as the products reach the market..

Initially Bactiguard will coat the implants at the factory in Penang and deliver the products to Zimmer Biomet. In parallel with this, work is being carried out to register the implant on the US market.

The collaboration with Zimmer Biomet – one of the world's leading orthopaedic companies – started in 2019. The agreement comprises an initial license fee of MSEK 29.4, which was paid when the agreement was signed in 2019. When certain milestones in the regulatory process in the USA are passed, the agreement has potential to generate additional revenues totalling USD 2 million; and when the products reach the market, Bactiguard will receive royalties from Zimmer Biomet's sales. This partnership has the potential to considerably expand Bactiguard's license business and contribute significantly to license revenues.

Breakthrough in China with Well Lead

In the fourth quarter of 2020 we made an important breakthrough in China. Despite the pandemic, our partner Well Lead made significant progress in developing its own portfolio of medical devices using Bactiguard's technology. This resulted in Well Lead placing its first order in December 2020 for concentrate that will be used in product development and manufacturing, while awaiting regulatory approval for locally produced products. This order generated license revenues of more than MSEK 9 in the fourth quarter of 2020. When the products have been approved, Well Lead will move from being a distributor to being a licensee.

In 2020 new projects generated license revenues of MSEK 0.6 (31.5). License revenues of MSEK 29.4 from Zimmer Biomet are included in the new license revenues for 2019.

Our growth strategy remains firmly in place

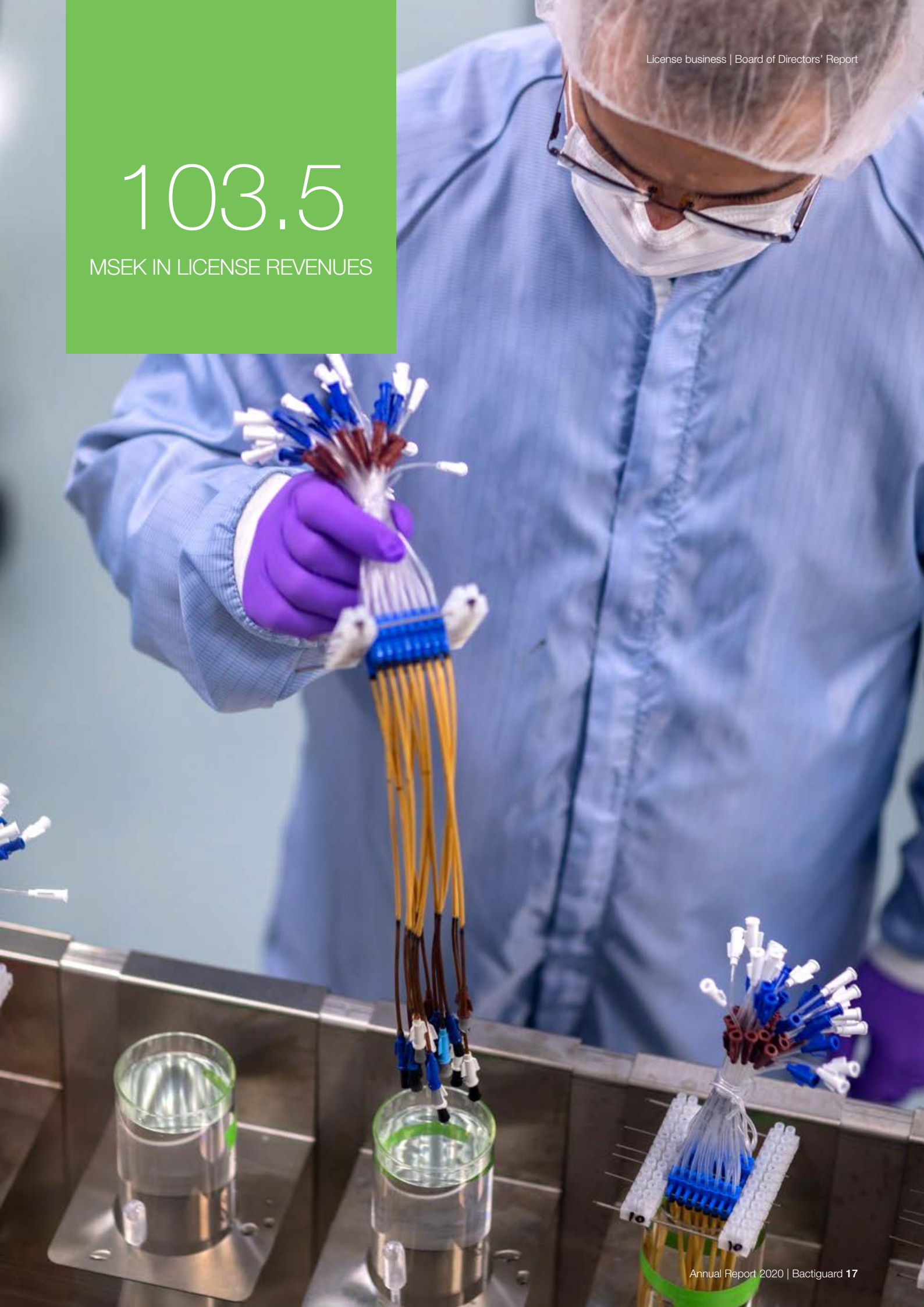
In 2020 we did not reach our goal of signing one or two license agreements. Although we have had many far-reaching and exciting dialogues with companies, the pandemic has temporarily reduced the investment capacity of potential partners and extended the processes. Our strategy to secure 1–2 new license agreements per year remains firmly in place, focusing on orthopaedic and dental implants as well as various kinds of products for the bloodstream, including stents and dialysis catheters.

Licensee

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

103.5

MSEK IN LICENSE REVENUES



NEW PRODUCTS IN 2020

The acquisition of Vigilenz in 2020 expanded the product portfolio to include, for example, the effective Hydrocyn products and surgical sutures. In 2020 a new urinary catheter was launched with a temperature sensor. Bactiguard currently has a broad product portfolio (the BIP portfolio) that focuses on infection prevention.

The revenues from the BIP portfolio increased to MSEK 68.9 (40.2) in 2020. This increase is mostly due to the acquisition of Vigilenz and strong demand for Hydrocyn disinfectant products. The demand for consumables for healthcare was hit by the pandemic, as regular health services were cut back and elective surgeries were postponed.

New catheter launched

The BIP products significantly reduce the risk of infections in the urinary tract, the respiratory tract and the bloodstream. These three areas account for two-thirds of healthcare associated infections, which are often caused by medical devices.

In April 2020 we introduced a new urinary catheter – BIP Foley TempSensor – for patients in intensive care, undergoing surgery or in other situations where continuous temperature monitoring is important. The launch of BIP Foley TempSensor means that we now have a complete product portfolio of urinary catheters that prevent infection.

Developing stents

In 2020 we continued to develop stents using our unique infection prevention technology. We have been working with Karolinska Institutet on this project since 2019, supported by Vinnova. Animal studies are already underway to prove that this technology not only reduces the risk of infections, but also prevents thrombosis, which will reduce the need for drugs. The intention is for these stents to become part of our license business.

Hydrocyn new on the market

The Hydrocyn products are virtually new to the market, as Vigilenz had only just started sales in Malaysia when we bought the company in February 2020. At the start of the pandemic outbreak in March, there was a lack of protective equipment and disinfectants, so we took the decision to rapidly introduce Hydrocyn for disinfection onto the Swedish market. The first products were flown from Malaysia and there was a strong demand for them immediately.

The active substance in Hydrocyn — hypochlorous acid (HOCl) — is the same substance that the body's immune cells use in their defence against infectious organisms. HOCI can penetrate the outer layer of bacteria, fungi and viruses, which can cause damage inside the cell, leading to the destruction of the cell function and eventually cell death. Hydrocyn has no negative effect on human cells and is biocompatible, which means it does not cause any irritation to the body.

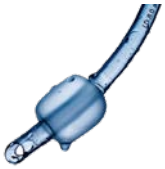
In June 2020 Hydrocyn aqua was proven to be effective against the new Coronavirus SARS-CoV-2, which causes Covid-19. Tests performed by the Swedish National Veterinary Institute showed that 99.98% of the virus particles were inactivated after exposure to Hydrocyn. Hydrocyn aqua is CE marked.

> "As well as its documented effect against Coronavirus, Hydrocyn is also effective against bacteria and fungi. Unlike disinfectants based on, for example, alcohol, Hydrocyn is also kind to the skin."
>
> **Stefan Grass**
> **Chief Medical Officer**

68.9

MSEK IN BIP REVENUES

BIP portfolio — Bactiguard Infection Protection

		Properties	Area	Market position
	**Urinary catheter BIP Foley**	For patients who need a catheter for more than two days. A recently published multicenter study in India shows that BIP Foley catheter reduce the risk of catheter-associated urinary tract infections (CAUTI) by 69 %, compared to standard catheter.	Catheter-associated urinary tract infections are the most common healthcare associated infection, accounting for 30% of all HAIs. These infections are often caused by urinary catheters and can result in serious complications that cause a great deal of suffering for the patient, a higher mortality rate and increased healthcare costs.	in the US and Japan through our own sales and license partnership with BD. Since the launch in 1995 more than 200 million catheters have been used globally.
	**Endotracheal tubes BIP ETT**	It offers twice the protection, both through subglottic secretion drainage and the effect of Bactiguard's coating. Studies have shown a reduction in ventilator-associated pneumonia of 53%.	Ventilator associated pneumonia (VAP) is a common and serious respiratory tract infection that can afflict patients with endotracheal tubes. It is the second most common HAI in intensive care, affecting up to 25% of patients with a mortality rate of 30–50%.	We are alone in offering double protection in the form of a drainage function and a coating that prevents bacterial adhesion.
	**Central venous catheter BIP CVC**	It has good blood compatibility and has shown to have a lower risk of thrombosis than uncoated catheters and competing products with a coating. Studies have shown a reduction in catheter-related blood infections by up to 52%.	Catheter-related blood infections are one of the most common, most expensive and most fatal complications associated with CVCs. According to WHO, treatment for one individual case can cost up to USD 56,000. The mortality rate is estimated to be 12–25%.	There are similar catheters with different kinds of coating on the market. BIP CVC has the advantage of being effective against infection, while offering good compatibility with blood and tissue. BIP CVC has a lower risk of thrombosis than competing coated products.
	**Hydrocyn® aqua – disinfectant**	Alcohol-free disinfectant that effectively kills viruses, bacteria and fungi without irritating the skin and is not flammable.	An alcohol-free spray for skin and surfaces.	Kills 99.98% of the new Coronavirus that causes Covid-19.
	**Hydrocyn® aqua – wound care**	Kills bacteria, fungi and spores. Biofilm removal, pH-neutral and biocompatible. Clinically proven to be safe and effective for all kinds of wounds.	For the wound wash, rinsing, irrigation and debridement of acute and chronic wounds, for example, pressure sores, venous stasis, diabetic ulcerations, surgical wounds and burns.	It has been tested on several microorganisms using the ASTM E2315 standard test. Tests show that Hydrocyn® aqua is effective against both gram-positive and gram-negative bacteria (including MRSA), fungi and spores. Has no negative effect on human cells and is biocompatible.
	**Surgical sutures**	A wide range of surgical sutures, including specialist sutures for, for example, cardiovascular operations and eye operations.		

WE ARE EXPANDING OUR SALES ORGANISATION

The acquisition of Vigilenz gave us an attractive product portfolio, a well-established sales organisation in Malaysia and greater capacity for production and product development. In the autumn of 2020 we carried out a review of our sales strategy.

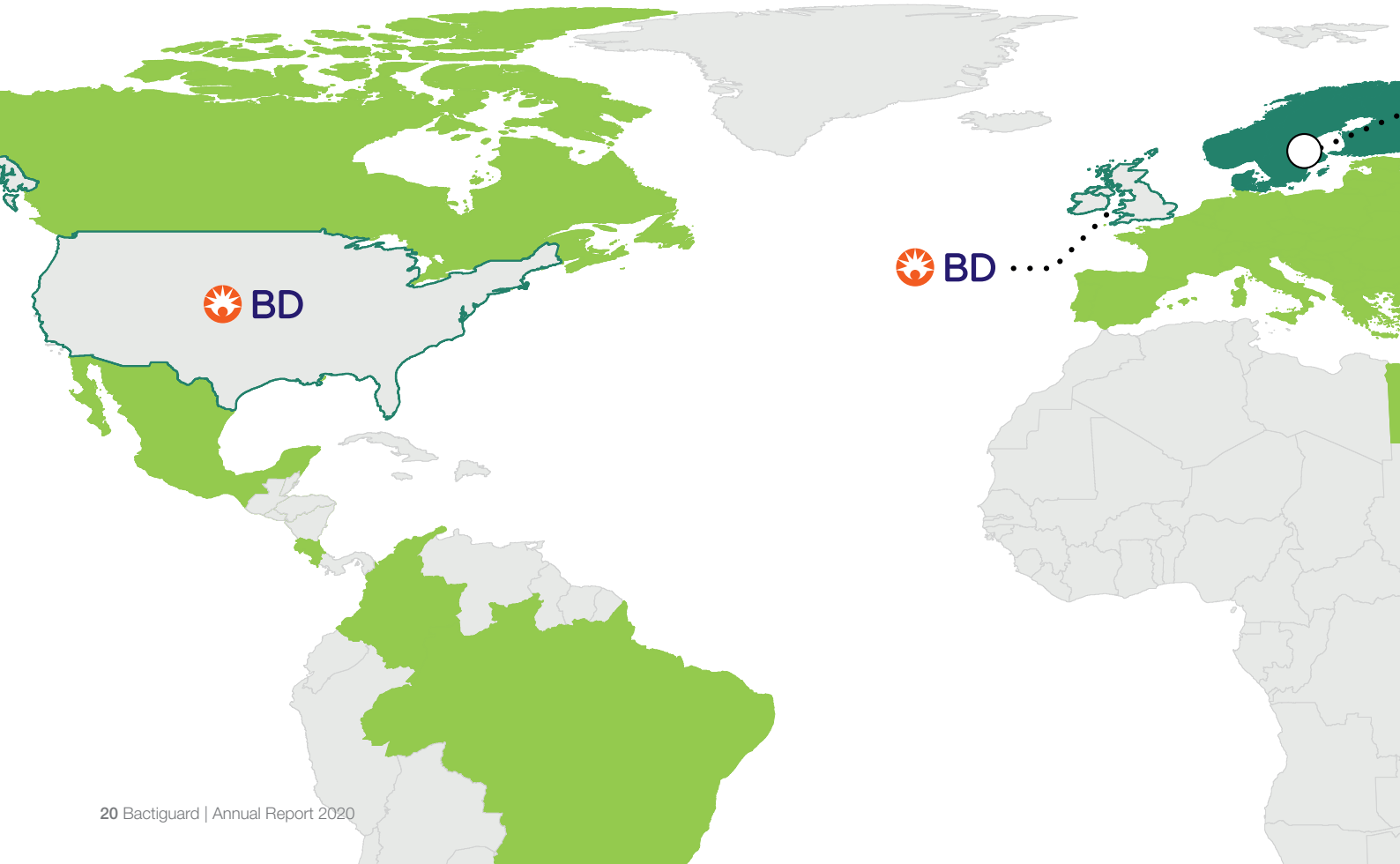
Bactiguard's position in infection prevention and wound care has been enhanced by acquiring Vigilenz, which used to be a privately-owned medical device company. With more than 100 employees, Vigilenz has added considerable innovation and product development capacity, and skills.

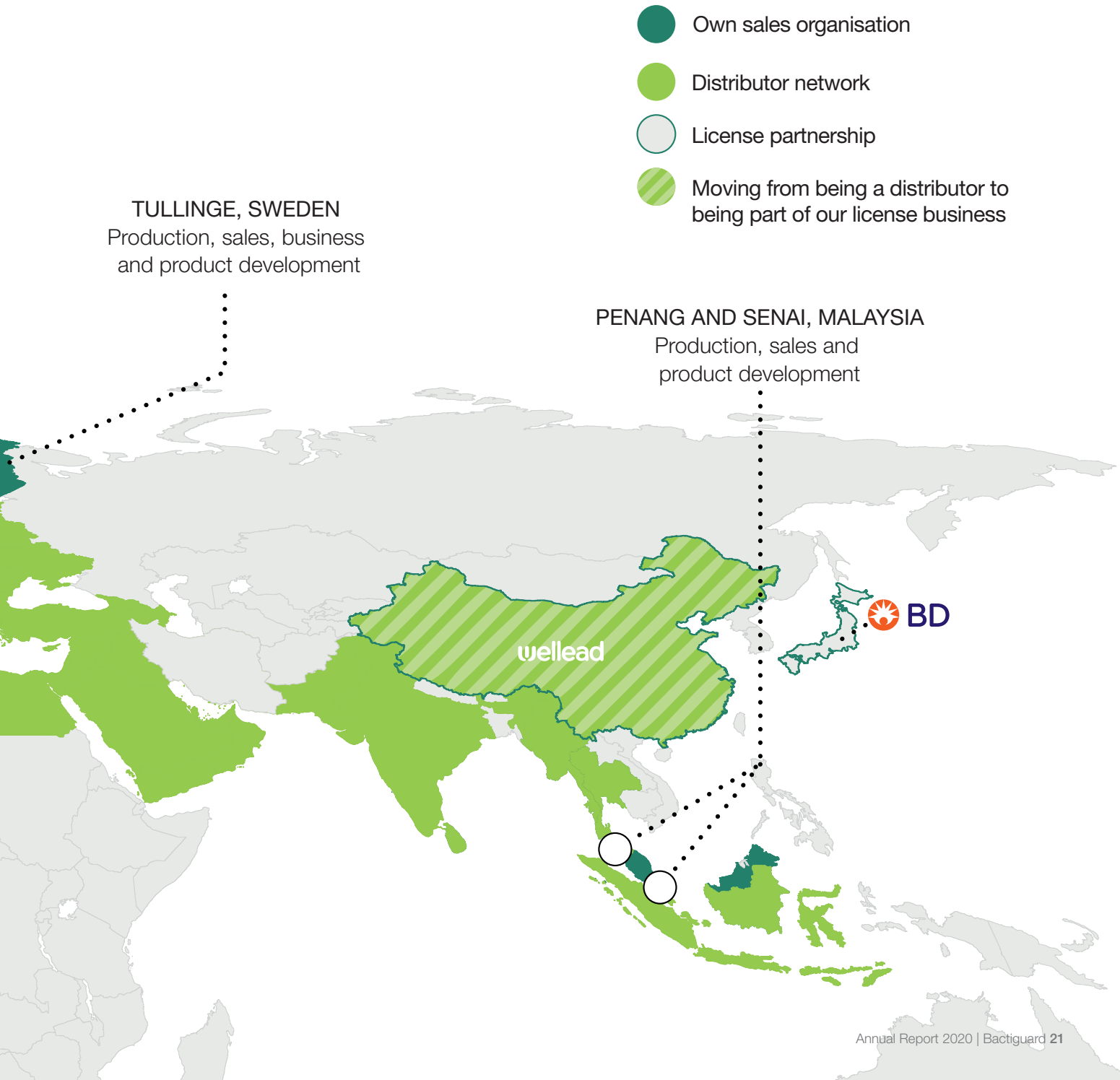
In the autumn of 2020 we carried out a review of our sales strategy. One decision we made was to start building our own sales organisation for the Nordic region. Going directly to the customer creates close customer relationships and gives us a better insight into the needs of the customer. It enables us to be more effective and to better identify trends and changes on the market.

In the late autumn of 2020 we also recruited key staff in sales and marketing. They bring the strategic and operational competence required for Bactiguard's continued global expansion.

Our global network of distributors remains important to us and our own product portfolio. We work continually to expand and streamline our distributor network.

Our licensees BD, Zimmer Biomet and Well Lead together provide us with an extensive global coverage for our technology, allowing us to reach North America, Europe and large parts of Asia.




Own sales organisation
Distributor network
License partnership
Moving from being a distributor to being part of our license business
TULLINGE, SWEDEN
Production, sales, business and product development
PENANG AND SENAI, MALAYSIA
Production, sales and product development
wellead
BD

MAJOR MARKET POTENTIAL

We can see major market potential both by continuing to market existing products and by developing new applications. There is an increasing demand for our technology since infection prevention is one of the most important sustainability issues globally.

