Bactiguard®

ANNUAL REPORT

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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 2021 financial year for the parent company and Group, which comprises the Board of Directors' report (pages 5, 8-9, 12-17, 20-25, 28-47) and the financial statements, as well as the notes and comments (pages 48–80). 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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WE SAVE LIVES

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

Bactiguard has a unique offer in the field of infection prevention. Our coating technology and our expertise enable us to significantly lower the risk of infections, shorten hospital stays, reduce costs and improve the quality of life for the patients. Our solutions also help reduce the use of antibiotics.

Bactiguard is a global company with headquarters next to the Karolinska University Hospital in Huddinge, Sweden. Product development and production are located in Sweden but also in Malaysia at our sites in Senai and Penang. We have our own extensive product portfolio for infection prevention and license our unique technology to leading global medical device companies. We sell Bactiguard's product portfolio through our own sales organisation or through distributors and strategic partners.

Our vision is to keep people safe from infections as they lead to complications, increased mortality, longer care periods, more antibiotic treatments and thus a higher risk of antibiotic resistance. Infections mean poorer quality of life for patients and increased costs for healthcare. Infection prevention is therefore an important global sustainability issue and a central component in future healthcare.

Our vision

Keeping people safe from infections.

Our mission

Fighting infections to save lives, limit antimicrobial resistance and save costs by providing safe and effective technology.

More than

200
million catheters sold

69%
reduced risk of catheter-associated urinary tract infections

53%
reduced risk of ventilator-associated pneumonia

52%
reduced risk of catheter-related blood infections

YEAR IN BRIEF

Quarter 1

European regulatory clearance and CE mark for the global company Zimmer Biomet's trauma implants with Bactiguard's technology; ZNN Bactiguard.

A new clinical study showed that urinary catheters featuring Bactiguard's technology reduce the risk of catheter-associated urinary tract infections (CAUTI) by 69%.

Peter Rådqvist was appointed Global Head of Sales.

Quarter 2

Zimmer Biomet's implants featuring Bactiguard's technology were launched in Europe.

Infection prevention for animals – Aniocyn – was launched through a collaboration with Musti Group in the Nordic region.

Bactiguard signed agreements for wound care products in Spain and Germany.

Quarter 3

The first milestone in the Zimmer Biomet agreement was reached, and Bactiguard received MUSD 1.

Anders Göransson was appointed the new CEO and initiated a strategic review.

A targeted new share issue to the Swedish pension fund AMF raised MSEK 228 for Bactiguard.

Carl Johan Fredin was appointed Chief Licensing Officer.

Quarter 4

A new clinical study showed that Bactiguard's endotracheal tubes reduce ventilator-associated pneumonia (VAP) by 53 percent.

Launch of Bactiguard's wound care products in Spain through a partnership with our Spanish distributor, Farmaban S.A.

February 2022

Bactiguard and Zimmer Biomet expanded their license partnership to include more product categories and application areas, including knee, hip and shoulder joints, sports medicine, craniomaxillofacial and thoracic applications.

ACCELERATING WITH THE PATIENT IN FOCUS

Infections are a growing problem throughout the world. An increase in the number of infections is causing an increase in the use of antibiotics; which, in turn, causes antimicrobial resistance – an acute global problem. Bactiguard has a strong offer in infection prevention and our current mission is to focus on areas where our technology and solutions can make the biggest difference to the patient. Our focused strategy, strong financial position and well-established license partnerships provide a solid foundation for us to continue to invest in future growth and profitability.

Infections an acute global threat

Multi-resistant bacteria are an acute global problem. WHO estimates that more than ten million people will die from infections caused by multi-resistant bacteria by 2050. This can be compared with cancer, which currently claims eight million lives every year. One of the reasons for the increase in the number of infections is the use of various medical devices and implants.

Bactiguard's unique infection prevention technology is at the heart of our offer and has been used for over 30 years. Bactiguard's technology means that fewer bacteria adhere to the surface, which counteracts the formation of biofilm and thus reduces the risk of infection. More than 40 clinical studies have been completed and prove that the technology is both safe and effective. The results of new clinical studies for our urinary catheters and endotracheal tubes were published in well-renowned journals during the year and further underpin the strong clinical evidence we already have. They clearly show that our coating reduces the risk of infection in every area of application, confirming the strength of Bactiguard's technology.

Our technology makes a significant difference for patients and society.

Our expanded collaboration with Zimmer Biomet underlines Bactiguard's strength

In February 2022 we took our collaboration with Zimmer Biomet to the next level, expanding our partnership to include a broad range of product and application areas. We both see great potential in significantly increasing our license partnership. The fact that Zimmer Biomet, a leading, global player with focus on innovations, has decided to expand its partnership with us after working closely with us for two and a half years is a real seal of quality and confirms our strength in infection prevention.

We are seeing a growing interest in Bactiguard's technology and we are currently in discussions with several companies about potential license partnerships for various therapeutic areas. Our ambition to grow by 1–2 new license agreements per year remains firmly in place.

A focused strategy and investments for the future

We will concentrate on specific therapeutic areas, as this will allow us to get closer to the patients and the healthcare providers. A clearer focus and gaining greater knowledge, will enable us to provide an even stronger offer in infection prevention.