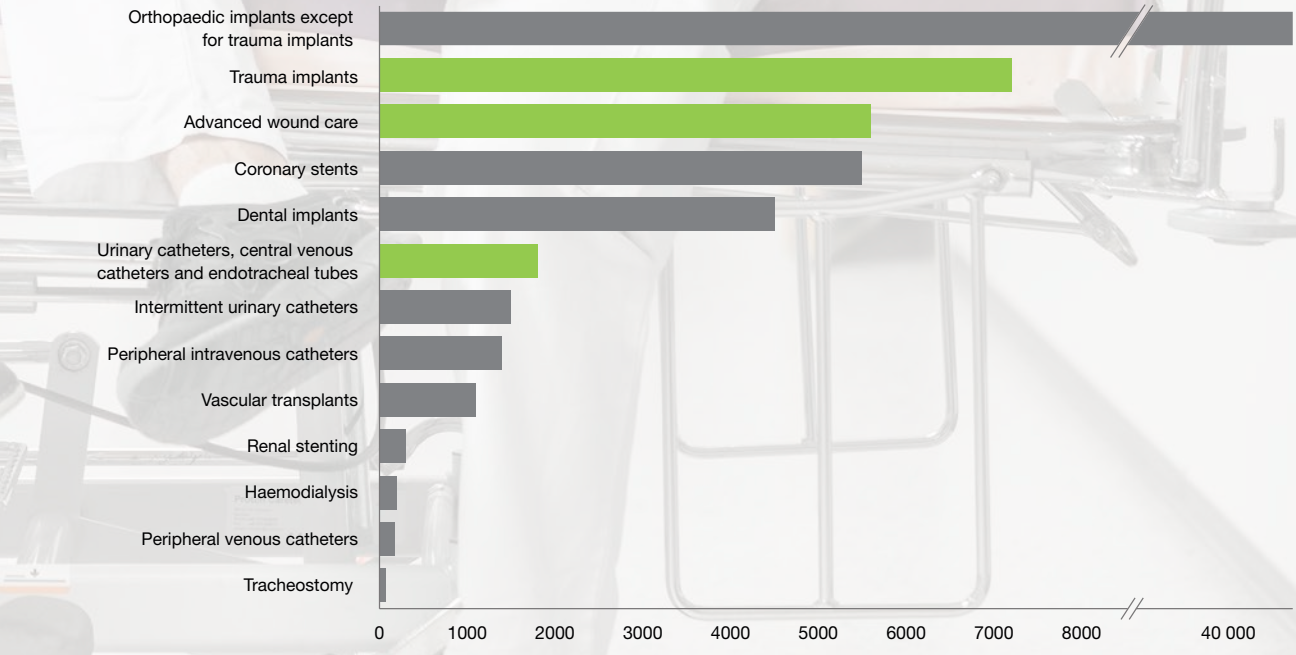
Our total market is divided into the following sub-segments:

- Our product portfolio of urinary catheters, central venous catheters and endotracheal tubes can reach a market that totals of USD 2 billion.
- Our technology can also be used for implants intended for long-term, sometimes lifelong use. Bactiguard has a license agreement with Zimmer Biomet that covers orthopedic trauma implants, a global market of approximately USD 7 billion, where Zimmer Biomet has a market share of approximately 10%. The global market for all orthopedic implants, including trauma implants, amounts to more than USD 40 billion. Our partner Zimmer Biomet is one of the largest global players with a market share of close to 15%.
- Hydrocyn wound care products are targeted at, for example, the market for advanced wound care, which is worth more than USD 5 billion.

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

In all the applications where our technology can be applied, we can significantly reduce the risk of infections and complications, which improves treatment outcomes, reduces mortality rates, shortens hospital stays and cuts costs for society.

Global sales, USD million



Source: The Orthopaedic Industry Annual Report

STABLE REVENUES DURING A CHALLENGING YEAR

The pandemic year of 2020 had a negative effect on sales as regular health services were cut back and elective surgeries were postponed. The acquisition of Vigilenz had a positive impact on sales in the BIP products segment.

Revenues

Total revenues fell by 4.1% to MSEK 186.0 (193.9). Adjusted for currency effects, the reduction was 2.1%.

License revenues fell by 9.2% to MSEK 102.9 (113.3). License revenues from BD fell by MSEK 19.9 to MSEK 93.4. This reduction is partly due to a weaker dollar, which affected revenues from BD by MSEK -3.3, but mostly due to lower volumes caused by the pandemic. The underlying business with BD remains stable and is expected to continue to recover as the helathcare sector returns to a more normal level of activity.

New projects have generated new license revenues of MSEK 0.6 (31.5). The previous year included new license revenues of MSEK 29.4 from Zimmer Biomet and MSEK 2.1 from Well Lead.

Sales of our own products are included in the BIP sales segment and increased by 71.1% to MSEK 68.9 (40.2) and comprised 37% of total revenues. This significant increase is due to the acquisition of Vigilenz and the strong growth of Hydrocyn products in particular.

Other revenues amounted to MSEK 13.7 (8.9), of which MSEK 9.5 (4.3) is for balance sheet-related currency effects.

Operating expenses

The costs for raw materials and consumables increased by 36.8% to MSEK 43.9 (32.1) as a result of a larger BIP portfolio, higher freight costs, obsolete inventory and higher purchase costs for raw materials.

Other external expenses increased by 6.7% to MSEK 49.3 (46.2) due to the acquisition of Vigilenz, greater activity in clinical studies and higher consultancy expenses. A reduction in marketing activities due to trade fairs being cancelled had a positive effect on expenses.

Personnel costs increased by 15.7% to MSEK 67.2 (58.1) following the integration of Vigilenz.

Other operating expenses comprise mostly balance sheet-related currency effects, which had a negative impact of MSEK -7.3 (-2.5).

Total operating expenses increased during the year by 16.8%, amounting to MSEK 203.7 (174.4).

EBITDA and operating profit

EBITDA amounted to MSEK 26.7 (61.6) with an EBITDA margin of 14% (32%). The comparatively high EBITDA in the previous year was mostly due to the license revenues of MSEK 29.4 from the license agreement with Zimmer Biomet.

Operating profit amounted to MSEK -17.6 (19.5). Depreciation, which is a non-cash item, affected operating profit by MSEK -44.3 (-42.1), which included depreciation for Bactiguard's technology of MSEK -25.1 (-23.8).

Profit before tax

Financial items amounted to MSEK -24.3 (-9.2). The part of the purchase price for the acquisition of Vigilenz that comprised shares is considered to be a financial instrument and the forward effect is recognised as a financial item in the income statement. This impacted net financial items by MSEK -10.9.

Interest expenses for bank loans and the up-front fee for new medium-term financing that was secured in conjunction with the acquisition of Vigilenz amounted to MSEK -5.7 (-4.8). The remaining interest expenses relate primarily to interest expenses for leasing. Forward hedging in USD has during the year had a positive impact of MSEK 2.2 (-1.2) on net financial items.

Taxes

Tax amounted to MSEK 3.5 (5.9). Income tax in foreign subsidiaries comprised MSEK-2.6 (0.0). The remaining amount relates to the change in deferred tax attributable to the Group's intangible assets. Reported tax has been adjusted after the report for the fourth quarter, see page 60 for more information.

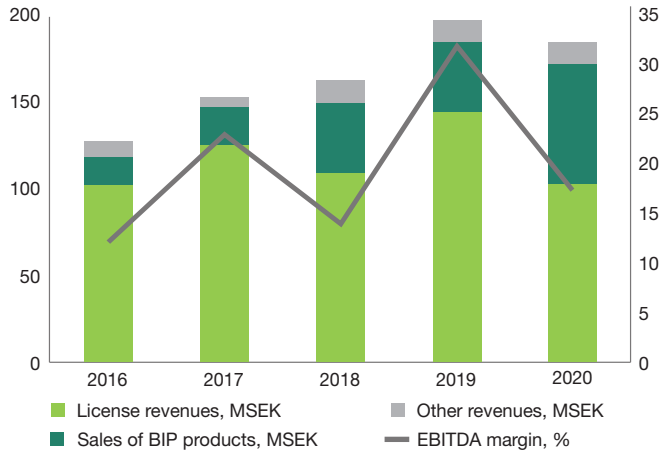
Profit/loss for the year

Profit for 2020 amounted to MSEK -38.4 (16.3) MSEK, of which the aforementioned forward effect comprised MSEK -10.9. Earnings per share amounted to SEK -1.14 (0.49).

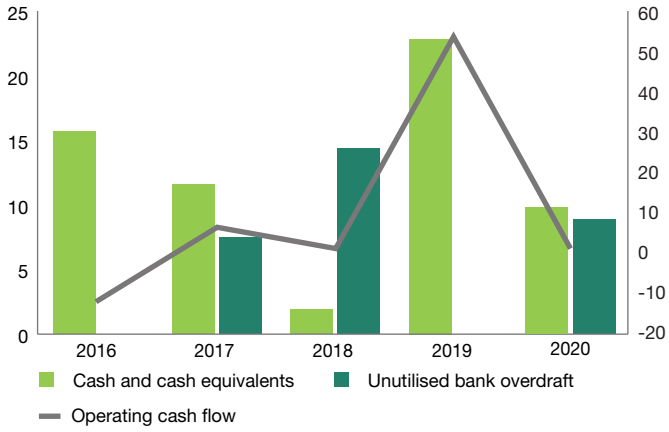
Investments

Investments amounted to MSEK -15.4 (-4.4) and relate to investments in the production facility in Malaysia, IT investments in the Group and capitalised development expenses. These investments were partly financed by utilising the bank overdraft facility.

Revenues and EBITDA margin



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



Cash flow

Cash flow from operating activities amounted to MSEK 0.7 (54.0). The difference is mostly an effect of lower profit and the negative development of operating capital. The change in operating capital is due to the inventory of BIP products building up in Sweden and Malaysia at the start of 2020 to meet the increase in demand initially created by the pandemic, which later slowed down due to reduced occupancy in healthcare and difficulties in conducting active sales in closed markets.

The acquisition of Vigilenz impacted cash flow from investing activities by MSEK -41.7 net. The acquisition was financed by extending the Group's existing credit facility by MSEK 43.4 and a conditional share issue of 241,512 B shares.

Financial position

The equity ratio was 55% (60%) and equity amounted to MSEK 373.3 (386.7). Following the Annual General Meeting in 2020 a set-off issue was carried out as partial payment for the acquisition of Vigilenz. For accounting purposes, this partial payment is recognised as a financial instrument and the forward effect impacted profit for the year by MSEK -10.9. The net impact on equity as a result of the set-off issue was MSEK 21.2.

On 31 December 2020 cash and cash equivalents amounted to MSEK 9.9 (22.9), net debt was MSEK 254.1 (185.0) and MSEK 8.9 of the bank overdraft facility had been utilised.

In conjunction with the acquisition of Vigilenz, the Group's existing credit facility with SEB was renegotiated. This means that the term has been extended to February 2023 and the total outstanding amount was MSEK 170.9 (127.5) as of 31 December 2020. The loan agreement contains a mandatory repayment, which means that an amount equivalent to 50% of free cash flow, but not exceeding MSEK 35, is payable every year. As a result of the effects of the pandemic, the terms and conditions in the loan agreement with SEB were renegotiated in January 2021. The terms and conditions have been renegotiated with respect to covenants and the overdraft available, which now amounts to MSEK 45 (30); the other terms and conditions remain unchanged.

Total assets for the Group amounted to MSEK 675.2 (641.4) as of 31 December 2020. The largest asset items in the balance sheet are goodwill, MSEK 245.4, and Bactiguard's coating technology, MSEK 149.7. Technology is depreciated by approximately MSEK 25 per year over a period of 15 years.

Parent company

Revenues consist of invoiced Group-wide costs (management fees). The parent company received interest on its receivables from Group companies in 2020. The company's financial expenses relate to interest on bank loans and the forward effect of MSEK -10.9. No investments were made in 2020.

Future expectations

The need for infection prevention is increasing throughout the world and we offer safe, effective infection prevention solutions. We are positive about the opportunities to grow our business through new license agreements and by increasing the sales of our infection prevention products. We can also see the great potential in developing new products and applications as this will enable us to reach new market segments.

FINANCIAL GOALS

Growth

An average growth in revenues of 20% per year over the five-year period 2021–2025.

Profitability

An EBITDA margin of at least 30% at the end of the five-year period (in 2025).

Dividend

Our long-term goal is to pay a dividend of 30–50% of profit after tax, based on the company's financial position. The company is expanding, which means that it will prioritise growth over dividends in the coming years.

OVER 1,700 NEW SHAREHOLDERS AND MOVE TO MID CAP

Bactiguard's B share is listed on Nasdaq Stockholm in the Mid Cap segment. As a result of the increase in value of 73.1% in 2020, Bactiguard was moved from the Small Cap to the Mid Cap segment in January 2021. In 2020 Bactiguard gained 1,759 new shareholders.

Share capital

At the end of 2020 the share capital in Bactiguard was SEK 838,597 allocated to a total of 33,543,885 shares, which includes 4,000,000 A shares and 29,543,885 B shares. The A shares have ten votes each and the B shares have one vote each. All shares have identical rights to the dividend and a share in the company's assets and earnings.

Share price development

On the last trading day in 2020 Bactiguard's closing price was SEK 143.00 with a share value of MSEK 4,224.8 for the listed B shares. On the last trading day in 2019, the closing price was SEK 82.60 with a share value of MSEK 2,420.4. The share increased by 73.1% during the year. The index for all shares on Nasdaq Stockholm OMXSPI increased by 12.9% in 2020.

During the year the highest closing price was listed on 13 August at SEK 194.50. The lowest closing price was listed on 7 January at SEK 76.20.

Market history

Bactiguard's B share was listed on Nasdaq Stockholm in the Small Cap segment on 19 June 2014. The introductory price was SEK 38. Since the introduction until the last trading day in 2020 the share price rose by 276%. Nasdaq Stockholm, measured by the OMXSPI index, increased by 71.7% in the same period.

Dividend policy

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

Ownership structure

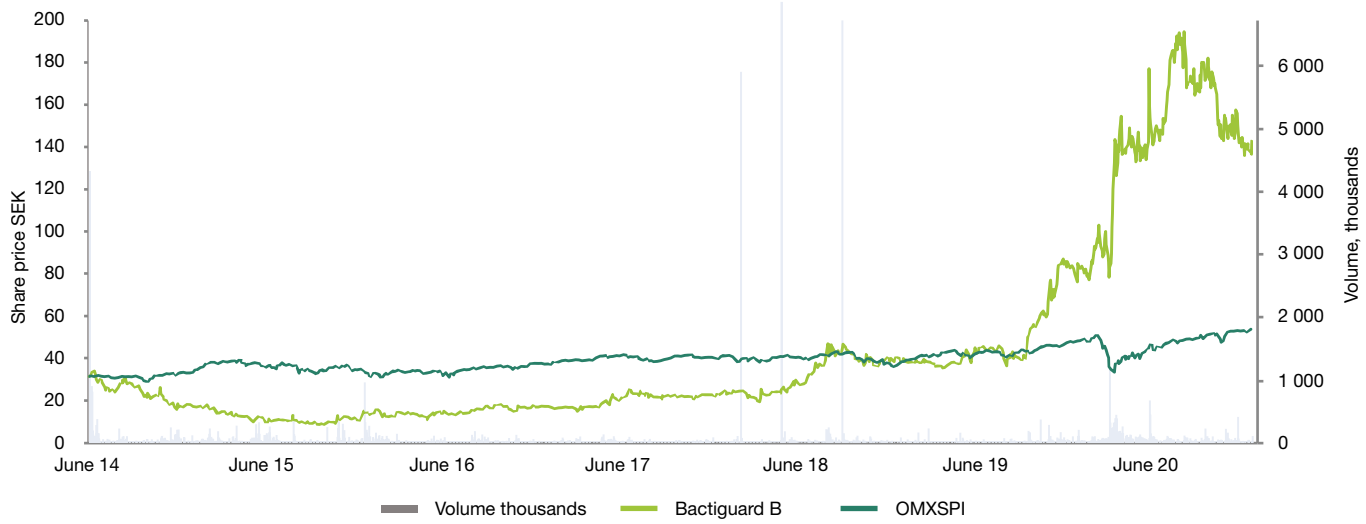
In 2020 the number of shareholders increased by 1,759. At the end of the year Bactiguard had 4,999 (3,240) shareholders. The holdings of the ten largest shareholders account for 80.8% (79.4%) of the share capital and 90.7% (90.1%) of the votes. At the end of the year 17.6% (20.9%) of the shares were owned by private Swedish individuals; 43.9% (48.1%) by Swedish institutions and legal entities; and 38.5% (31.0%) by foreign private individuals and institutions.

Analysts that monitor Bactiguard

Andrej Rodionov, Swedbank
Mattias Vadsten, SEB

Ticker: BACTI B
ISIN: SE0005878741
For data per share, see the five-year overview on page 85.

Price development of Bactiguard B from its listing to 31 December 2020



Development of share capital

Year	Transaction	Increase in number of shares	Total number of A shares	Total number of B shares	Increase in share capital, SEK	Total share capital, SEK
October 2010	The company is formed	1,000	-	1,000	50,000	50,000
November 2011	New share issue	9,000	-	10,000	450,000	500,000
March 2014	Split/reclassification	19,990,000	4,000,000	16,000,000	-	500,000
April 2014	Targeted new share issue	516,000	4,000,000	16,516,000	12,900	512,900
June 2014	New share issue	6,305,573	4,000,000	22,821,573	157,639	670,539
June 2014	Set-off issue for bond	6,480,800	4,000,000	29,302,373	162,020	832,559
May 2020	New share issue as partial payment for the acquisition of Vigilenz	241,512	4,000,000	29,543,885	6,038	838,597

Ownership structure 31 December 2020

Number of shares	Number of owners	Proportion of owners, %
1–500	4,275	85,5
501–1,000	309	6,2
1,001–5,000	271	5,4
5,001–10,000	51	1,0
10,001–15,000	17	0,3
15,001–20,000	15	0,3
20,001–	61	1,2
Total	**4,999**	**100**

Allocation of the share capital

	Series A	Series B	Total
Shares	4,000,000	29,543,885	33,543,885
Votes	40,000,000	29,543,885	69,543,885
Capital, %	11.9	88.1	100.0
Votes, %	57.5	42.5	100.0

The five largest countries 31 December 2020

	Votes, %	Proportion of owners, %
Sweden	55.6	61.6
Netherlands	34.5	17.8
Finland	4.8	10.0
UK	1.6	3.2
USA	1.2	2.5
Total	**97.6**	**95.1**

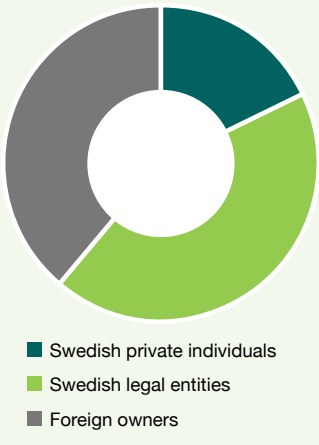
Source: Euroclear Sweden

The ten largest owners 31 December 2020

Owner	Total A shares	Total B shares	Total shares	% of capital	% of votes
Christian Kinch with family and companies	2,000,000	4,125,977	6,125,977	18.3	34.7
Thomas von Koch with companies	2,000,000	4,125,878	6,125,878	18.3	34.7
Nordea Investment Funds	0	3,419,987	3,419,987	10.2	4.9
Jan Ståhlberg	0	3,354,387	3,354,387	10.0	4.8
Fjärde AP Fonden	0	3,300,391	3,300,391	9.8	4.7
Handelsbanken Fonder	0	1,895,302	1,895,302	5.7	2.7
State Street Bank and Trust Co	0	821,282	821,282	2.5	1.2
Försäkringsbolaget Avanza Pension	0	702,790	702,790	2.1	1.0
UBS AG London Branch	0	695,655	695,655	2.1	1.0
Lancelot Asset Management	0	650,000	650,000	1.9	0.9
Total ten largest shareholders	**4,000,000**	**23,091,649**	**27,091,649**	**80.8**	**90.7**
Other shareholders	0	6,452,236	6,452,236	19.2	9.3
Total	**4,000,000**	**29,543,885**	**33,543,885**	**100.0**	**100.0**

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

Ownership categories 31 December 2020



TEN REASONS TO INVEST IN BACTIGUARD

1 Bactiguard contributes to the UN's Global Sustainable Development Goal for good health and well-being.

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

According to WHO, one in ten patients suffers from an HAI. These infections result in longer hospital stays, greater suffering and more antibiotics being used, which contributes to higher antibiotic resistance. "Antibiotic resistance is one of the most urgent health risks of our time and threatens to undo a century of medical progress," says Dr. Tedros Adhanom Ghebreyesus, Director General of WHO. According to WHO, antibiotic resistance threatens the UN's goal to eradicate the epidemics of, for example, AIDS, tuberculosis and malaria by 2030.

Bactiguard's technology forms an important link in the value chain for healthcare associated infections, as it reduces the risk of infections when using medical devices such as urinary catheters, endotracheal tubes, central venous catheters and implants.

2 Bactiguard's technology is documented as being effective and safe

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

3 Clinical evidence

Clinical studies are becoming increasingly important to verify the efficacy of our products and to increase their use. These studies also increase our knowledge of the problems associated with infections and generate more data about our products. Clinical studies are important in the sales process. Combined with our knowledge of regulatory requirements and approval processes, they give us a strategic competitive edge when negotiating and developing new license agreeements. This is becoming increasingly clear, as regulations in Europe are moving towards stricter requirements.

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

4 Major market potential

We can see major potential on the market for our portfolio of infection prevention products. The Hydrocyn products are very effective and biocompatible. Bactiguard's technology is safe and adaptable to new applications and areas of use where it is important to reduce the risk of infections. The technology has been approved both for short-term use and for use on metal implants that will remain in a patient's body over a long period of time, sometimes for the rest of their life.

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

5 Clear growth strategy

We are a growth company that has a clear strategy for how we intend to grow. This strategy means that we will develop new products and applications, and expand onto new and existing markets, both with our own products and through new license applications. In 2020 we started work on building a scalable direct sales organisation for the Nordic region. Through the acquisition of Vigilenz we have gained a well-established sales organisation in Malaysia and a stronger position in South East Asia.

6 Unique market position

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

7 Broad product portfolio for infection prevention

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

The acquisition of Vigilenz in 2020 has expanded our product portfolio and our market potential by enabling us to enter the market for wound care and disinfection. We can see considerable potential in these areas.

8 License business

One important feature of our business model is our license business. We license our coating technology and our expertise to leading medical device companies. We are in discussions with medtech companies around the world and our goal is to sign 1–2 new license agreements per year. Our technology has been successfully applied to different types of titanium, stainless steel, latex, silicone, polymers, ceramics and textile materials. It has been approved for both short-term and long-term use, so there are many new applications where it could be used.

9 Profitable growth

Our financial goals are average growth of 20% per year between 2021 and 2025 and an EBITDA margin of at least 30% at the end of the five-year period (in 2025).

10 Long-term owners and dedicated management

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

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

BACTIGUARD CONTRIBUTES TO THE UN'S GLOBAL GOALS

With operations focused on infection prevention, Bactiguard contributes to the UN's Sustainable Development Goal: Good health and well-being. Bactiguard's unique technology and product portfolio form an important link in the work to achieve the UN's goal to eradicate infectious diseases and halt resistance to antibiotics.

Bactiguard's operations in infection prevention play a key role in the fight to prevent healthcare associated infections (HAIs) and thereby reduce the use of antibiotics. According to WHO, antibiotic resistance has reached dangerously high levels throughout the world and has developed into a global crisis that has to be tackled urgently.

By 2050 ten million people risk dying every year from infections that will not be able to be cured with antibiotics unless the increase in resistance can be limited. People who are infected with antibiotic resistant bacteria are more than 60% more likely to die than those infected by bacteria that are receptive to antibiotics.

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

According to WHO one in every ten patients suffers from healthcare associated infections that lead to antibiotics being prescribed, which speeds up the development of resistance.

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

Healthcare associated infections pose a major threat to public health

According to WHO one in every ten patients suffers from healthcare associated infections on average.

Healthcare associated infections often occur as a result of medical or surgical procedures.

Significant contribution to the UN's Global Goals

According to WHO, antibiotic resistance is a threat to achieving the UN's Global Sustainable Development Goals. The lack of effective treatments for TB, pneumonia and urinary tract infections poses a serious threat to global public health.

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

Bactiguard's technology and product portfolio help to reduce the risks of HAIs. Viral infections – for example the coronavirus – places the body's immune system under stress, which increases the risk of secondary bacterial infections. One of the most serious consequences of bacterial infections is sepsis, which is the leading cause of death around the world and is the cause of one in five deaths every year. We offer significantly improved infection prevention when using medical devices. Our daily activities at Bactiguard help in the work to prevent HAIs. This is how we contribute to achieving the UN's Global Goals. Infection prevention is therefore not only a strategic issue for Bactiguard, but a central component in healthcare and one of the most important sustainability issues for the future.

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

Trust is an important sustainability issue

The most important sustainability issue for us is our ability to contribute to better infection prevention. It is important for us to maintain the trust people have in us if we are going to be successful in this work. Bactiguard's reputation and the trust we have from our customers, business partners, employees, suppliers, shareholders and other stakeholders are fundamental for our ability to succeed.

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

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

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

Risks and risk management

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

Product safety

We must supply safe products to patients, customers and healthcare. It is therefore extremely important for all employees to carry out high-quality work. We are also continually performing clinical studies in order to generate more data about our products. We particularly want to see how effective our products are in preventing infections and other complications. We also study safety, user-friendliness and patient satisfaction. More than 40 clinical studies have been performed including a total of more than 100,000 patients.

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

Our EC certificates, as with other regulatory approvals, are proof of our quality, showing our ability to maintain a high level of quality for our products and processes.

Environment

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

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

Corruption

We operate in many different countries – through licensees, distributors or our own direct presence. We adopt a zero-tolerance approach to bribes and undue influence so that we can mitigate the risk of corruption.

Human rights

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

Sustainability governance

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

The code of conduct and the other policies must be communicated to every employee; it is the responsibility of every manager to ensure that this takes place within their own organisation. It is also the responsibility of these managers to ensure that employees who need to be made aware of specific goals, rules and procedures, or any other information, are told about them. It is up to every employee to comply with the code of conduct, as well as the rules and procedures that the company has set for its environmental work. The managers are responsible for monitoring compliance with these policies. The employees are encouraged to

report any deviations and highlight any good examples. These policies are monitored through internal and external audits, meetings of the Board of Directors and Group management, and, in the organisation, at group meetings and employee appraisals.

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

Environment

We have identified the following areas as being the most important areas for the environment:

Production

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

Chemicals

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

Recycling

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

Purchases

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

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

Energy

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

Travel

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

Notifiable activities

The Group engages in notifiable activities under the Swedish Environmental Code (environmentally hazardous activities and health protection) and to the Swedish Work Environment Authority (use of contagions in risk group 2). The notifiable activities concern portions of the production process and the research and development the company conducts.

Employees and social aspects

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

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

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

The employees are encouraged to report any breaches of the code of conduct. Any reports must be dealt with quickly and fairly, and be subject to a detailed investigation. In 2020 no reports were dealt with and there are no reports under investigation.

During the pandemic employees who can carry out their duties outside the workplace have been asked to work from home to minimise the risk of transmitting the infection.

Our core values

Everything we do in our daily operations is guided by:

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

…and is embraced by empathy, respect and communication.

Our employees

Total number of employees	163
Number of employees in Sweden	33
Number of employees in Malaysia	119
Number of employees in the rest of the world	11
– Of whom the number of employees in production	71
– Of whom the number of employees in sales and marketing	33
– Of whom the number of employees in development	16
Total number of women/men	105/58

Respect for human rights

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

We do not accept child labour or forced labour.

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

Anti-corruption

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

WORK ON SEVERAL FRONTS TO CONTAIN THE PANDEMIC

In 2020 Bactiguard worked intensely across several fronts to help contain the pandemic. This included giving donations and working with the Swedish government, authorities, other companies and healthcare.

Bactiguard donated SEK 120,000 to Karolinska Institutet at Danderyd Hospital (KI DS) to help research into Covid-19. Since 2010 Bactiguard has been working with KI DS, sharing laboratory resources to test how our technology interacts with blood. Our donation was used to equip another laboratory at KI DS to facilitate research into Covid-19. This research aims to develop and evaluate a test for Covid-19, but includes core research into SARS-CoV-2 and Covid-19.

Bactiguard also donated infection prevention products to Chinese hospitals in the fight against the pandemic. The market value of these products was more than SEK 2 million. The products that were donated were Hydrocyn® aqua, which has a powerful destructive effect on the Coronavirus, and catheters that protect patients from bacterial infections, which can often be a complication of viral infections.

When there was not enough protective equipment and disinfectants because of the pandemic in March, Bactiguard established an air bridge between Asia and Europe, which it made available to other Swedish companies. This allowed us to transport, for example, Hydrocyn® aqua, from the manufacturing facility in Malaysia to Sweden.

Some of Bactiguard's employees have actively contributed to healthcare and the testing of Covid-19 patients. This gave us insights into how patients are affected by this virus, which does not conform to previously known patterns, and how Bactiguard's products can help reduce the risks of serious complications.

CORPORATE GOVERNANCE REPORT

In 2020 the focus was on the effects of the pandemic, the integration of Vigilenz, the continued development of new products and applications, and the establishment of a direct sales organisation.

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

This corporate governance report has been prepared as part of the Swedish Annual Accounts Act and the company's application of the Code. The auditors have performed an examination of this report.

Corporate governance

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

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

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

Shares and share capital

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

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

The Bactiguard series B share has been listed on Nasdaq Stockholm since 2014. On 4 January 2021 Bactiguard moved from the Small Cap to the Mid Cap segment.

At the end of 2020 the share capital amounted to SEK 838,597 allocated among a total of 33,302,373 shares of which 4,000,000 were unlisted A shares and 29,543,885 B shares. The total number of votes amounted to 69,543,885. In May 2020 the number of B shares and votes increased by 241,512 following the set-off issue to pay part of the purchase price for Vigilenz.

The 2020 Annual General Meeting granted the Board of Directors the authorisation to resolve to issue shares, warrants and/or convertible bonds on one or more occasions until the next Annual General Meeting, with or without deviation from the shareholders' pre-emptive rights. The total increase in share capital resolved based on this authorisation shall correspond to not more than SEK 40,000 (divided among not more than 1,600,000 new shares). The authorisation shall also include the right to resolve on non-cash issues and issues by way of set-off or otherwise with conditions pursuant to the Swedish Companies' Act Chapter 13 § 7, Chapter 14 § 9 or Chapter 15 § 9.

The reason for the deviation from the shareholders' pre-emptive rights shall be to enable directed new issues for the acquisition of companies or parts of companies or businesses or, alternatively, for raising capital to be used for such acquisitions. The basis for the issue price shall be the market value of the share.

Shareholders

At the end of the year the number of shareholders was 4,999 (3,240) and the five largest owners were (in brackets state the proportion of capital and votes respectively):

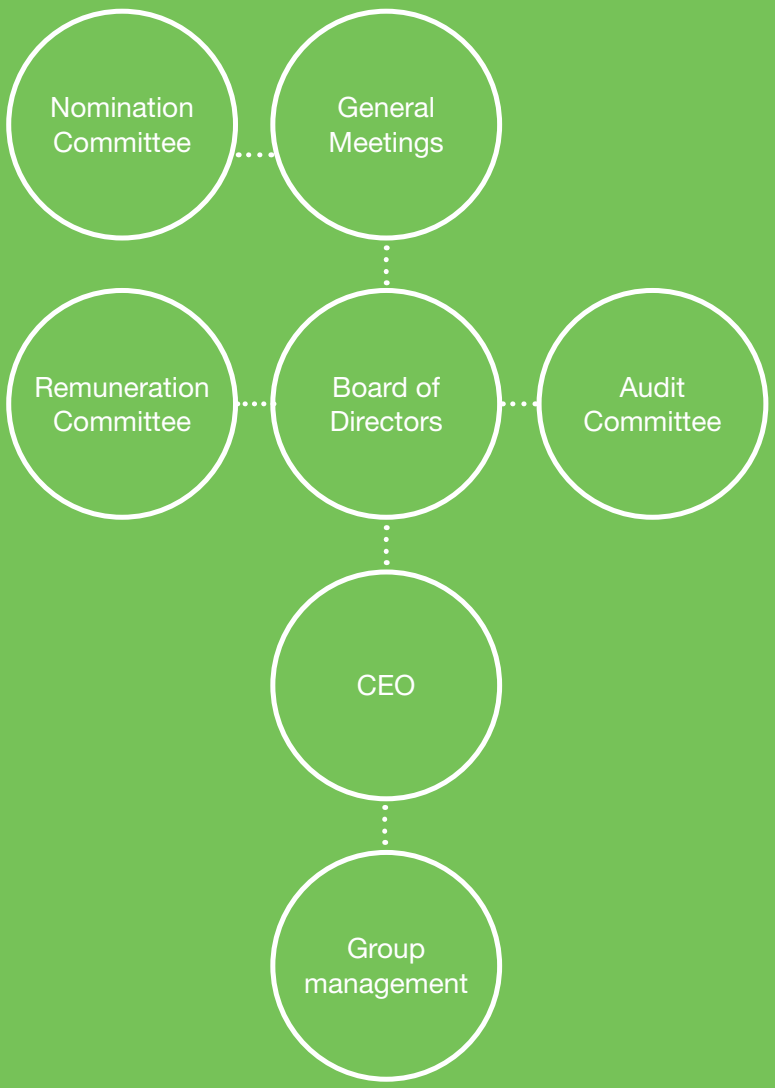
Christian Kinch with family and companies (18.3%, 34.7%); Thomas von Koch with companies (18.3%, 34.7%); Nordea Fonder (10.2%, 4.9%); Jan Ståhlberg (10.0%, 4.8%); and Fjärde AP-fonden (9.8%, 4.7%).

Annual General Meeting

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

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

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



Organisation and governance

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

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

At the Annual General Meeting resolutions shall be passed with respect to the adoption of the income statement and balance sheet, the appropriation of the profit or loss for the year, dividends, and the discharge of liability for the Board members and the CEO. Resolutions are also passed on the fees for the Board of Directors and the auditors. Afterwards the Board of Directors and auditor are elected until the next Annual General Meeting. Other statutory matters are also at the AGM, such as the adoption of the guidelines for remuneration to senior management.

All shareholders registered in the share registry as of the record date and who have provided timely notice of their intention to participate in the general meeting in accordance with the provisions of the articles of association are entitled to participate at the meeting and vote proportionally to their shareholdings. Shareholders may be represented by proxies, provided that the number of proxies has been registered by the shareholder by the day specified in the notice to attend the general meeting.

Annual General Meeting 2020

Bactiguard's Annual General Meeting was held on 28 April 2020 at the company's headquarters in Tullinge. The Annual General Meeting was attended by the Board members Mia Arnhult, Anna Martling, Christian Kinch, Thomas von Koch and Jan Ståhlberg. The lawyer Magnus Lindstedt was elected as the Chairman. At the Annual General Meeting the presentation by the CEO was omitted as part of the measures being taken to minimise the number of participants at the Annual General Meeting and to reduce the risk of transmitting Covid-19. The CEO's presentation was replaced by an online speech that was given immediately before the Annual General Meeting with the audience allowed to ask questions. This was posted on the company's website after the meeting.

The Annual General Meeting adopted, inter alia, the following resolutions in line with the proposals of the Board of Directors and the Nomination Committee:

- Adoption of the income statements and balance sheets for 2019 and a resolution that no dividend be paid.
- The Board and the CEO were granted discharge from liability for 2019.
- The remuneration for the next mandate period shall be SEK 2,000,000 to the Chairman of the Board and SEK 200,000 to each of the other members, and that no remuneration be paid for committee work, except for the Chairman of the Audit Committee who shall receive SEK 100,000 in remuneration for committee work.
- Re-election of Jan Ståhlberg, Christian Kinch, Anna Martling and Thomas von Koch and the new election of Cecilia Edström as ordinary Board members.
- Christian Kinch was elected Chairman of the Board.
- Deloitte AB was re-elected as the auditing company until the end of the next Annual General Meeting and a resolution was taken for fees for the auditor to be paid according to approved invoice.
- Guidelines for remuneration to senior executives.
- Set-off issue relating to the acquisition of Vigilenz, involving the partial payment of the purchase price of SEK 19,320,960 being made through the payment of 241,512 newly issued B shares in Bactiguard Holding AB.
- Authorisation for the Board of Directors to resolve to issue new shares, warrants and/or convertible bonds, with or without deviation from the shareholders' pre-emptive rights.
- Updated instructions for the Nomination Committee.

Annual General Meeting 2021

Bactiguard's 2021 Annual General Meeting will be held on Wednesday 28 April 2021. Postal voting will be used for the Annual General Meeting as a result of the pandemic. The notice to convene the meeting will contain more information about voting procedures.

Nomination Committee

At the 2020 Annual General Meeting the following instructions were adopted for the Nomination Committee of Bactiguard.

The Nomination Committee shall comprise five members. The Chairman of the Board of Directors shall contact the four largest shareholders of the company, in terms of voting power, pursuant to Euroclear Sweden AB's print-out of the share register on 31 August. Each of these four largest shareholders shall be afforded

the opportunity, within a reasonable time, to appoint one member of the Nomination Committee. In the event that any of them fails to exercise their right to appoint a member, such right to appoint a member shall pass to the next largest shareholder in terms of voting power who has not already appointed a member to the Nomination Committee. The Chairman of the Board of Directors shall be an adjunct member without voting rights. The Chairman of the Nomination Committee shall be the member who represents the largest shareholder in terms of voting power, unless otherwise agreed by the members.

The names of the members of the Nomination Committee shall be published as soon as the Nomination Committee has been appointed, but no later than six months prior to the next Annual General Meeting. The Nomination Committee is appointed for a term commencing from the time its composition is published until a new Nomination Committee has been appointed.

In the event of any change to the ownership structure of the company after 31 August but before 12 weeks prior to the next Annual General Meeting, and provided that a shareholder after this change becomes one of the four largest shareholders of the company in terms of voting power and, submits a request to the Chairman of the Nomination Committee to be included in the Nomination Committee, such a shareholder shall be entitled, at the discretion of the Nomination Committee, either to appoint an additional member to the Nomination Committee or to replace the member appointed by the shareholder with less voting power after the change in ownership.

If a member appointed by a shareholder leaves the Nomination Committee during its term or if such a member is unable to fulfil its assignment, the Nomination Committee shall request the shareholder who has appointed the member to appoint a new member within a reasonable time. In the event that the shareholder fails to exercise its right to appoint a new member, the right to appoint such a member shall pass to the next largest shareholder in terms of voting power who has not already appointed a member to the Nomination Committee or waived their right to appoint a member to the Nomination Committee. Changes to the composition of the Nomination Committee shall be published immediately.

The Nomination Committee shall perform its duties in accordance with these instructions and applicable rules. The duties include, inter alia, submitting proposals for:

- Chairman of the Annual General Meeting;
- Chairman and other members of the Board of Directors to be elected at the Annual General Meeting;
- fees payable to the Board of Directors, with a breakdown between the Chairman and other members of the Board of Directors, and any compensation for committee work;
- where applicable, election of auditors;
- fees payable to the auditors; and
- any changes in these instructions to the Nomination Committee to the extent deemed necessary.

No fees shall be payable to the members of the Nomination Committee. However, the Company shall bear any reasonable costs associated with the work performed by the Nomination Committee.

These instructions regarding the composition of the Nomination Committee and its work shall apply until otherwise resolved by a shareholder meeting.

The Nomination Committee for the 2021 Annual General Meeting was announced on 29 October 2020 and comprises:

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

The Chairman of the Board, Christian Kinch, is an adjunct member without voting rights.

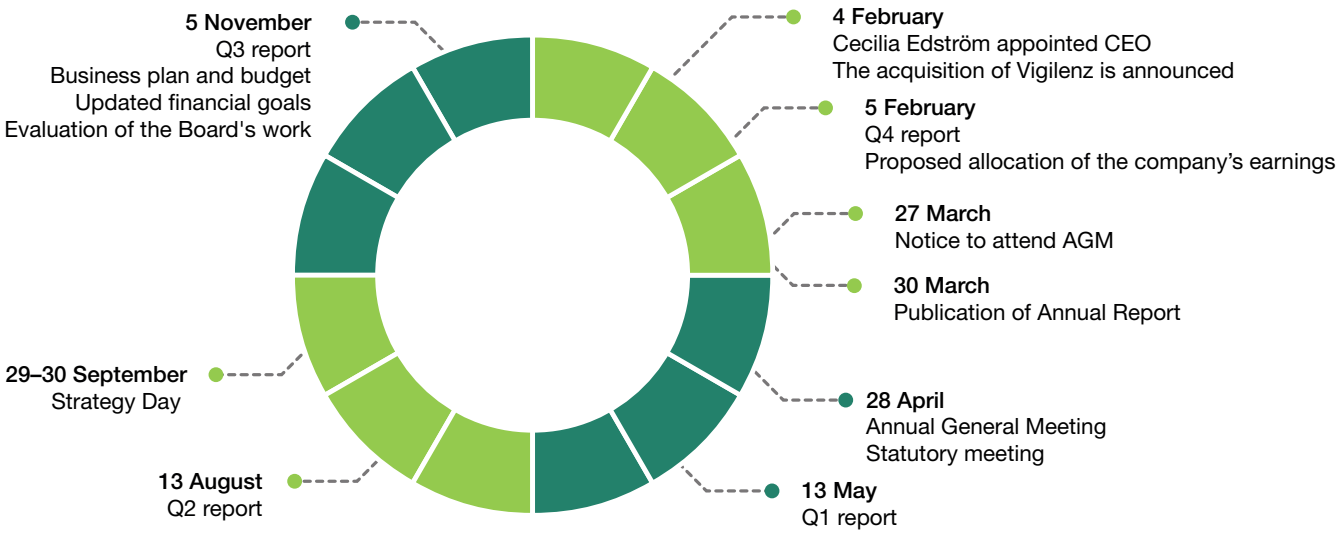
The shareholders were able to submit proposals and opinions to the Nomination Committee by 17 January 2021.

Board of Directors and its governance

Board of Directors

The Board of Directors is, inter alia, responsible for Bactiguard's organisation and management, and appoints a CEO who is

Board of Directors' work 2020



responsible for the daily administration in accordance with guidelines and instructions. The Board of Directors shall also ensure that the company's organisation is designed to adequately control the company's accounts, financial management and other economic conditions. The Board of Directors shall primarily address comprehensive and long-term issues, and other issues of unusual character or great significance to the Group and the company.

The Board of Directors' work follows a written work procedure that shall ensure that the Board of Directors is fully informed and that all Board-related aspects of the company's operations are addressed. Every quarter the Board of Directors receives information from management in the form of activity reports, in accordance with the CEO instructions. The company's external auditors report their observations from the examination of the company accounts and their assessment of the company's internal procedures and controls to the Board of Directors.

Every year the Board adopts the the work procedure at a statutory Board meeting. The current work procedure was adopted on 28 April 2020. Pursuant to the work plan, six ordinary Board meetings are held per year in addition to the statutory meeting. The work plan for the Board of Directors regulates the division of responsibility between the Board of Directors, the Chairman of the Board and the CEO. The work procedure also regulates the responsibilities of the Board, the meeting schedule, and the tasks that must be performed by the Board. These tasks include, inter alia, accounting and auditing issues, market and market analysis, risk identification, strategy, organisation, evaluation of the Board and the CEO, and the internal control system.

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

Chairman of the Board

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

Composition of the Board

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

The Board comprises five members. The CFO attends all Board meetings except when the work of the CEO is being evaluated. The Board has appointed Jan Ståhlberg as the Deputy Chairman.

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

The Board's work in 2020

In 2020 the Board held six ordinary meetings and two extraordinary meetings, as well as one statutory meeting in conjunction with the Annual General Meeting.

Policies adopted by the Board

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

At these meetings the Board discussed fixed items, including the commercial and market situation, financial reporting, budgets and projects. General strategic issues were also analysed, including market issues, growth opportunities and sustainability. In 2020 the focus was on the effects of the pandemic, the acquisition and integration of Vigilenz, new business opportunities, mostly driven by the sustainability perspective, continued product development and the establishment of a direct sales organisation.

In 2020 the Board met the company's auditor without presence of the executive management.

Board Committees

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

Remuneration Committee

The Remuneration Committee shall support the Board of Directors with proposals, advice, and preparation in regard to issues of remuneration principles for the CEO and other senior management, and individual remuneration to the CEO in accordance with the guidelines for remuneration for senior management that is adopted by the Annual General Meeting. These principles include the relationship between fixed and any variable remuneration, and the relationship between performance and remuneration, the general terms for any bonus and incentive programmes, and the general terms for other benefits, pensions, notice of termination and severance pay. The Board of Directors 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 adopted by the annual general meeting.

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

In 2020 the Remuneration Committee considered the salary of the CEO, evaluated to ensure that the terms and conditions of senior management comply with the guidelines for remuneration to senior management adopted by the annual general meeting, and that the template agreements for the employment of senior management are appropriate, and reflect the principles for remuneration and other employment terms and conditions for senior management.

Following the 2020 Annual General Meeting, the Remuneration Committee comprises Christian Kinch, Jan Ståhlberg and Thomas von Koch. Christian Kinch is the Chairman of the Remuneration Committee. Before the 2020 Annual General Meeting, the Remuneration Committee comprised Jan Ståhlberg and Thomas von Koch.

In 2020 the committee held two minuted meetings and had informal contacts when necessary in between. Attendance of the Remuneration Committee is shown in the table on page 40.

Audit Committee

The Audit Committee is tasked with monitoring the company's financial reporting and the effectiveness of internal controls and risk management in the company, and internal audits as necessary. The committee shall also keep itself informed of the audit of the annual accounts and consolidated accounts, as well as the conclusions of the auditor's quality control, inform the Board of the results of the audit, how the audit contributed to the reliability of the financial reporting, and the function that the committee has had. The committee shall also monitor and review the auditor's independence and impartiality, and especially follow whether the auditor provides other services than purely auditing services to the company. The committee also contributes proposals for the general meeting's decision on the selection of auditors.

In 2020 the committee has discussed the interim reports and the year-end report, as well as the effectiveness of the work in the company's management team and finance function. Items discussed at the meeting in November 2020 included the interim report.

Following the 2020 Annual General Meeting, the Audit Committee comprises Jan Ståhlberg, Christian Kinch, Anna Martling and Thomas von Koch. Jan Ståhlberg is the Chairman of the Audit Committee. Before the 2020 Annual General Meeting, the Audit Committee comprised Mia Arnhult, Chair, Thomas von Koch, Anna Martling and Jan Ståhlberg.

The Board believes that the members are competent in the areas of the Audit Committee and comply with the requirements for independence in accordance with the Code and the Swedish Annual Accounts Act. Attendance of the Board members at the Audit Committee is shown in the table below. As well as the members of the committee, the CFO is also invited to the meetings of the Audit Committee, and, when so required, the auditor, CEO and other salaried employees at the company. The company's auditor attended one of the meetings in 2020.

Evaluation of the Board's work

The company evaluated the work of the Board in November 2020 and this was presented at the Board meeting in January 2021. The evaluation was performed using a questionnaire that covered 18 different aspects of the Board's work and its measures to create value. This evaluation shows what the Board members think of how the work of the Board is conducted and whether measures should be taken to develop and improve the Board's work. The results of this questionnaire also provide important data for the Nomination Committee's work for the next annual general meeting. The results of this survey were therefore presented to both the Board and the Nomination Committee.

Chief Executive Officer

The Chief Executive Officer is appointed by the Board of Directors and is responsible for the daily administration of the company's operations in accordance with the instructions and regulations of the Board of Directors. The most recent CEO instructions were adopted by the Board on 28 April 2020. The instructions for the CEO state what is included in the daily administration and what should be referred to the Board for decisions to be made. The CEO keeps the Board and Chairman continually informed of the company's financial position and development, and provides essential information and decision-making data for Board meetings. The CEO also functions as the Chairman of Group management and makes all decisions in consultation with other members of Group management. The Board evaluates the CEO's work and performance on an annual basis.

On 4 February 2020 Christian Kinch announced that he was resigning as CEO after almost 16 years. On the same day the Board appointed Deputy CEO and CFO Cecilia Edström as the new CEO; and Chief Medical Officer Stefan Grass as the Deputy CEO. In August 2020 Gabriella Björknert Caracciolo took over the role of CFO and was appointed Deputy CEO.

Group management

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

Guidelines for remuneration to the CEO and other senior management

Remuneration issues are discussed by the Board's Remuneration Committee and decided by the Board. The Board produces proposals for guidelines for remuneration to senior management which it passes to the Annual General Meeting, where a decision is made.

At the 2020 Annual General Meeting the following guidelines for remuneration to the CEO and other senior management were adopted:

Executive management refers to the CEO and other members of the executive management of Bactiguard. The guidelines shall apply to remuneration that is agreed upon, and changes

The Board's attendance, independence and remuneration 2020

Member	Board meeting	Audit Committee	Remuneration Committee	Independent in relation to the company	Independent in relation to the major shareholders	Remuneration, TSEK
Christian Kinch, Chairman	9/9	1/1	1/1	No	No	1,267
Mia Arnhult[1]	3/4	1/1	-	Yes	Yes	100
Cecilia Edström[2]	5/5	-	-	No	Yes	–
Anna Martling	8/9	2/2	-	Yes	Yes	200
Jan Ståhlberg, Deputy Chairman	9/9	2/2	2/2	Yes	Yes	333
Thomas von Koch	9/9	2/2	2/2	Yes	No	133
Total number of meetings and remuneration	**9**	**2**	**2**			**2,033**

[1] Left the Board at the AGM on 28 April 2020.
[2] Elected at the AGM on 28 April 2020.

made to already agreed remuneration, after the guidelines have been adopted by the 2020 Annual General Meeting. The guidelines do not include remuneration decided by the general meeting, such as Board fees and other remuneration to the Board.

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

In short, the company's business strategy is to increase patient safety and save lives by developing and supplying infection prevention solutions which reduce the risk of healthcare associated infections. Fewer infections reduce the number of complications, shorten hospital stays and reduce the use of antibiotics. This saves significant resources and costs for the healthcare system and society at large, and contributes to decreased transmission of multi-resistant bacteria.

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

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

Types of remuneration, etc.

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

Executive management shall be offered a fixed salary at market terms, which shall be determined based on the individual's area of responsibility and experience and shall be reviewed on an annual basis.

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

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

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

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

Criteria for awarding variable cash remuneration

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

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

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

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

Termination of employment

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

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

Share and share-related incentive plans

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

The decision-making process to review and implement the guidelines

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

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

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

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

Auditor

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

At the Annual General Meeting on 28 April 2020, the registered accounting firm Deloitte AB was elected as auditor for the period through the Annual General Meeting that will be held in 2021. Therese Kjellberg, Authorised Public Accountant, was appointed as the auditor in charge. The auditors attend the Audit Committee meetings where necessary to provide information about the ongoing audit work and to brief the entire Board on at least one occasion. In 2020 the auditor has attended meetings of the Audit Committee and Board meeting. The auditor attends the Annual General Meeting and reports their examination of Bactiguard's management and annual accounts. In addition the auditors examine the interim report for the period January–September, remuneration to senior management, the corporate governance report and the sustainability report.

Internal controls for financial reporting

According to the Swedish Annual Accounts Act and the Code, the Board is responsible for ensuring that the company has good internal control. The Board shall ensure that the company has formalised procedures in place to ensure compliance with the adopted policies for financial reporting and internal control, and that the financial reporting is prepared in accordance with the law, relevant accounting standards and other requirements for listed companies.

Control environment

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

The control structure is based on the company's finance system. It is designed to ensure that entering agreements and paying invoices, etc., follow the decision-making processes, and the signatory and authorisation procedures provided in the internal steering documents. This counteracts and prevents the risks identified by the company.

In addition to these control structures, a series of additional control activities are conducted to further discover and correct any errors and deviations. Such control activities consist of follow-up at various levels in the organisation, for example, follow-up and review by the Board of Directors regarding their formal decisions; review and comparison of income items and account settlement; and approval of the accounting of business transactions with the finance department. In accordance with its work plan, the Board of Directors conducts an annual review of these internal controls

Risk assessment

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

Control activity

Bactiguard has established an organisation for the purpose of ensuring that all financial reporting is correct and efficient. The internal steering documents define responsibilities and daily interactions between the positions involved so that all necessary information and communication reach all persons as necessary. The division and delegation of responsibility have been documented and communicated in internal steering documents established for the Board of Directors and the company, such as; the work procedure of the Board of Directors, the CEO instruction, and the delegation of authority, authorisation procedure and other internal steering documents, such as the financial handbook. All internal steering documents are maintained up-to-date on a regular basis, to reflect legislative changes or revision of reporting standards. Group management receives monthly financial information regarding the company and its subsidiaries in regard to developments of upcoming investments and liquidity planning. The Board of Directors regularly assesses the information which the company's senior management and the auditor submits.

Information and communication

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

The company's communication policy is designed to ensure that publication of all information, both internal and external is made correctly and at the appropriate time for all occasions. This policy aims to ensure compliance with the disclosure requirements in a correct and comprehensive way. If shareholders and other external stakeholders want to monitor the company's development, current financial information is published regularly on the website bactiguard.com.

Monitoring

The Board of Directors continually monitors the effectiveness of the internal controls and discusses important issues relating to accounting and reporting. The company works on the basis of quality systems with documented standard routines and work instructions. These routines and instructions are audited internally and by external quality auditors. Deviations are reported to management and major deviations to the Board. The company's auditor audits internal control and reports deviations, remarks and activity proposals to the audit committee. The CEO reports regularly to the Board in order to monitor the operational goals in the business plan. The CEO proposes the interim reports and year-end reports, which are approved by the Board before they are published. The Board also continually evaluates reports from the CEO and CFO, which includes results, budgets and an analysis of the key performance indicators.

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

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

Internal audit

In 2020 the Board evaluated the Group's need for internal audits. This resulted in the Board making the assessment that Bactiguard does not need to introduce its own internal audit function in 2021 alongside the existing processes and functions for internal control. The Board of Directors has assessed that the monitoring and review programme that is carried out internally, in combination with the external audit, is enough to maintain effective internal control for the financial reporting.

Investor relationships

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

BOARD OF DIRECTORS

Christian Kinch

Chairman of the Board

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

Elected to the Board: 2005

Born: 1966

Education: Stockholm School of Economics.

Background: Co-founder of Bactiguard. CEO of the Bactiguard Group 2005–2014 and 2015–2020. Resigned as CEO in February 2020. Chairman of the Board 2014–2015 and from 2020. Founder and CEO of Kinchard AB and Netpharma AB.

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

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

Cecilia Edström

Board Member and CEO

Membership of committees: -

Elected to the Board: 2020

Born: 1966

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

Background: Various positions within Bactiguard since 2014, CFO between September 2017 and February 2020 and CEO from February 2020. Various positions at SEB, as well as in the Executive Management of Scania AB and TeliaSonera AB

Other assignments: -

Shareholdings: 243,264 B shares as personal holdings.

Anna Martling

Board member

Membership of committees: Audit Committee

Elected to the Board: 2019

Born: 1969

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

Background: Dean Campus North, Karolinska Institutet, Senior Consultant Surgeon, Tema Cancer, Karolinska University Hospital, Research Group Leader, Karolinska Institutet. Previous member of the Board of Research at Karolinska Institutet and member of the Board of Research KI/SLL. Member of the executive managment group KI/ Region Stockholm.

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

Shareholdings: 3,423 B shares as personal holdings.

Jan Ståhlberg

Deputy Chairman of the Board

Membership of committees: Chairman of the Audit Committee and member of the Remuneration Committee.

Elected to the Board: 2018

Born: 1962

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

Background: Deputy CEO and Deputy Chairman of EQT

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

Shareholdings: 3,354,387 B shares as personal holdings.

Thomas von Koch

Board member

Membership of committees: Remuneration Committee and Audit Committee.

Elected to the Board: 2019

Born: 1966

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

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

Other assignments: Chairman of the Board in EQT Asia Pacific. Board member of SWIB Holding AB (holding company for Smartwise Sweden AB and Procella Therapeutics AB).

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

GROUP MANAGEMENT

Cecilia Edström

VD

Employed 2014

Born: 1966

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

Background: Various positions within Bactiguard since 2014, CFO between September 2017 and February 2020 and CEO from February 2020. Various positions at SEB, as well as in the Executive Management of Scania AB and TeliaSonera AB

Other assignments: -

Shareholdings: 243,264 B shares as personal holdings.

Gabriella Björknert Caracciolo

CFO, Deputy CEO

Employed 2020

Born: 1970

Education: BSc Business and Economics, Stockholm University

Background: Managerial positions in SEB and Nordea, extensive experience in management consulting.

Other assignments: -

Shareholdings: 6,000 B shares as personal holdings.

Stefan Grass

Chief Medical Officer, Deputy CEO

Employed 2019

Born: 1972

Education: MD PhD at Karolinska Institutet, Stockholm

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

Other assignments: -

Shareholdings: 9,850 B shares as personal holdings.

Petra Kaur Ljungman

Chief Marketing and Communications Officer

Employed 2021.

Born: 1970

Education: Master's degree in biology, Umeå University. Research at doctoral level in pharmacology at the Karolinska Institute.

Background: Various sales and marketing positions at pharma and medtech companies such as AstraZeneca, Sanofi and Brighter AB, and advertising agencies such as Ogilvy/INGO.

Other assignments: Board member of the Beat Diabetes Foundation.

Shareholdings: 450 B shares as personal holdings.

Peter Rådqvist

Head of Global Sales

Employed 2021

Born: 1967

Education: Marketing and economics, IHM Gothenburg

Background: Various sales manager positions within medtech companies such as Straumann Group, Biomet 3i (now part of Zimmer Biomet) and Dentsply.

Other assignments: -

Shareholdings: 3,150 B shares as personal holdings

Sathish Subramaniam

Chief Operations Officer

Employed 2013

Born: 1979

Education: BSc (Chemistry), University of Malaya. MBA, Cardiff Metropolitan University, Wales, United Kingdom.

Background: Various managerial positions within Teleflex Medical and C.R. Bard.

Other assignments: -

Shareholdings: 1,978 B shares as personal holdings.

On 4 February 2020 Christian Kinch announced to the Board that he was resigning as CEO after almost 16 years. The Board appointed Deputy CEO and CFO Cecilia Edström as the new CEO; and Chief Medical Officer Stefan Grass as the Deputy CEO. In February 2021 Cecilia Edström announced that she would be leaving her post as CEO. Cecilia Edström will continue in her role as CEO until her successor has been appointed. Gabriella Björknert Caracciolo was appointed CFO and Deputy CEO in August 2020. Petra Kaur Ljungman was appointed to the new position Chief Marketing and Communications Officer in January 2021. Sathish Subramaniam was appointed Chief Operations Officer following the integration of Vigilenz. Peter Rådqvist was appointed Head of Global Sales in February 2021.

RISKS AND RISK MANAGEMENT

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

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

Production risk

Bactiguard both licenses its technology and has its own product portfolio. Its own products are produced at its facilities in Malaysia and Sweden. By having several facilities, the Group is less exposed to the risk of any production losses if a site is forced to reduce or stop production.

Financial risk management and financial instruments

Through its activities, the Group is exposed to various types of risk and therefore has a comprehensive risk management programme that concentrates on minimising potential unfavourable effects on financial results. The company's Board of Directors is ultimately responsible for the exposures, management and follow-up of the Group's financial risks. The frameworks that apply 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.

Liquidity risk

Liquidity risk is defined as the risk of not having access to cash assets or credit available to cover payment commitments, including interest payments and amortisation. Liquidity risk is especially significant in the event large unanticipated payment commitments arise. Lack of liquidity for large payment commitments can have a negative impact on Bactiguard's operations and its financial position. In 2020 there was a weakening of the cash flow at times, caused by a temporary reduction in the number of incoming orders, which was managed using the bank overdraft facility. As per 31 December 2020, the Group has liquidity amounting to MSEK 31.0, including approved bank overdraft facilities of MSEK 30. In conjunction with the acquisition of Vigilenz, the Group's existing credit facility with SEB was renegotiated. This means that the term has been extended to February 2023 and the total outstanding amounted was MSEK 170.9 (127.5) as of 31 December 2020. The loan agreement contains a mandatory repayment, which means that an amount equivalent to 50% of free cash flow (cash flow before financing with deductions for interest and the repayment of leasing liabilities), but not exceeding MSEK 35, is payable every year (a 'cash sweep'). As a result of the effects of the pandemic, the terms and conditions in the loan agreement with SEB were renegotiated in January 2021. The terms and conditions have been renegotiated with respect to covenants and the overdraft available, which now amounts to MSEK 45 (30); the other terms and conditions remain unchanged. The liquidity risk is monitored on a monthly basis through rolling forecasts of three months which evaluate the liquidity situation and is the base of taking relevant financial or operational measures. The management currently deems that current liquidity levels will be sufficient to manage the company's commitments for the coming year.

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 a manufacturer of medical devices, Bactiguard's operations are subject to requirements and standards that are determined by regulatory authorities for each of the markets where Bactiguard operates and sells products. 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. Bactiguard has also taken several other measures to ensure that company-unique knowledge (such as application and manufacture

of the Bactiguard coating) is not disclosed to any competitor. Regulations for medical devices, for example, the MDR, are getting stricter, which means that Bactiguard's strong clinical evidence will become an even more important competitive advantage. Bactiguard's technology has been tried and tested for many different applications. New competitors and technologies must invest in clinical evidence in order to be approved, which takes a long time and requires financial investment.

Covid-19

As well as the risks already identified, the impact of the current pandemic is being regularly analysed. Bactiguard as a company complies with the recommendations of the equivalent body to the Public Health Agency of Sweden in the relevant country, and implements measures accordingly.

In 2020 the pandemic impacted Bactiguard in several different ways. The pandemic has increased the need for infection prevention, creating new opportunities for Bactiguard, which had a positive effect on sales in the first half of the year. In the third quarter the pandemic had a clearly negative impact on its operations as regular health services were cut back and operations were postponed. In the fourth quarter there was a recovery to more normal levels in the license business and stronger sales of its own BIP products than in the third quarter. Both license revenues and the sale of BIP products continued to be affected as regular health services were cut back and operations were postponed. The acquisition of Vigilenz has strengthened Bactiguard and improved its cash flow. There is now a high healthcare backlog globally that needs to be tackled. The roll-out of vaccines will have a positive impact and we can see that there will be a great need for Bactiguard's infection prevention products. However, what will happen in the near future is still difficult to assess.

Although Covid-19 has had a negative impact on sales and profit, we believe this to be temporary. The need for healthcare remains and a healthcare backlog is building up that needs to be tackled.

During the pandemic societies and companies have been affected by lock-downs, which has increased the risk of payments being delayed or defaulted. The company continually monitors payments from all of its customers. In 2020 there were no defaults on large payments, so the pandemic did not result in an increase in customer losses for Bactiguard.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

Amounts in TSEK	Note	2020	2019
Net sales	5.6	172,315	184,987
Other operating revenues	7	13,711	8,942
Total		**186,026**	**193,929**
Change in inventory of finished goods and products in progress		4,700	3,882
Capitalized expenses for own account		3,959	2,731
Raw materials and consumables		-43,853	-32,062
Other external expenses	8	-49,330	-46,242
Personnel costs	9	-67,188	-58,082
Depreciation and amortization	14–23	-44,293	-42,128
Other operating expenses	7	-7,659	-2,516
Total		**-203,664**	**-174,418**
Operating profit/loss		**-17,638**	**19,511**
Profit/loss from financial items			
Financial income	10	2,240	151
Financial expenses	11	-26,535	-9,309
Total		**-24,295**	**-9,158**
Profit before tax		**-41,933**	**10,353**
Current tax [1]	12	-2,608	-16
Deferred tax [1]	12	6,152	5,919
Profit/loss for the year [1]		**-38,388**	**16,256**
Attributable to:			
The parent company's shareholders		-38,388	16,256
Earnings per share in SEK [1,2]		-1,14	0.49

Condensed consolidated statement of comprehensive income

Amounts in TSEK	2020	2019
Profit/loss for the year	-38,388	16,256
Other comprehensive income:		
Items that will be reclassified to profit or loss for the year		
Translation differences	-7,091	-406
Other comprehensive income, after tax	**-7,091**	**-406**
Total comprehensive income for the year	**-45,479**	**15,850**
Attributable to:		
The parent company's shareholders	-45,479	15,850

[1)] Information regarding change in this key figure compared to the report for the fourth quarter of 2020 is presented in page 60.

[2)] No dilution is applicable.

Consolidated statement of financial position

Amounts in TSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	13	245,411	226,292
Technology	14	149,652	165,192
Brands	15	26,155	25,572
Customer relationships	16	9,334	8,188
Capitalised development expenses	17	22,324	21,555
Patent registrations	18	1,117	355
Total		**453,994**	**447,153**
Property, plant and equipment			
Right of use lease assets	19	73,029	79,266
Buildings	20	13,509	-
Improvements, leasehold	21	8,370	9,536
Machinery and other technical plant	22	7,981	4,410
Equipment, tools and installations	23	5,283	1,886
Total		**108,172**	**95,099**
Financial assets			
Long-term receivables		1,708	1,837
Total		**1,708**	**1,837**
Total non-current assets		**563,875**	**544,090**
Current assets			
Inventories	25	34,161	14,351
Accounts receivables	26	49,642	45,414
Other current receivables		6,738	2,547
Prepaid expenses and accrued income	27	10,919	12,087
Cash and cash equivalents	28	9,886	22,878
Total		**111,346**	**97,277**
TOTAL ASSETS		**675,221**	**641,367**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent			
Share capital	29	839	833
Translation reserve		-7,802	-711
Other capital contribution		707,805	675,690
Retained earnings including net profit for the year [1]		-327,492	-289,120
Total		**373,349**	**386,691**
Total equity		**373,349**	**386,691**
Non-current liabilities			
Deferred tax liabilities [1]	12	11,980	13,553
Liabilities to credit institutions	30.31	188,016	-
Liabilities leasing agreements	19	66,263	71,760
Total		**266,259**	**85,313**
Current liabilities			
Liabilities to credit institutions	30	-	126,900
Liabilities leasing agreements	19	9,746	9,223
Accounts payable		8,801	8,588
Other current liabilities [1]		3,991	2,528
Accrued expenses and deferred income	32	13,076	22,122
Total		**35,614**	**169,362**
Total liabilities		**301,873**	**254,675**
TOTAL EQUITY AND LIABILITIES		**675,221**	**641,367**

[1)] Information regarding change in this key figure compared to the report for the fourth quarter of 2020 is presented in page 60.

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent				
Amounts in TSEK	**Share capital**	**Other capital contribution**	**Translation reserve**	**Retained earnings including net profit for the year**	**Total equity attributable to shareholders of the parent company**
Opening balance 1 January 2019	833	675,690	-305	-305,396	370,841
Adjustment of shareholders' equity for previous year				20	
Comprehensive income					
Profit/loss for the year	-	-	-	16,256	16,256
Other comprehensive income:					
Translation differences	-	-	-406	-	-406
Total other comprehensive income, after tax	**-**	**-**	**-406**	**-**	**-406**
Total comprehensive income	**-**	**-**	**-406**	**16,276**	**15,850**
Transactions with shareholders					
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-**
Closing balance 31 December 2019	**833**	**675,690**	**-711**	**-289,120**	**386,691**
Opening balance 1 January 2020	833	675,690	-711	-289,120	386,691
Adjustment of shareholders' equity for previous year				17	17
Comprehensive income					
Profit/loss for the year	-	-	-	-38,388	-38,388
Other comprehensive income:					
Translation differences [1]	-	-	-7,091	-	-7,091
Total comprehensive income, after tax	**-**	**-**	**-7,091**	**-38,388**	**-45,479**
Transactions with shareholders					
Set-off issue	6	32,115	-	-	32,121
Total transactions with shareholders	**6**	**32,115**	**-**	**-**	**32,121**
Closing balance 31 December 2020	**839**	**707,805**	**-7,802**	**-327,492**	**373,349**

[1] Information regarding change in this key figure compared to the report for the fourth quarter of 2020 is presented in page 60.

Consolidated statement of cash flows

Amounts in TSEK	Note	2020	2019
Cash flow from operating activities			
Profit/loss for the year [1]		-38,388	16,256
Adjustment for non-cash flow items:			
Depreciation		44,293	42,128
Loss from changes in derivatives		10,887	-
Deferred tax [1]		-6,152	-5,918
Income tax paid		-1,814	-15
Other non-cash items		5,415	229
Cash flow from operating activities before changes in working capital		**14,241**	**52,680**
Increase/decrease inventory		-5,054	150
Increase/decrease accounts receivable		1,395	8,215
Increase/decrease other current receivables		873	-884
Increase/decrease accounts payable		-730	1,536
Increase/decrease other current liabilities		-10,023	-7,715
Cash flow from change in working capital		**-13,539**	**1,302**
Cash flow from operating activities		**702**	**53,982**
Investing activities			
Acquisition of subsidiaries	34	-41,663	-
Investments in intangible assets		-4,903	-2,882
Investments in property, plant and equipment		-10,447	-1,541
Cash flow from investing activities		**-57,013**	**-4,423**
Financing activities			
Debt incurred		43,441	-
Amortisation of financial leasing liability		-5,498	-8,921
Amortisation of loan		-1,376	-15,000
Change to bank overdraft		8,856	-3,905
Other financing activities		781	
Cash flow from financing activities	35	**46,204**	**-27,826**
Cash flow for the year		**-10,107**	**21,733**
Cash and cash equivalents at start of year		22,878	1,893
Exchange difference in cash and cash equivalents		-2,886	-748
Cash and cash equivalents at end of year		**9,886**	**22,878**

[1)] Information regarding change in this key figure compared to the report for the fourth quarter of 2020 is presented in page 60.

PARENT COMPANY FINANCIAL STATEMENTS

Parent company's income statement

Amounts in TSEK	Note	2020	2019
Net sales	5	2,315	5,081
Total		**2,315**	**5,081**
Other external expenses	8	-2816	-1648
Personnel costs	9	-4,762	-6,662
Total		**-7,578**	**-8,310**
Operating profit/loss		**-5,263**	**-3,229**
Profit/loss from financial items			
Interest income and similar items	10	3,593	3,383
Interest expenses and similar items	11	-17,229	-4,821
Total		**-13,636**	**-1,438**
Profit/loss after financial items		-18,899	-4,667
Deferred tax	12	-	15,255
Profit/loss for the year		**-18,899**	**10,588**

Statement of comprehensive income, parent company

Amounts in TSEK	2020	2019
Profit/loss for the year	-18,899	10,588
Other comprehensive income	-	-
Total comprehensive income	**-18,899**	**10,588**

Parent company balance sheet

Amounts in TSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Financial assets			
Shares in subsidiaries	24	481,191	414,574
Receivables from group companies		178,240	178,286
Deferred tax assets	12	15,255	15,255
Total		**674,686**	**608,114**
Current assets			
Current receivables			
Other current receivables		646	385
Prepaid expenses and deferred income	27	153	1,321
Total		**800**	**1,706**
Cash and bank balances	28	80	2,063
Total current assets		**880**	**3,769**
TOTAL ASSETS		**675,566**	**611,883**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	29	839	833
Total		**839**	**833**
Non-restricted equity			
Retained earnings		499,156	456,453
Profit/loss for the year		-18,899	10,588
Total		**480,257**	**467,041**
Total equity		**481,095**	**467,873**
Non-current liabilities			
Liabilities to credit institutions	30	169,489	-
Total		**169,489**	**-**
Current liabilities			
Liabilities to credit institutions	30	-	126,900
Liabilities to group companies		24,017	14,575
Accounts payable		65	115
Other current liabilities		144	288
Accrued expenses and deferred income	32	756	2,131
Total		**24,983**	**144,010**
Total liabilities		**194,472**	**144,010**
TOTAL EQUITY AND LIABILITIES		**675,566**	**611,883**

Changes in equity, parent company

Amounts in TSEK	Share capital	Restricted equity	Non-restricted equity	Total equity
Opening balance 1 January 2019	**833**	**-**	**456,453**	**457,286**
Comprehensive income				
Profit/loss for the year	-	-	10,588	10,588
Total comprehensive income	**-**	**-**	**10,588**	**10,588**
Total transactions with shareholders	**-**	**-**	**-**	**-**
Closing balance 31 December 2019	**833**	**-**	**467,041**	**467,873**
Opening balance 1 January 2020	**833**	**-**	**467,041**	**467,873**
Comprehensive income				
Profit/loss for the year	-	-	-18,899	-18,899
Total comprehensive income	**-**	**-**	**-18,899**	**-18,899**
Transactions with shareholders				
Set-off issue	6	-	32,115	32,121
Total transactions with shareholders	**6**	**-**	**32,115**	**32,121**
Closing balance 31 December 2020	**839**	**-**	**480,257**	**481,095**

Cash flow statement, parent company

Amounts in TSEK	Note	31 Dec 2020	31 Dec 2019
Cash flow from operating activities			
Profit/loss for the year		-18,899	10,588
Adjustment for non-cash flow items			
Deferred tax			-15,255
Loss from changes in derivatives		10,868	-
Accrued interest income		9,378	7,455
Accrued interest expense		-887	-26
Paid income tax		-71	-239
Cash flow from operating activities before changes in working capital		**389**	**2,524**
Increase/decrease accounts receivable		410	-
Increase/decrease other current receivables		1,051	-1,240
Increase/decrease accounts payable		-50	-66
Increase/decrease other current liabilities		-1,555	197
Cash flow from change in working capital		**-144**	**-1,109**
Cash flow from operating activities		**245**	**1,415**
Investing activities			
Acquisition of subsidiaries		-45,364	-
Cash flow from investing activities		**-45,364**	**-**
Financing activities			
Amortisation of loan		-	-15,000
Amortisation loan group companies		-	15,000
New long-term loans		43,441	
Changes in intra-group loans		-305	
Cash flow from financing activities	35	**43,136**	**0**
Cash flow for the year		-1,983	1,415
Cash and cash equivalents at start of year		2,063	648
Cash and cash equivalents at end of year		**80**	**2,063**

NOTES

NOTE 1 General information

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

NOTE 2 Significant accounting policies

The most important accounting policies that are applied when these consolidated financial statements have been prepared are specified below. These policies have been applied consistently for all the presented years unless otherwise stated. The consolidated financial statements for Bactiguard Holding AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and the interpretations of the IFRS Interpretations Committee (IFRIC) as of 31 December 2020. In addition, the Group applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary rules for Group accounting". Items in the consolidated financial statements have been prepared on an acquisition value basis, except for certain financial instruments which are stated at fair value. The accounting currency of the parent company is the Swedish krona, which is also the presentation currency of the Group. All amounts are specified in thousands unless otherwise stated. The significant accounting policies which have been applied are described below.

New and amended IFRS standards and new interpretations

Applied accounting policies include new and amended standards for the first time that are mandatory for financial years beginning 1 January 2020.

New or amended IFRS standards and interpretations that came into force on 1 January 2020 have not had any material impact on the Group. From 1 January 2021, amendments have been made to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 due to the reference interest rate reform phase 2. The changes mainly relate to exemptions from modifications of financial assets and liabilities as a result of the IBOR reform. In addition, new disclosure requirements are added.

New and amended IFRS standards and interpretations that have been published but have not yet come into force are not assessed to have affected the Group in any material way.

Consolidated financial statements

The consolidated financial statements cover the parent company Bactiguard Holding AB and those companies over which the parent company has direct or indirect control (subsidiaries). In determining whether control exists, any shareholder agreements or potential voting shares that may be utilised or converted without delay shall be considered. Control normally exists when the parent company directly or indirectly holds shares representing more than 50% of the votes. Subsidiaries are consolidated in the financial statements as of the acquisition date, and are excluded from consolidation as of the date when such control ceases. The accounting policies for subsidiaries have been amended, when necessary, to ensure consistent application of the Group's accounting policies. All intra-group transactions, dealings and unrealised gains and losses attributable to intra-group transactions have been eliminated when preparing the consolidated financial statements.

Goodwill

Goodwill that arises during the acquisition of subsidiaries is recognised at acquisition value less any accumulated impairments. For impairment testing, goodwill is allocated to the cash generating units that are expected to benefit from synergies expected from combining operations. Goodwill shall be tested for impairment annually, or more often whenever events indicate that the carrying amount may not be recoverable. If the recovery value of a cash generating unit is determined to be lower than the carrying amount, the amount of the impairment is allocated, first by reducing the carrying amount for goodwill attributable to the cash generating unit and then by the carrying amount for goodwill attributable to the other assets attributable to the cash-generating unit proportionally based on the carrying amount of each asset in the unit. A recognised impairment of goodwill cannot be reversed in a later period. During the sale of a subsidiary, the remaining carrying amount for goodwill is included in the calculation of the capital gain or loss.

Operating segments

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

Revenues

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

License revenues

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

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

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

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

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

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

Once the collaborative phase is completed, the license agreement transitions into the commercial phase, which include large elements of the Group's existing license agreements. In the commercial phase,

revenues are recognised on a certain date, such as when product delivery of noble metal concentrates is made and when the variable remuneration in the form of royalties incurs.

For detailed and quantified information, see Note 5.

Product sales

Bactiguard has a broad portfolio of products that protect against and prevent infections. The portfolio comprises products for the urinary tract, the bloodstream and the respiratory tract, as well as wound care products, including surgical sutures, wound wash, dressings and disinfectants. The proceeds from the sale of the products are recognised at the time the control passes to the customer, in other words once the ownership of the products is transferred to the customer, which normally coincides with the delivery.

Contributions received

Contributions received, for example, for research and development, are recognised as Other revenues.

Leases

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

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

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

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

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

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

The Group assesses whether an agreement is, or contains, a lease upon entering into an agreement. The Group has opted to apply the practical relief rules that are in effect, and therefore leases for less than twelve months have been classified as short-term agreements, whereas leases in which the underlying asset has a new acquisition value that is lower than about TSEK 45 are classified as agreements for which the underlying asset has a low value. None of these types of agreement are included in the rights of use or leasing liabilities that have been recognised. For these leases, the Group recognises the lease payments as operating expenses on a straight-line basis over the term of the lease, unless another systematic method is more representative for when the financial benefits from the leased assets are utilised by the Group.

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

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

Foreign currencies

Items included in the financial statements of the various entities in the Group are recognised in each companies' local currency. All amounts in the consolidated financial statements are translated to Swedish krona (SEK), which is the functional and reporting currency of the parent company and the Group. Foreign currency transactions in each entity are translated into the entity's functional currency according to the prevailing exchange rates on the transaction date.

On each balance sheet date, monetary items in foreign currency are translated at the exchange rate on the balance sheet date. Non-monetary items, carried at fair value in a foreign currency, are translated at the rate that existed when the fair value was determined. Non-monetary items, carried at historical acquisition value in a foreign currency are not translated. Exchange rate differences are recognised in the income statement for the period in which they occur.
In preparing these consolidated financial statements, foreign subsidiaries' assets and liabilities are translated to Swedish krona using the exchange rate on the balance sheet date. Revenue and cost items are translated to the average exchange rate for the period, unless the exchange rate has fluctuated significantly during the period, whereby the exchange rate on the transaction date is used instead. Any translation differences that arise are recognised in other comprehensive income and transferred to the Group's translation reserve. On disposal of a foreign subsidiary, such translation differences are recognised in the income statement as a part of the capital gain or loss. Goodwill and changes to fair value that arise in the acquisition of a foreign business are treated as assets and liabilities of the operations and translated at the exchange rate on the balance sheet date.

Employee benefits

Employee benefits in the form of salaries, bonus, paid vacation, paid sick leave, and similar, as well as pensions are recognised as they are incurred. Pensions and other benefits after terminated employment are classified as defined contribution or defined benefit pension plans. The Group only has defined contribution pension plans. This means that the company pays fixed fees to a separate independent legal entity for defined contribution plans and has no liability to pay additional fees. Group earnings are charged for costs as the benefits are earned, which normally coincides with the date when the premiums are paid.

Taxes

Tax expense is the sum of current and deferred tax.

Current tax

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

Deferred tax

Deferred tax is recognised for all temporary differences that arise between the carrying amount of the assets and liabilities in the financial statements and the taxable amounts used when calculating taxable income. Deferred tax is recognised, using the balance sheet liability method.

In principle deferred tax liabilities are recognised for all taxable temporary differences, and in principle deferred tax assets are recognised for all deductible temporary differences to the extent it is probable that the amounts can be utilised against future taxable profit. Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill or if it arises from a transaction that is the first reporting of an asset or liability (that is not a business combination) and which, on the transaction date, does not affect recognised or taxable income. Deferred tax liabilities are recognised for taxable temporary differences attributable to investments in subsidiaries, except when the date for reversing the temporary differences can be controlled by the Group and it is probable that such a reversal will not take place in the foreseeable future.

The deferred tax assets that are attributable to deductible temporary differences related to such investments shall only be recognised to the extent it is probable that the amounts can be utilised against future taxable profit and it is probable that these will be utilised in the foreseeable future. The carrying amount for deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be available to be utilised, wholly or partially, against the deferred tax assets.

Deferred tax is measured at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been decided or notified on the balance sheet date. Deferred tax assets and tax liabilities are offset when they are attributable to income tax levied by the same authority and when the Group intends to settle the tax with a net amount.

Current and deferred tax for the period

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

Property, plant and equipment

Property, plant and equipment is recognised at acquisition value less accumulated depreciation and any accumulated impairments. The acquisition value consists of the purchase price, costs directly attributable to bringing the asset to the site and working condition for its intended use, and the estimated cost of dismantling and removing the asset, and restoring the site where it is located. Additional costs are included only if the asset is recognised as a separate asset, when it is probable that the future economic benefits that can be attributed to the item will flow to the Group and the acquisition value for the same can be measured reliably. All other costs for repairs, maintenance and additional fees are recognised in the income statement for the period they arise. Depreciation of property, plant and equipment is written off so that the asset's value less the estimated residual value at the end of the useful life, is depreciated on a straight-line basis over the estimated useful life, which is assessed as:

Buildings	10-60 years
Improvements, leasehold	5–15 years
Machinery and other technical plant	5–10 years
Equipment, tools and installations	5 years

Estimated useful life, residual values, and depreciation methods are retested at least at the end of each financial period, the effect of any changes to assessments is recognised prospectively. The carrying amount for property, plant and equipment is derecognised in the statement of financial position when it is retired or disposed, or when no future economic benefits are expected from the asset. The gain or loss that arises when the asset is retired or disposed is recognised in profit for the period when the asset is derecognised in the statement of financial position.

Intangible assets

Separately acquired intangible assets

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

Internally generated intangible assets

Capitalised expenses for product development

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

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

If these conditions are not met, the cost of development is recognised instead as an expense in the period in which they arise. Depreciation of the asset begins once product development for each internally generated intangible asset is considered complete. The asset is then recognised at acquisition value less accumulated depreciation and any accumulated impairments.

Intangible assets acquired in a business combination

Intangible assets acquired through a business combination are identified and recognised separately from goodwill when they meet the definition of an intangible asset and their fair value can be measured reliably. The acquisition value of such intangible assets comprises their fair value on the acquisition date. After initial recognition, intangible assets acquired in a business combination are carried at acquisition value less accumulated depreciation and any accumulated impairments in the same way as with separately acquired intangible assets.

Estimated useful life for intangible assets

Technology	6 years and 15 years respectively
Customer relationships	12–15 years
Patents	20 years
Capitalised expenses for product development	5 years
Brands	Indeterminable useful life and 5 years respectively

Disposals and retirements

An intangible asset is derecognised in the statement of financial position when it is retired or disposed, or when no future economic benefits are expected from the asset. The gain or loss that arises when an intangible asset is derecognised in the statement of financial position is recognised in the income statement when the asset is derecognised from the statement of financial position.

Impairment of property, plant and equipment and intangible assets excluding goodwill

On each balance sheet date, the Group analyses tangible and intangible assets to determine whether there is evidence that these assets have decreased in value. If so, the asset's recovery value is measured to determine the value of any impairment. If it is not possible to determine the recovery value of an individual asset, the Group measures the recovery value of the cash generating unit to which the asset belongs. Intangible assets with indeterminable useful life and intangible assets that are not yet finished for use shall be tested for impairment annually, or when there is evidence of loss in value. The recoverable amount is the higher of the fair value less selling cost and its value in use. When measuring value in use, an estimate of the future cash flows is discounted to present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recovery value of an asset (or a cash generating unit) is determined to be below the carrying amount, an impairment loss is recognised for the carrying amount of the asset (or the cash generating unit) to reflect the recovery value. The impairment loss is immediately recognised as an expense in the income statement. When an impairment loss is reversed, the carrying value of the asset (or the cash generating unit) is revalued to reflect the increase in recovery value, but this increased recovery value may not exceed what the depreciated historical cost would have been if the impairment of the asset had not been recognised (or cash generating unit). Reversal of an impairment loss is recognised directly in the income statement.

Financial instruments

Classification of financial instruments

Financial assets and financial liabilities are classified as follows.

Financial assets

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

Financial liabilities

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

Measurement of financial instruments

The fair value of financial instruments

The fair value of financial assets and financial liabilities is measured as follows: The fair value of financial assets and liabilities that have standard conditions that are traded on an active market is measured in relation to the quoted market price. The fair value of other financial assets and liabilities is determined according to generally accepted valuation models that are based on information obtained from observable current market transactions. The carrying amounts of all financial assets and liabilities are deemed to be a reasonable approximation of their fair value, unless otherwise stated.

Amortised acquisition value

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

Recognition of financial instruments

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

The same applies to part of a financial liability. The acquisition and sale of financial assets are recognised on the trade date, which is the day when the company commits itself to acquire or sell the asset.

Cash and cash equivalents
Cash and cash equivalents include cash assets and bank balances, and other short-term securities that are readily convertible to cash and are subject to an insignificant risk of changes in value. Classification as cash or cash equivalents requires that the maturity does not exceed three months from the date of the acquisition. Cash assets and bank balances are classified as 'Hold to collect' and these are measured at amortised acquisition value. Since bank deposits are payable on demand, amortised acquisition value equals the nominal amount.

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

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

Accounts payable
Accounts payable are recognised when an invoice has been received. Accounts payable are measured at their amortised acquisition value. However, the expected maturity of accounts payable is short, so the liability is recognised at the nominal amount and is not discounted.

Borrowing from credit institutions and other loans
Interest-bearing bank loans, bank overdrafts and other loans are measured at their amortised acquisition value using the effective interest rate method. Any differences between the loan received (net after transaction costs) and the repayment amount or the amortisation of the loan are recognised over the maturity period of the loan.

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

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

Cash and cash equivalents and other operating receivables with a maturity of less than twelve months are covered by the general model, with the exception of low credit risk. Based on this a credit loss provision has been deemed unnecessary for the Group's cash and cash equivalents and other operating assets.

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

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

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

Provisions
Provisions are recognised when the Group has a legal or informal obligation based on past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably measured. The amount reserved is the best estimate of the amount required to settle the existing obligation on the balance sheet date, considering the risks and uncertainties associated with the obligation. When a provision is measured by estimating the payments expected to be required to settle the obligation, the carrying amount shall correspond to the present value of these payments.

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

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

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

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

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

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

Inventories
Correcton of errors
After the publication of the report for the fourth quarter 2020, errors were identified in the current tax reported and deferred tax, in a foreign subsidiary. This resulted in a correction of reported tax of TSEK -1,408. The table below shows how this adjustment affected the financial statements.

Amounts in TSEK	Report fourth quarter	Adjustment	2020
Current tax	-833	-1,775	-2,608
Deferred tax	5,786	367	6,152
Profit/loss for the year	-36,980	-1,408	-38,388
Earnings per share in SEK	-1,10	-0,04	-1,14
Total equity (incl translation reserve)	374,673	-1,324	373,349
Deferred tax liabilities	12,413	-432,045	11,980
Other current liabilities	2,234	1,757	3,991

NOTE 3 Significant accounting estimates and assessments

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

Revenue recognition

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

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

Impairment testing of goodwill and brands

The Group conducts impairment testing annually for goodwill and brand or whenever there is an indication they may be impaired. In order to determine whether the value of these assets has decreased, the cash-generating unit to which goodwill and trademark are attributed must be measured by discounting the unit's cash flows. By applying this method, the company is relying on a number of factors, including achieved results, business plans, economic forecasts and market data. This is described in more detail in Note 13. Every year the Group also tests to see if there is any impairment need for capitalised development costs. The value of the capitalised development costs is measured in relation to any future expected cash flows that the asset is expected to generate in order to see whether there is any need for impairment. As can be deduced from the description, changes in the conditions for these assumptions and estimates could have a significant effect on the value of goodwill and brand.

Right of use and leasing liability

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

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

Estimation of useful life for intangible and tangible assets

Group management determines the estimated useful life and consequent depreciation for the Group's intangible and tangible assets. Estimates of the useful lives of intangible assets are based on expectations of how long the asset is expected to yield financial benefits.

The useful lives of the tangible assets are based on the history of the useful lives of the corresponding assets. The useful life and assessed residual values are evaluated at the end of each financial year, and the estimated useful life could change the outcome whereby the results and financial position of the period may be affected.

Assessment of provision for expected credit losses

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

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

NOTE 4 Financial risk management

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

Liquidity and financing risks

Liquidity and financing risks involve the risk of not being able to meet payment obligations due to having insufficient liquidity or difficulties in obtaining external loans. The table below illustrates the Group's liquidity risks using a maturity analysis of financial liabilities. The amounts in these tables are not discounted values and they also contain, where applicable, interest payments and amortisation, whereby these amounts cannot be reconciled against the amounts recognised in the balance sheets. Interest payments are determined based on conditions which apply on the balance sheet date. The table below indicates how the financial liabilities mature based on the information that was available as of 31 December 2020.

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

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

Maturity analysis Financial liabilities

Group 31 Dec 2020	Within 3 months	4-12 months	1–5 years	Later than 5 years	Total
Liabilities to credit institutions (including future interest)	1,451	4,417	179,697	10,278	195,842
Leasing liability	2,539	7,616	45,208	27,738	83,101
Accounts payable	8,801				8,801
Bank overdraft			8,856		8,856
Total	**12,791**	**12,034**	**233,761**	**38,016**	**296,601**

Group 31 Dec 2019	Within 3 months	4-12 months	1–5 years	Later than 5 years	Total
Liabilities to credit institutions (including future interest)	956	130,228	–		131,184
Leasing liability	2,957	8,788	42,754	39,900	94,399
Accounts payable	8,588				8,588
Bank overdraft					-
Total	**12,502**	**139,016**	**42,754**	**39,900**	**234,171**

The parent company 31 Dec 2020	Within 3 months	4-12 months	1–5 years	Later than 5 years	Total
Liabilities to credit institutions (including future interest)	1,282	3,917	176,981	-	182,180
Accounts payable	65				65
Total	**1,347**	**3,917**	**176,981**	**–**	**182,245**

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

Financial assets

Distribution of how fair value is determined is based on three levels;
Level 1: according to prices quoted on an active market for the same instrument.
Level 2: based on directly or indirectly observable market data not included in level 1.
Level 3: based on input data that is not observable on the market.

The Group's other current receivables at fair value relate to currency derivatives and are valued according to level two.

Financial instruments	Recognised as of 31 Dec 2020		Recognised as of 31 Dec 2019	
Category	**Hold to collect**	**Other**	**Hold to collect**	**Other**
Measurement	Amortised acquisition value	Fair value through the income statement	Amortised acquisition value	Fair value through the income statement
Other non-current accounts receivable	1,708		1,837	
Accounts receivable	49,642		45,414	
Other current receivables	4,749	1,988	2,547	
Cash and cash equivalents	9,886		22,878	
Total	**65,985**	**1,988**	**72,676**	

Financial liabilities

	Recognised as of 31 Dec 2020		Recognised as of 31 Dec 2019	
Category	**Financial liabilities**	**Other**	**Financial liabilities**	**Other**
Measurement	Amortised acquisition value	Fair value through the income statement	Amortised acquisition value	Fair value through the income statement
Liabilities				
Non-current interest-bearing liabilities	188,016			-
Non-current leasing liabilities	66,263		71,760	-
Current interest-bearing liabilities	-		126,900	-
Current lease liabilities	9,746		9,223	-
Accounts payable	8,801		8,588	-
Other liabilities	15,310		24,402	248
Total	**288,135**		**240,873**	**248**

Accounts receivable

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

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

In addition to the expected credit loss provision for all accounts receivable, there is also a credit loss provision based on individual assessments where, for example, an assessment has been made whereby the entire receivable needs to be impaired. Accounts receivable are written off when there is no reasonable expectation of repayment. Indications that there is no reasonable expectation of repayment include, among other things, that the customer fails with the repayment plan or that agreed payments are more than 120 days late. More information on the Group's overall credit loss provision is given in Note 26 Accounts receivable.

	Risk class 1	Risk class 2	Risk class 3	Risk class 4	Credit loss provision, individual assessment	Total outstanding receivables SEK
31 Dec 2020						
Accounts receivable, gross per risk class	5,974	35,086	8,522	1,098		50,681
Exchange rate adjustment						-3
Expected loss level %	0.2%	1%	2%	5%		
Credit loss provision	-12	-351	-170	-55	-448	-1,036
Total accounts receivable, net 31 Dec 2020						**49,642**

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

Capital risk management

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

The Group is working to reduce its capital risk by:

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

Currency risk

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

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

Under the Group's currency policy such transaction exposure can be reduced through the use of derivative instruments. Pursuant to the currency policy, the Group may use forward contracts, swaps and currency options. If such instruments are used, hedging should take place by 40–80% of the forecasted cash flows in the relevant currency for the next twelve months. As of 31 December 2020, there were MUSD 2.3 (MUSD 2.3) in outstanding currency futures.

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 +/– 0.4 (0.7). 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 (0.1).

Interest rate risk

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

As the loan runs at an interest base of Stibor 90, however minimum 0%, and an interest surcharge of 3.0%, the company's foremost interest risk to possible changes is represented by the underlying Stibor rate. A change of Stibor 90 by one percentage point would impact the Group's annual interest expense on the loan which at the end of 2020 amounted to MSEK 170,9 (127,5), by MSEK -2.2 (-1.4).

NOTE 5 Revenues

Revenue distribution

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

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

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

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

The collaboration phase can also include milestones which has to be achieved in order for certain compensation to be paid, eg that a regulatory approval must be obtained. This compensation is then considered to constitute a variable remuneration and the revenue is depending on the occurrence of a future event. When the performance obligation has been fulfilled, the part of the transaction price that has been allocated to this performance obligation is recognised as revenue.

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

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

	Group		Parent company	
Type of product/service	**2020**	**2019**	**2020**	**2019**
License revenues (commercial phase)	102,871	113,282	-	-
New license revenues (collaboration phase)	592	31,469	-	-
Sales of BIP products	68,852	40,236	-	-
Service assignements	-	-	2,315	5,081
Total	**172,315**	**184,987**	**2,315**	**5,081**

Time of revenue recognition	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Performance obligations fulfilled at a specific point in time	172,315	182,869	2,315	5,081
Performance obligations fulfilled over time	-	2,118	-	-
Total	**172,315**	**184,987**	**2,315**	**5,081**

Important components in customer agreements

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

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

Agreement liabilities	Deferred income	
	31 Dec 2020	**31 Dec 2019**
Opening balance 1 January	**8,474**	**9,406**
Gross increase during the year	3,770	2,665
Revenues recognised during the year	-7,196	-3,597
Closing balance 31 December	**5,048**	**8,474**

NOTE 6 Segment information

Group

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

Of the Group's total revenues, TSEK 93 432 (113 282) relates to sales to customer BD.

Segment information Revenues

	2020		2019
USA	94 025	USA	142 633
Sweden	21 606	China	23 359
Malaysia	19 028	Greece	3 746
China	9 636	India	2 168
Thailand	3 445	Saudi Arabia	1 381
Bangladesh	2 551	Pakistan	1 334
New Zeeland	1 757	Poland	1 183
Other countries	20 268	Other countries	9 184
Total revenues	**172 315**	**Total revenues**	**184 987**

Parent company

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

NOTE 7 Other operating revenues and operating expenses

	Group		Parent company	
Other operating revenues	**2020**	**2019**	**2020**	**2019**
Exchange rate gains	9,458	4,254		
Other operating revenues	4,253	4,688	-	-
Total	**13,711**	**8,942**	**-**	**-**

	Group		Parent company	
Other operating expenses	**2020**	**2019**	**2020**	**2019**
Exchange rate loss	-7,256	-2,516	-	-
Loss for disposal of non-current assets	-403			
Total	**-7,659**	**-2,516**	**-**	**-**

NOTE 8 Information on fees and remuneration to auditors

	Group		Parent company	
	2020	**2019**	**2020**	**2019**
Deloitte				
audit assignment	545	485	545	485
additional audit assignments	169	193	169	97
tax consultancy		-		-
other services		12		12
Total	**714**	**690**	**714**	**594**
Other auditors				
audit assignment	125	66	-	-
additional audit assignments	30	-	-	-
tax consultancy		-	-	-
other services		56	-	-
Total	**155**	**122**	**0**	**0**

The audit assignment refers to fees charged for the statutorily required audit. The assignment includes auditing the annual accounts and financial statements, reviewing the administration of the Board of Directors and Chief Executive Officer, and the fees for audit advice provided to the company during the audit engagement. Other auditing services refer to quality assurance services and include a review of the interim financial statements along with a review linked to acquisitions.

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

Employees	2020		2019	
Average number of employees	Number of employees	Of which women	Number of employees	Of which women
Parent company	1	1	3	1
Swedish subsidiaries	42	22	38	22
Foreign subsidiaries	120	82	19	13
Group total	**163**	**105**	**60**	**36**

	2020			2019		
Total salaries and other remuneration to employees	Salaries and other remuneration	Social security costs	Total	Salaries and other remuneration	Social security costs	Total
Parent company	3,451	1,299	4,750	4,203	2,416	6,620
– of which pension costs		302	302	-	1,090	1,090
Swedish subsidiaries	31,461	12,360	43,822	31,080	12,833	43,913
– of which pension costs		5,389	5,389	-	5,499	5,499
Foreign subsidiaries	13,218	1,657	14,875	3,995	670	4,664
– of which pension costs		1,263	1,263	-	339	339
Group total	**48,130**	**15,316**	**63,447**	**39,278**	**15,919**	**55,197**
of which total pension costs		6,954	6,954	-	6,927	6,927

The above figures do not include other personnel costs, which amount to TSEK -3,741 (-2,885).

	2020		2019	
Gender distribution in Board of Directors and senior managers	Board of Directors	Senior managers	Board of Directors	Senior managers
Men	3	2	3	3
Women	2	3	2	1
Total	**5**	**5**	**5**	**4**

Remuneration and other benefits to senior management	2020				2019			
Group	Salary/Fee	Other benefits	Pension	Total	Salary/Fee	Other benefits	Pension	Total
Chief Executive Officer	2,369	4	545	2,918	1,700	4	426	2,130
Deputy CEO (2 Deputy CEOs from August 2020)	2,293	6	600	2,899				
Other senior management	3,474	19	683	4,176	6,073	15	1,193	7,281
Total	**8,137**	**29**	**1,828**	**9,993**	**7,773**	**19**	**1,619**	**9,411**

	2020				2019			
Parent company	Salary/Fee	Other benefits	Pension	Total	Salaries/ Remuneration	Other benefits	Pension	Total
Chief Executive Officer	176	0	34	210	1,700	4	426	2,130
Other senior management					-	-	-	-
Total	**176**	**0**	**34**	**210**	**1,700**	**4**	**426**	**2,130**

The former CEO was employed in Bactiguard Holding AB. The current CEO is employed in a Swedish subsidiary. No agreements regarding severance pay are in effect between the company and the current CEO or other senior management. CEO has 6 months notice period. Other senior managers refer to Group executive management. Guidelines for remuneration to senior executives are described in the corporate governance report on pages 34-47.

	2020		2019	
Board of Directors	**Salary/Board fee**	**Total**	**Salary/Board fee**	**Total**
Jan Ståhlberg, Chairman of the Board until the AGM in April 2020	333	333	483	483
Christian Kinch, Chairman of the Board from the AGM in April 2020	1,267	1,267	-	-
Mia Arnhult, until the Annual General Meeting in April 2020	100	100	300	300
Anna Martling, from the Annual General Meeting in May 2019	200	200	117	117
Thomas von Koch, from the Annual General Meeting in May 2019	133	133	-	-
Cecilia Edström, from the Annual General Meeting in April 2020	-	-		
Marie Wickman-Chantereau, until the Annual General Meeting in May 2019	-	-	83	83
Svante Östblom, until the Annual General Meeting in May 2019	-	-	83	83
Total	**2,033**	**2,033**	**1,067**	**1,067**

NOTE 10 Financial income

	Group		Parent company	
	2,020	**2019**	**2020**	**2019**
Interest income	25	91		
Interest income, Group company	-	-	3,593	3,383
Exchange rate gains		60		
Other financial income	2,215	0		
Total financial income	**2,240**	**151**	**3,593**	**3,383**

All interest income is attributable to financial assets that are measured at their amortised acquisition value.
Other financial income comprises profits from currency futures.

NOTE 11 Financial expenses

	Group		Parent company	
	2020	**2019**	**2020**	**2018**
Interest expenses	8,809	7,909	5,203	4,221
Loss from changes in derivatives set-off issue	10,868		10,868	
Exchange rate loss	5,697			
Other financial expenses	1,161	1,400	1,158	600
Total financial expenses	**26,535**	**9,309**	**17,229**	**4,821**

Interest expenses in the Group are attributable to interest on bank loans and interest on leasing liabilities.
Other financial expenses comprise losses in currency futures and the set-up fees for loans.

NOTE 12 Taxes

	Group		Parent company	
	2020	2019	2020	2019
Nominal tax 21,4%	8,974	-2,219	4,044	999
Tax effect non-deductible expenses	-4,583	-480	-	-
Tax effect non-taxable income	859	1,020	-	-
Tax effect from difference in tax rates between Sweden and other countries	-238	-	-	-
Capitalised loss carried forward not previously recognised as deferred tax assets	924	8,581	-	15,255
Tax effect for which no deferred tax loss carry-forwards are recognised	-2,391	-999	-1,719	-999
Total	**3,545**	**5,903**	**15,255**	**15,255**

The Group has tax loss carry-forwards on 31 December 2020 of TSEK -310,492 (-304,831) that can be used against future profits. The tax loss carry-forwards have no maturity date.

	Group		Parent company	
	2020	2019	2020	2019
Current tax	-2,608	-16	-	-
Deferred tax	6,152	5,919	-	15,255
Total	**3,545**	**5,903**	**-**	**15,255**

Deferred tax

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

	Group		Parent company	
	2020	2019	2020	2019
Deferred tax assets				
Loss carry-forwards	31,467	31,467	15,255	15,255
Total deferred tax assets	**31,467**	**31,467**	**15,255**	**15,255**

	Group		Parent company	
	2020	2019	2020	2019
Deferred tax liabilities				
OB, tax liability intangible assets	45,020	50,938	-	-
Through acquisitions of subsidiaries	4,745	-	-	-
Change for the year	-6,152	-5,919	-	-
Exchange rate differences	-166	-	-	-
Total deferred tax liabilities	**43,447**	**45,020**	**-**	**-**
Total net deferred tax liabilities	**11,980**	**13,553**	**15,255**	**15,255**

The deferred tax asset arose when Bactiguard Holding acquired Bactiguard AB. Deferred tax liability was reduced with respect to acquired surplus values in intangible assets. The change in deferred tax for the year is attributable to temporary differences regarding the amortisation of intangible assets of TSEK 5,903 (5,563) temporary differences regarding depreciations of tangible assets of TSEK 367 (-) and to leases of TSEK -118 (356).

NOTE 13 Goodwill

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	226,292	226,292	-	-
Through acquisitions of subsidiaries	22,891	-	-	-
Translation differences	-3,772			
Closing accumulated acquisition value	**245,411**	**226,292**	**-**	**-**
Net carrying amount	**245,411**	**226,292**	**-**	**-**

The carrying amount of goodwill is attributable to Bactiguard Holding's acquisition of Bactiguard AB, and the acquisition of Vigilenz that Bactiguard Holding carried out in 2020 (see note 34).

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.

With the acquisition of Vigilenz 2020, goodwill of SEK 22.9 million arose in the Group, which is mainly attributable to synergies, future customers, future technology, market position and competence at Vigilenz. As a result of the acquisition, revenues are expected to grow faster than on a stand-alone basis, as the product portfolios complement each other and can be sold through both companies' distribution networks. Through Bactiguard's sales force and financial resources, the opportunity to broaden, for example, sales of advanced wound care / disinfectant (Hydrocyn) has increased and added additional revenue to the Group in 2020. During the year, a reorganization took place, in which Bactiguard's sales force is divided into regions and where each region sells and is responsible for Bactiguard's entire product portfolio. This is the reason why the Bactiguard Group is considered a 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 five-year period. The assessment of future cash flows includes assumptions regarding primarily sales growth, EBITDA-margin and discount rates. The executive management sees stable growth and a positive pace of development for sales of both BIP products and new license business over the five-year period. Growth beyond the forecasted five-year period is expected to be 1.5% (1.5%) per year, which matches the Group's long-term assumptions for inflation. The discount rate of 11.6% (14.4%) before taxes reflects specific risks tied to the cash generating unit. These assumptions are in line with the previous year's impairment testing.

Bactiguard is in a growth and build-up phase, with global market expansion. In recent years investments have been made in the sales and marketing function, the product portfolio has been developed and a few new license agreements have been signed. In 2020 Vigilenz was acquired, which increased revenues and market presence. Revenues for Bactiguard's product portfolio also expanded as the use of hand sanitizer became commonplace because of the Coronavirus. The collaboration with the license partner Zimmer Biomet progressed in 2020 and at the beginning of 2021 its trauma implants received a CE marking, paving the way for new revenue streams from end customer sales of coated trauma implants in Europe and the Middle East from 2021. The partnership with one of the three largest orthopaedic companies in the world endorses the strength of Bactiguard's technology, both from a global perspective and as a new medical application for long-term use. We believe that the licensing deal with Zimmer Biomet will pave the way for new licensing deals while at the same time contributing to a growth in sales of our own product portfolio. The impairment testing implies an assumption of rising operating margins over the five-year period as a result of higher sales volumes and license revenue.

Although the pandemic had a negative effect on sales and profit in 2020, we believe this to be temporary. The need for healthcare remains and a healthcare debt is building up that needs to be tackled. We also have a close collaboration with our license partners and ensure that our technology will be incredibly valuable in the future in the form of new license business and therefore higher cash flows. Against this backdrop, we believe that our technology has a value that far exceeds the book value, so we do not see any impairment need for the Group's intangible assets and deferred tax.

Based on the assumptions presented above, the value in use exceeds the carried goodwill value which brings us to conclude that there is no need for impairment in respect of goodwill and brand. A sensitivity analysis has been conducted where the discount rate has been increased by 2 percentage points and the expected future cash flow decreased by 20%, without this altering the conclusion. The impairment testing does not include any effects of potential future restructuring or future improvements to the bulk of assets. The forecast revenue is based on the present and existing condition of the assets.

NOTE 14 Technology

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	357,100	357,100	-	-
Through acquisitions of subsidiaries	9,600			
Closing accumulated acquisition value	**366,700**	**357,100**	**-**	**-**
Opening depreciation	-191,908	-168,102	-	-
Depreciation for the year	-25,140	-23,807	-	-
Closing accumulated depreciation	**-217,048**	**-191,908**	**-**	**-**
Net carrying amount	**149,652**	**165,192**	**-**	**-**

The item technology includes Bactiguard's patented and unique coating technology which can be applied to a broad spectrum of products. Following the acquisition of Vigilenz in 2020, a row has been added for technology, which refers to the product development of Hydrocyn aqua and its certifications.

NOTE 15 Brands

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	25,572	25,572	-	-
Through acquisitions of subsidiaries	700	-	-	-
Acquisitions	-	-	-	-
Exchange rate differences	-	-	-	-
Closing accumulated acquisition value	**26,272**	**25,572**	**-**	**-**
Opening depreciation	-	-	-	-
Depreciation for the year	-117	-	-	-
Exchange rate differences	-	-	-	-
Closing accumulated depreciation	-117	-	**-**	**-**
Net carrying amount	**26,155**	**25,572**	**-**	**-**

The opening acquisition value for brands is attributable to Bactiguard Holding's acquisition of Bactiguard AB as Bactiguard was identified as an intangible asset. The brand is known, established and enjoys trademark protection for an indeterminate period in relevant markets where the company operates. The Group conducts impairment testing annually for the brand or whenever there is an indication that it may be impaired, see Note 13. With the acquisition of Vigilenz 2020, a value was added for the Vigilenz brand and 21 registered product brands. These are depreciated over 5 years.

NOTE 16 Customer relationships

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	17,700	17,700	-	-
Through acquisitions of subsidiaries	2,500	-	-	-
Sales/scrapping	-	-	-	-
Exchange rate differences	-	-	-	-
Closing accumulated acquisition value	**20,200**	**17,700**	**-**	**-**
Opening depreciation	-9,512	-8,332	-	-
Depreciation for the year	-1,354	-1,180	-	-
Closing accumulated depreciation	**-10,866**	**-9,512**	**-**	**-**
Net carrying amount	**9,334**	**8,188**	**-**	**-**

NOTE 17 Capitalised development expenses

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	31,842	29,112	-	-
Capitalisation for the year	3,959	2,731	-	-
Closing accumulated acquisition value	**35,801**	**31,842**	**-**	**-**
Opening depreciation	-10,287	-7,617	-	-
Depreciation for the year	-3,115	-2,669	-	-
Closing accumulated depreciation	**-13,402**	**-10,287**	**-**	**-**
Impairment for the year	-76	-	-	-
Net carrying amount	**22,324**	**21,555**	**-**	**-**

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

NOT 18 Patent registrations

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	3,164	3,012	-	-
Capitalisation for the year	943	152	-	-
Closing accumulated acquisition value	**4,107**	**3,164**	**-**	**-**
Opening depreciation	-2,808	-2,598	-	-
Depreciation for the year	-182	-211	-	-
Closing accumulated depreciation	**-2,990**	**-2,808**	**-**	**-**
Net carrying amount	**1,117**	**355**	**-**	**-**

NOTE 19 Leasing

Rights of use

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

	Buildings	Machinery	Vehicles	Equipment	Total
Acquisition value					
As of 1 January 2020	76,698	15,340	782	286	93,105
Through acquisitions of subsidiaries	997				997
Future rights of use		3,441	-	-	3,441
Disposals	-4,895				-4,895
Exchange differences	-131				-131
As of 31 December 2020	**72,669**	**18,781**	**782**	**286**	**92,518**
Accumulated depreciation					
As of 1 January 2020	-8,260	-5,113	-352	-114	-13,839
Depreciation for the year	-8,309	-1,859	-268	-108	-10,544
Disposals	4,895				4,895
As of 31 December 2020	**-11,674**	**-6,972**	**-620**	**-222**	**-19,488**
Net carrying amount as of 31 December 2020	**60,995**	**11,809**	**163**	**63**	**73,029**

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

The Group has agreements in place for the sub-letting of premises. Revenues from this activity are recognised as other operating income and have not been taken into account in the Group's rights of use and leasing liabilities. Revenues from leasing in 2020 totalled MSEK 1.8 (1.2).

Amounts recognised in the income statement

	2020	2019
Depreciation on rights of use	-10,564	-10,431
Interest expenses for leasing liabilities	-2,818	-3,110
Costs attributable to low value leases	-410	-182
Variable fees not included in the leasing debt	-209	-
	-14,000	**-13,722**

Cash flow

	2020	2019
Amortization leasing debt	-9 482	-8 921
Interest expenses for leasing liabilities	-2 818	-3 110
Variable fees, not included in leasing debt	-209	
Costs attributable to low value leases	-410	-182
	-12 918	**-12 213**

Leasing liability

The weighted average marginal loan rate was 3.5% (3,5%).

Maturity analysis for leasing liabilities

	31 Dec 2020	31 Dec 2019
Year 1	9,746	9,223
Years 2–5	38,525	34,926
After more than 5 years	27,738	36,835
	76,008	**80,984**
Classified as:		
Non-current liabilities	66,263	71,760
Current liabilities	9,746	9,223

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

NOTE 20 Buildings

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	-	-	-	-
Through acquisitions of subsidiaries	15,662	-	-	-
Exchange rate differences	-933	-	-	-
Closing accumulated acquisition value	**14,729**	**-**	**-**	**-**
Opening depreciation	-	-	-	-
Depreciation for the year	-208	-	-	-
Through acquisitions of subsidiaries	-1,089			
Exchange rate differences	77	-	-	-
Closing accumulated depreciation	**-1,220**	**-**	**-**	**-**
Net carrying amount	**13,509**			

NOTE 21 Improvements, leasehold

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	21,525	21,267	-	-
Through acquisitions of subsidiaries	792			
Purchases	141	258	-	-
Exchange rate differences	-654	-	-	-
Closing accumulated acquisition value	**21,804**	**21,525**	**-**	**-**
Opening depreciation	-11,989	-10,371	-	-
Depreciation for the year	-1,684	-1,617	-	-
Through acquisitions of subsidiaries	-386			
Exchange rate differences	625	-	-	-
Closing accumulated depreciation	**-13,434**	**-11,989**	**-**	**-**
Net carrying amount	**8,370**	**9,536**	**-**	**-**

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

NOTE 22 Machinery and other technical plant

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	14,736	29,157	-	-
Through acquisitions of subsidiaries	3,381			
Purchases	10,452	191	-	-
Sales/scrapping	-2,060			
Reclassifications	-59	-15,340		
Exchange rate differences	-2,234	728	-	-
Closing accumulated acquisition value	**24,215**	**14,736**	**-**	**-**
Opening depreciation	-10,326	-12,396	-	-
Depreciation for the year	-1,767	-873	-	-
Through acquisitions of subsidiaries	-6,959			
Sales/scrapping	1,322			
Reclassifications	2	3,408		
Exchange rate differences	1,494	-465	-	-
Closing accumulated depreciation	**-16,234**	**-10,326**	**-**	**-**
Net carrying amount	**7,981**	**4,410**	**-**	**-**

The opening balance for 2019 includes a new finance lease for production equipment in Tullinge of TSEK 11,931. As of 1 January 2019 this lease was reclassified to the Right of use balance sheet item, whereby disclosures on this agreement are included in Note 19.

NOTE 23 Equipment, tools and installations

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening acquisition value	9,209	8,117	-	-
Through acquisitions of subsidiaries	6,672			
Purchases	2,616	1,092	-	-
Sales/scrapping	-1,914		-	-
Exchange rate differences	-305			
Closing accumulated acquisition value	**16,279**	**9,209**	**-**	**-**
Opening depreciation	-7,324	-5,984	-	-
Through acquisitions of subsidiaries	-4,379			
Depreciation for the year	-546	-1,339	-	-
Sales/scrapping	1,048			
Exchange rate differences	205			
Closing accumulated depreciation	**-10,995**	**-7,324**	**-**	**-**
Net carrying amount	**5,283**	**1,886**	**-**	**-**

NOTE 24 Shares in subsidiaries

	Parent company	
	31 Dec 2020	31 Dec 2019
Opening acquisition value	481,191	414,574
Closing acquisition value	**481,191**	**414,574**

Subsidiaries	Corp.ID. no.	Domicile	Share of equity %	Share of voting power %	Book value
Bactiguard AB	556668-6621	Stockholm	100%	100%	481,191
Bactiguard International AB	556754-7731	Stockholm	100%	100%	
Bactiguard China Limited	1403452	Hong Kong	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%	
Vigilenz Medical Supplies Sdn.Bhd	750716-K	Malaysia	100%	100%	
Vigilenz Medical Devices Sdn.Bhd.	505559-U	Malaysia	100%	100%	
Total					**481,191**

NOTE 25 Inventory

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Raw material	10,227	4,070	-	-
Products in progress	5,899	3,908	-	-
Finished goods	18,035	6,373	-	-
Total inventory	**34,161**	**14,351**	**-**	**-**

In 2020 TSEK -39,153 (-28,180) has been reported as cost of goods in inventory. Provisions for obsolescence and other write-downs of inventory is included in cost of goods sold with TSEK -2,134 (-2,943). Reversals of previous impairments , which has been reported in income statment, amounted to TSEK 2,317 (515). Previous impariments has been reversed due to improved market conditions. Goods are scrapped after the end of their technical life, which is an unchanged policy.

NOTE 26 Accounts receivable

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Accounts receivable, gross	50,678	46,970	-	-
Provision for expected credit losses	-1,036	-1,556	-	-
Total accounts receivable, net after loss provision	**49,642**	**45,414**	**-**	**-**

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	**2020**	**2019**
Not due	34,064	29,720
Overdue 1–30 days	12,782	3,202
Overdue 31–90 days	1,071	502
Overdue > 90 days	2,760	13,545
Of which provision for expected credit losses	-1,036	-1,556
Total	**49,642**	**45,414**

	Group		Parent company	
Loss provision	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Opening balance	-1,556	-6,404	-	-
Change to provision for expected credit losses	116	1,765	-	-
Realised loss	404	3,083	-	-
Closing balance	**-1,036**	**-1,556**	**-**	**-**

NOTE 27 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Prepaid rent	2,570	2,560		
Other items	8,350	9,527	153	1,321
Total	**10,919**	**12,087**	**153**	**1,321**

NOTE 28 Cash and cash equivalents

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Cash and bank balances	9,886	22,878	80	2,063
Total	**9,886**	**22,878**	**80**	**2,063**

NOTE 29 Share capital

Share capital in Bactiguard as of 31 December 2020 was TSEK 839 (833) allocated to 29,543,885 B shares each carrying a single vote (29,543,885 votes) and 4,000,000 A shares, each with ten votes (40,000,000 votes). The total number of shares and votes in Bactiguard as of 31 December 2020 was 33,543,885 shares and 69,543,885 votes. The shares have a quotient value of SEK 0.025 .

During the second quarter 241 512 new B shares were issued as partial payment for the acquisition of Vigilenz. During the second quarter 241 512 new B shares were issued as partial payment for the acquisition of Vigilenz.

NOTE 30 Loans

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Non-current liabilities to credit institutions	188,016		169,489	
Current liabilities to credit institutions	-	126,900	-	126,900
Total	**188,016**	**126,900**	**169,489**	**126,900**

In conjunction with the acquisition of Vigilenz in February 2020, the Group's existing credit facility with SEB was renegotiated. This meant that the term was extended to February 2023 and the credit facility amounts to TSEK 201,000 in the form of a bank overdraft of TSEK 30,000 and a bank loan of TSEK 170,000. The loan runs at an interest base of STIBOR 90, however minimum 0%, and an interest surcharge of 3.0%. The facility is subject to the customary covenants.

NOTE 31 Bank overdrafts

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Bank overdraft facilities granted	30,000	30,000	-	-
Unutilised bank overdrafts	21,144	30,000	-	-
Utilised bank overdrafts	**8,856**	**0**	**-**	**-**

NOTE 32 Accrued expenses and deferred income

	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Accrued interest expenses	57	21	57	21
Accrued holiday pay	4,253	5,224	-	488
Deferred income*	5,048	8,474		
Other items	3,718	8,403	699	1,621
Total	**13,076**	**22,122**	**756**	**2,131**

* Disclosures regarding contract liabilities that are not included in this row are given in Note 5.

NOTE 33 Pledged assets and contingent liabilities

	Group		Parent company	
Pledged assets	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Shares in subsidiaries	283,124	201,910	414,574	414,574
Floating charge	180,000	180,000	-	-
Total	**463,124**	**381,910**	**414,574**	**414,574**

NOTE 34 Acquisitions of Group companies

2020

Vigilenz

On 28 February 2020 Bactiguard Holding AB acquired 100% of the share capital in Vigilenz Medical Devices and Vigilenz Medical Supplies (referred to jointly as Vigilenz) in Malaysia, which means these companies are included in the consolidated figures from March 2020. The purchase consideration comprised a cash payment of MSEK 43.7 at closing and, subject to approval by the Annual General Meeting on 28 April 2020, 241,512 new B shares in Bactiguard. The shares have been measured at fair value based on the market price at the time of acquisition (SEK 88/share). The acquisition was financed through a credit facility provided by Skandinaviska Enskilda Banken (SEB), with a term of three years.

In 2019, Vigilenz reported sales of around MMYR 18 (approximately MSEK 42), EBITDA of around MMYR 2.6 (approximately MSEK 6) and an EBITDA margin of 14%. The company has over 100 employees.

This acquisition boosts Bactiguard's position in infection prevention and wound care, and adds innovation and product development capacity and expertise. Vigilenz also has a strong distribution network in South East Asia. As a result of this acquisition, revenues are expected to grow more quickly than on a stand-alone basis, as these product portfolios complement each other and can be sold through the distribution networks of both companies. In a three to five-year perspective, Bactiguard also expects cost synergies of SEK 5–10 million.

According to the acquisition analysis a goodwill of SEK 22.9 million arose upon acquisition, mainly attributable to synergies, future customers, future technology, market position and competence at Vigilenz. The goodwill is not tax deductible. The estimated useful life for technology is 6 years, customer relations 12 years and the Vigilenz trademark 5 years.

Fair value acquired net assets	**Vigilenz**
Technology	9,600
Brands	700
Customer relationships	2,500
Buildings	14,979
Improvements, leasehold	427
Right of use lease assets	993
Machinery and other technical plant	3,680
Equipment, tools and installations	2,845
Total non-current assets	**35,724**
Inventories	16,795
Accounts receivable	5,110
Other current receivables	1,822
Cash and cash equivalents	3,920
Total current assets	**27,647**
TOTAL ASSETS	**63,371**
Deferred tax liabilities	4,806
Non-current liabilities to credit institutions	11,554
Non-current leasing liabilities	559
Total non-current liabilities	**16,919**
Current liabilities to credit institutions	734
Accounts payable	923
Current leasing liabilities	438
Other current liabilities	2,293
TOTAL ACQUIRED NET ASSETS	**42,064**

Distribution of purchase price

Purchase price	**Vigilenz**
Cash purchase price	43,702
Purchase price shares	21,253
Total purchase price	64,955
Fair value acquired net assets	-42,064
Goodwill	**22,891**

Impact on Group's cash and cash equivalents from acquisition

Investing activities	**Vigilenz**
Cash purchase price	43,702
Cash and cash equivalents in an acquired subsidiary	-3,920
Direct costs relating to acquisitions[1]	1,709
Impact of cash and cash equivalents from acquisitions	**41,492**

[1]Included in the item Other external expenses in the income statement.

Acquired companies' contributions to Group's sales and profit

2020	**Vigilenz**
Net sales	39,297
Profit for the period after tax	2,351

Sales and profit if the acquisitions had taken place on 1 January 2020

2020	**Vigilenz**
Net sales	45,279
Profit for the period after tax	2,156

NOTE 35 Reconciliation of liabilities attributable to financing activities

Group 31 Dec 2020	Opening balance 2020	Cash flow from financing activities	Change to part of short-term loans	Acquisitions	Other changes	31 Dec 2020
Non-current liabilities						
Leasing liability	71,760	-5,498				66,263
Liabilities to credit institutions	-	51,702	126,900	11,553	-2,139	188,016
Current liabilities						
Leasing liability	9,223				523	9,746
Liabilities to credit institutions	126,900		-126,900			-
Reconciliation of liabilities attributable to financing activities	**207,883**	**46,204**	**-**	**11,553**	**-1,616**	**264,025**

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

Parent company	Opening balance 2020	Cash flow from financing activities	Change to part of short-term loans	Other changes	31 Dec 2020
Non-current liabilities					
Liabilities to credit institutions	-	44,041	126,900	-1,452	169,489
Current liabilities					
Liabilities to credit institutions	126,900		-126,900		-
Reconciliation of liabilities attributable to financing activities	**126,900**	**44,041**	**-**	**-1,452**	**169,489**

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

NOTE 36 Related party transactions

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

Services and other transactions between companies within the Group are charged based on commercial principles.

Since 2017 the company has had a license agreement with Smartwise Sweden AB ('Smartwise'), a company owned by a group of private investors, including Bactiguard's main shareholders Christian Kinch and Thomas von Koch. This period saw no transactions with Smartwise. However, Smartwise's sister company did lease premises from Bactiguard AB at market rates.

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

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

NOTE 37 Key events after the balance sheet date

CE marking for Zimmer Biomet's trauma implants with Bactiguard's technology

In January 2021 Zimmer Biomet's orthopaedic trauma implants featuring Bactiguard technology received European regulatory clearance and a CE marking. This paves the way for production and a launch in the first half of 2021. Work is also underway for its registration in the USA.

Cecilia Edström resigns as CEO

On 3 February 2021 Cecilia Edström announced to the Board that she wished to leave her position as CEO of Bactiguard Holding AB (publ). The Board has started the recruitment process for a new CEO. Cecilia Edström will continue in her role as CEO until her successor has been appointed.

Thomas von Koch proposed as new Chairman of the Board of Bactiguard

On 3 February 2021 the Nomination Committee of Bactiguard Holding AB (publ) proposed that Thomas von Koch be appointed as the new Chairman of the Board at the Annual General Meeting in April 2021. The Board's current Chairman, Christian Kinch, is proposed by the Nomination Committee to be appointed as Deputy Chairman, and Cecilia Edström is proposed to be re-elected as an ordinary member.

Negotiated loan terms

In connection with the acquisition of Vigilenz, the Group's existing credit facility with SEB was renegotiated. This meant that the term was extended to February 2023. As a result of the effects of the pandemic, the terms of the loan agreement with SEB were renegotiated during January 2021. The terms were renegotiated regarding covenants and available overdraft facility of SEK 45 million, other terms are unchanged.

NOTE 38 Dividend

No dividends were paid during 2020 and no dividends are proposed for the 2021 AGM.

NOTE 39 Proposed appropriation of profit

The following are at the disposal of the AGM:	**SEK**
Retained earnings	-5,975,888
Share premium reserve	505,131,764
Profit/loss for the year	-18,899,495
Total	**480,256,381**
The Board of Directors proposes that the profits be carried forward	480,256,381
Total	**480,256,381**

The Board of Directors and Chief Executive Officer hereby certify that these consolidated financial statements were prepared in accordance with the international financial reporting standards as adopted by the EU, and provide a fair representation of the parent company's and the Group's operations, financial position and performance and describe the material risks and uncertainties facing the parent company and group companies.

Stockholm 25 March 2021

Christian Kinch
Chairman of the Board

Anna Martling
Board Member

Jan Ståhlberg
Deputy Chairman

Thomas von Koch
Board member

Cecilia Edström
CEO and Board Member

Our auditor's report was submitted on 26 March 2021.

Deloitte AB

Therese Kjellberg
Authorised Public Accountant

AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Bactiguard Holding AB (publ) for the financial year 2020-01-01 - 2020-12-31 except for the corporate governance statement and sustainability report on pages 34–43 and 30-33. The annual accounts and consolidated accounts of the company are included on pages 4-5, 10-19, 24-25 and 30-80 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 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 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement or sustainability report on pages 34–43 and 30-33. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Grund för uttalanden

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

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

Key Audit Matters

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

Revenue recognition

The Group's revenue amounts to 186 MSEK for the financial year 2020 and mainly consists of license revenues and revenues from product sales.

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

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

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

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

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

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

Valuation of Goodwill and other intangible assets

The Group has goodwill amounting to 245 MSEK and other intangible assets, foremost technology, amounting to 209 MSEK accounted for in the balance sheet. These assets are tested annually in the fourth quarter, or as soon there are events indicating that there is a need, for impairment. Since the total value of these assets represent a significant part of the total assets and is sensitive to changes in assumptions such as growth rate, profitability and discount factor we consider it to be a key audit matter in our audit.

For further information refer to accounting principles on page 57 and 59, note 3 and note 13 to 18 in the annual report.

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

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

Other information than the annual accounts and consolidated accounts

Other information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for other information. This information consists of the Remuneration Report which was obtained before this Auditor's Report and the pages 2-3, 6-9, 20-23, 26-29 and 84-89 in this document but does not include the annual accounts and consolidated accounts or our Auditor's Report.

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 2020-01-01 - 2020-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the corporate governance statement

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

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

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

The auditor´s opinion regarding the statutory sustainability report

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

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

A statutory sustainability report has been prepared.

Deloitte AB, was appointed auditor of Bactiguard Holding AB by the general meeting of the shareholders on the 2020-04-28 and has been the company's auditor since 2012-05-18.

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Stockholm 2020-03-26
Deloitte AB

Therese Kjellberg
Authorized public accountant

DEFINITIONS OF ALTERNATIVE KEY PERFORMANCE INDICATORS

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

EBITDA

Operating profit excluding depreciation and impairments. This key performance indicator is used to facilitate a comparison with other companies operating in the same industry. The company considers this key performance indicator 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 license business.

	2020	2019
Operating profit/loss	-17,638	19,511
Depreciation and amortisation	44,293	42,128
EBITDA	**26,655**	**61,640**

EBITDA margin

Operating profit excluding depreciation and impairments in relation to the company's income. This key performance indicator is used to facilitate performance monitoring and comparisons with comparable companies.

	2020	2019
EBITDA	26,655	61,640
Revenue	186,026	193,929
EBITDA-margin	**14%**	**32%**

Net debt

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

	2020	2019
Liabilities to credit institutions	188,016	126,900
Long-term liabilites leasing	66,263	71,760
Short-term liabilities leasing	9,746	9,223
Interest-bearing liabiities	264,024	207,884
Cash and cash equivalents	-9,886	-22,878
Net debt	**254,138**	**185,006**

Equity ratio

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

	2020	2019
Equtiy	373,349	386,691
Balance sheet total	675,221	641,367
Equity ratio	**55%**	**60%**

Cash flow from operating activities per share

Cash flow from operating activities in relation to the average number of outstanding shares. This key performance indicator is presented as it is used by analysts and other stakeholders to evaluate the company.

Net sales growth

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

FIVE-YEAR OVERVIEW

	2020	2019	2018	2017	2016
Revenues and earnings, MSEK					
Revenues	186.0	193.9	163.2	153.6	128.3
Net sales	172.3	185.0	150.1	147.5	118.7
Growth net sales	-6.9%	23.3%	6.3%	19.7%	-7.4%
EBITDA	26.7	61.6	22.2	34.4	15.1
EBITDA margin	14.3%	31.8%	13.6%	22.4%	11.8%
Operating profit/loss	-17,6	19.5	-12.0	-0.6	-18.3
Profit before tax	-41.9	10.4	-20.7	-8.3	-31.3
Profit/loss for the year	-38,4	16.3	-14.9	-3.3	-26.9
Total assets	675.2	641.4	587.5	625.4	632.1
Equity ratio	55%	60%	63%	62%	62%
Net debt, MSEK	254.1	185.0	155.8	152.4	134.4
Cash flow					
From operating activities	0.7	54.0	0.9	6.1	-12.4
From investing activities	-57.0	-4.4	-5.7	-6.2	-7.4
From financing activities	46.2	-27.8	-5.1	-3.2	12.0
Cash flow for the year	**-10.1**	**21.7**	**-9.9**	**-3.3**	**-7.8**
Total shares					
Total shares at year end	33,543,885	33,302,373	33,302,373	33,302,373	33,302,373
Average number of shares	33,543,885	33,302,373	33,302,373	33,302,373	33,302,373
Data per share, SEK					
Earnings per share	-1,14	0.49	-0.45	-0.10	-0.81
Cash flow from operating activities per share	0.02	1.62	0.03	0.18	-0.37
Dividend per share	-	-	-	-	-
Stock price at year end, B share	143.0	82.60	40.20	23.00	16.90
Employees					
Average number of employees	163	60	66	66	57

GLOSSARY

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

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

BIP CVC
Central venous catheter with Bactiguard's infection prevention coating (BIP - Bactiguard Infection Protection).

BIP ETT
Endotracheal tube with Bactiguard's infection prevention coating (BIP - Bactiguard Infection Protection).

BIP Foley
Indwelling urinary catheter with Bactiguard's infection prevention coating (BIP - Bactiguard Infection Protection).

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

FDA
The United States Food and Drug Administration (FDA or USFDA).

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

MDR
Medical Device Regulation (MDR) will come into force in May 2021 and replaces the current EU regulation Medical Device Directive (MDD).

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

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

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

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

AGM 2021

The AGM 2021 will take place on Wednesday, 28 April 2021.

Postal voting will be used for the Annual General Meeting as a result of the pandemic. The notice to convene the Annual General Meeting will contain more detailed information about voting procedures.

FINANCIAL CALENDAR 2021

22 April	Interim report Q1
28 April	Annual General Meeting
15 July	Interim report Q2
28 October	Interim report Q3

A SWEDISH INVENTION THAT CHANGES THE WORLD

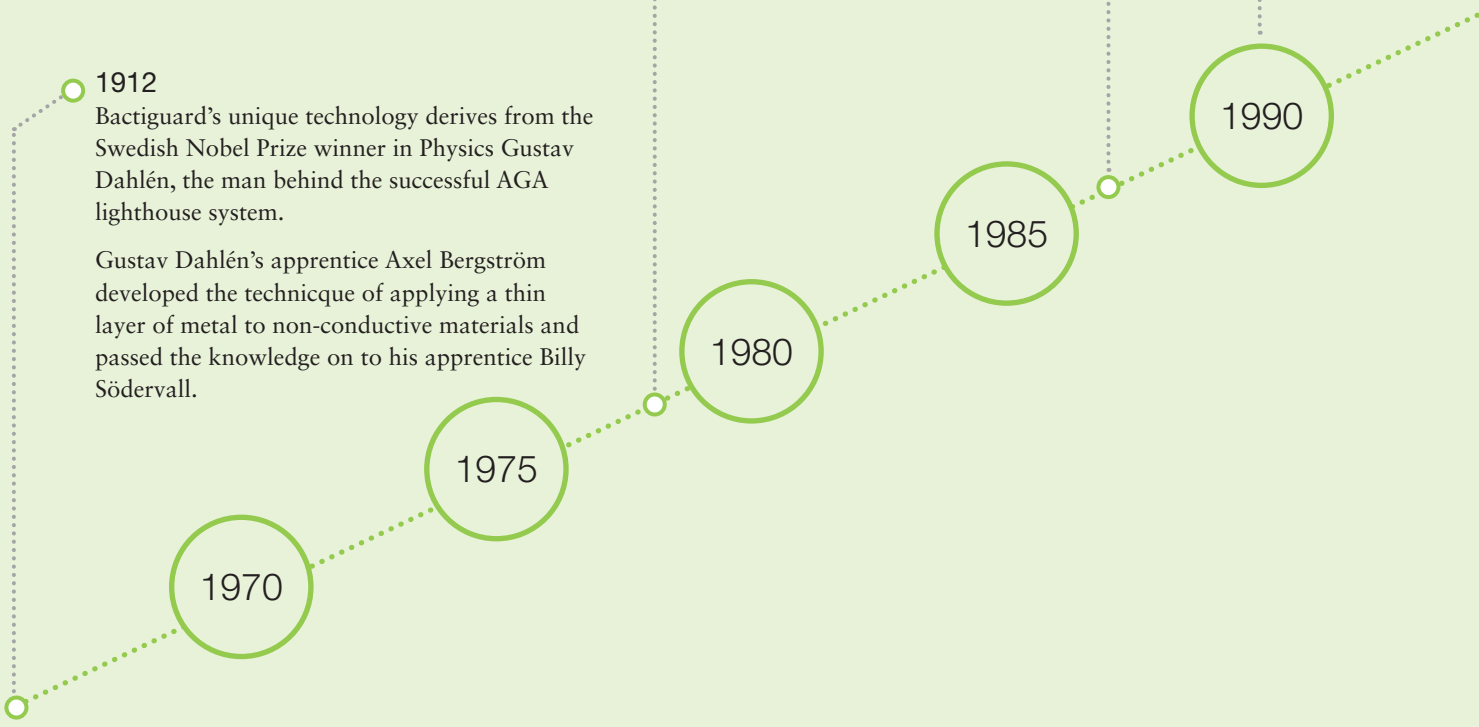
1912
Bactiguard's unique technology derives from the Swedish Nobel Prize winner in Physics Gustav Dahlén, the man behind the successful AGA lighthouse system.

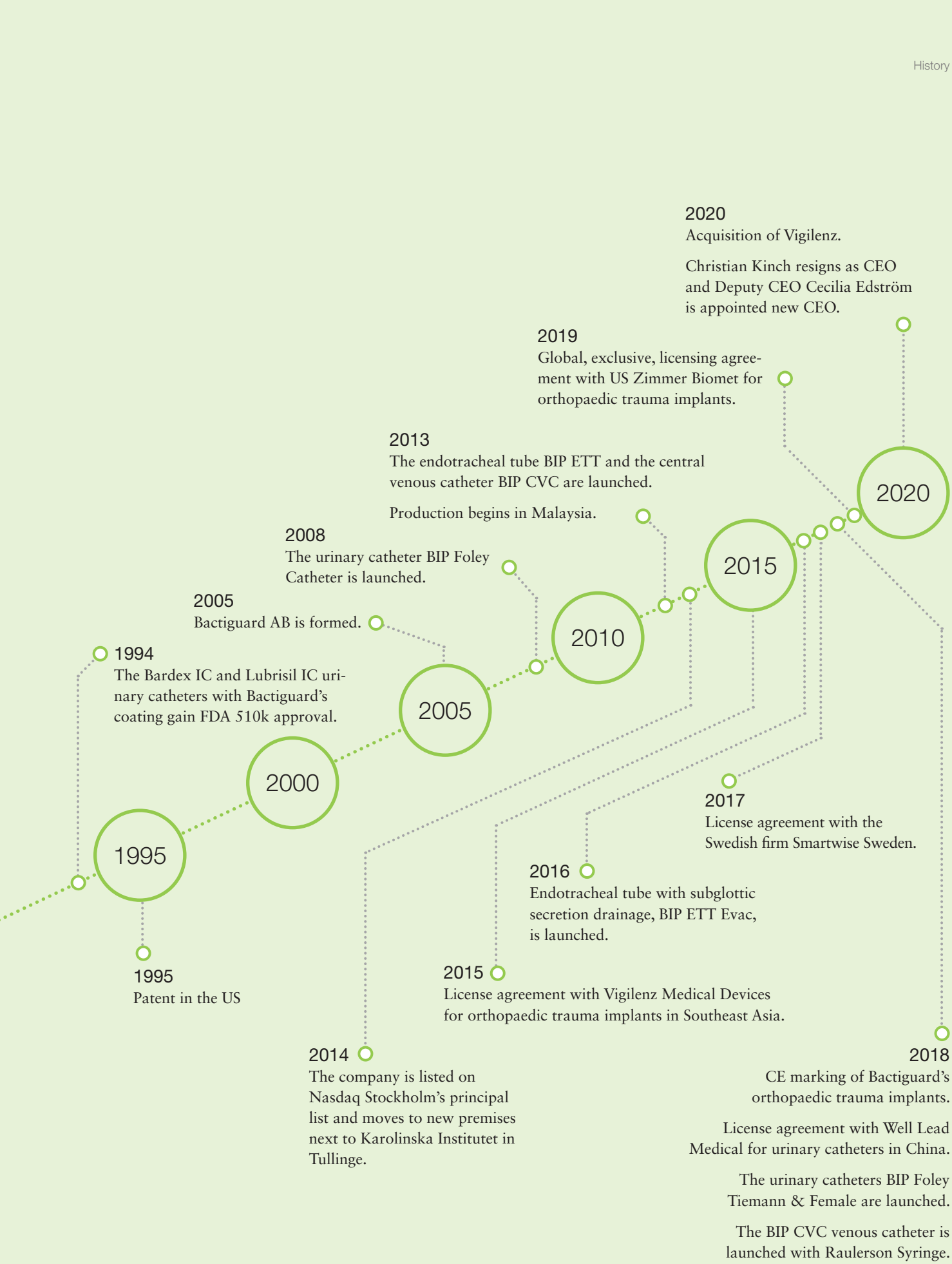
Gustav Dahlén's apprentice Axel Bergström developed the technicque of applying a thin layer of metal to non-conductive materials and passed the knowledge on to his apprentice Billy Södervall.

1978
Billy Södervall starts to develop Bactiguard's technology

1986
Initial clinical trials.

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




1995
2000
2005
2010
2015
2020
1994
The Bardex IC and Lubrisil IC urinary catheters with Bactiguard's coating gain FDA 510k approval.
1995
Patent in the US
2005
Bactiguard AB is formed.
2008
The urinary catheter BIP Foley Catheter is launched.
2013
The endotracheal tube BIP ETT and the central venous catheter BIP CVC are launched.
Production begins in Malaysia.
2014
The company is listed on Nasdaq Stockholm's principal list and moves to new premises next to Karolinska Institutet in Tullinge.
2015
License agreement with Vigilenz Medical Devices for orthopaedic trauma implants in Southeast Asia.
2016
Endotracheal tube with subglottic secretion drainage, BIP ETT Evac, is launched.
2017
License agreement with the Swedish firm Smartwise Sweden.
2018
CE marking of Bactiguard's orthopaedic trauma implants.
License agreement with Well Lead Medical for urinary catheters in China.
The urinary catheters BIP Foley Tiemann & Female are launched.
The BIP CVC venous catheter is launched with Raulerson Syringe.
2019
Global, exclusive, licensing agreement with US Zimmer Biomet for orthopaedic trauma implants.
2020
Acquisition of Vigilenz.
Christian Kinch resigns as CEO and Deputy CEO Cecilia Edström is appointed new CEO.

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