We have identified six therapeutic areas where we believe our offer in infection prevention has the greatest potential. These areas are orthopaedics, nephrology (kidney diseases), urology, dental, intensive care and wound care. The global market for these six therapeutic areas is estimated to be worth USD 80 billion* and it is in these areas we are going to focus our activities.

> “We are expecting to gradually strengthen our growth and profitability.”

In 2021 we made strategic investments in, for example, our sales and marketing organisation, so that we could further consolidate our understanding of the needs of both patients and healthcare. We are going to grow through direct sales, distribution collaborations and strategic partnerships in markets that have a lot of potential, primarily the USA and parts of Europe and Asia.

We will create synergies by providing resources and strengthening our competence in licensing, combined with investing in our own product portfolio. This will lay a strong foundation for future growth.

Raising our ambitions and new financial targets

In the autumn the Swedish pension fund AMF became a new long-term owner, providing the company with about SEK 200 million in new capital. This will enable us to make these strategic investments and further strengthen our position.

The capital injection and our focused strategy have resulted in new financial targets. These include generating annual sales of at least SEK 1 billion by 2026 with an EBITDA of at least SEK 400 million. These investments and the transformation of Bactiguard will have an impact on our financial results over the next one to two years, and we are expecting to gradually strengthen our growth and profitability.

Patient in focus

The time is right for Bactiguard to take the next step on the growth journey. It is the needs of the patients and healthcare that will guide our future investments, as this will enable us to achieve our vision of protecting people from infections. We will help create better care and reach more patients with our effective and safe solutions for infection prevention.

Anders Göransson
CEO

*Source: https://medical.globaldata.com/MarketSize/MarketSizeGrid

STRONG OFFER FOR INFECTION PREVENTION

Bactiguard boasts a leading offer for infection prevention, based on Bactiguard's unique and safe coating technology. Bactiguard both licenses its technology to other medical device companies and has its own portfolio of medical devices. Our offering also includes effective wound care products.

Bactiguard's technology provides medical devices with a coating that reduces the growth of bacteria. Bactiguard's technology significantly reduces the risk of complications, resulting in fewer infections, a reduced use of antibiotics and lower healthcare costs.

Bactiguard's wound care products offer a clinically tested and safe system to effectively clean and moisten acute, chronic and infected wounds. These products create a clean wound bed by reducing the microbial load and supporting natural healing.

BIP portfolio

We have named our own product portfolio 'BIP' (Bactiguard Infection Protection). The portfolio currently comprises urinary catheters, endotracheal tubes, central venous catheters and wound care products. Our products prevent infections, and are effective and tissue-friendly.

We sell our portfolio direct, through license agreements and distributors, and in strategic partnerships.

License business

We license Bactiguard's technology to leading medical device companies that apply our technology to their own products and sell them under their own brand. By licensing our technology, other medical device companies can offer a differentiated product on their market, resulting in more people being protected from infections. This license business gives us access to a large global market, while making our technology available to as many patients 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; 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.

Bactiguard's leading offer for infection prevention

Current license partnerships

Bactiguard's coating technology is licensed to partners in orthopaedics, urology and intensive care

BIP portfolio

Medical devices	Wound care products	Sutures and dressings

OUR BUSINESS MODEL

Patient health lies at the heart of our operations, along with our vision of keeping people safe from infections. We want to contribute to increased infection prevention as infections lead to poorer quality of life for patients, higher mortality and increase the risk of antibiotic resistance. According to WHO, antibiotic resistance is a globally growing problem that risks undermining the medical advances of the past hundred years. This is why our offer for infection prevention is so important for healthcare and patient health.

At Bactiguard we work continually to develop both our license business and our own product portfolio. We focus on the following therapeutic areas: orthopaedics, nephrology, urology, dental, intensive care and wound care. Finding new applications for our technology ensures that more patients can have access to effective and safe infection prevention.

Our own product portfolio gives us greater insights into the needs of patients and health care providers and enables us to perform clinical studies. Clinical evidence is required for technologies and products to be granted regulatory approval. These clinical studies and the knowledge we gain from the regulatory processes give us a competitive advantage, which is important for expanding our license business and distributor network, and for developing our product portfolio.

The regulatory processes normally take several years, which means that it takes time for new license agreements to generate regular royalties. For new distributor agreements, it normally takes between one and one and a half years before the collaboration starts to generate obvious results. The amount of time it takes depends, for example, on how long it takes to gather evidence for the regulatory approvals and the review process by the national authorisation agencies.

All parts of our value chain work together and are dependent on each other, enabling Bactiguard to create value and protect people from infections.

Manufacturing currently takes place in Penang and Senai in Malaysia, as well as Tullinge in the south of Stockholm, Sweden.

GLOBAL MARKET TRENDS

We have identified six important macro trends that affect our business. By understanding these trends, we can better adapt our offer and create the right conditions for profitable growth.

1 Multi-resistant bacteria

Bacteria that are resistant to antibiotics represent a major increasing global threat to public health. The increase in the spread of multi-resistant bacteria will impact both society and healthcare. Bactiguard's range of products plays a central role in reducing the risk of infection in healthcare and therefore the spread of multi-resistant bacteria.

2 Effective healthcare

An ageing population and an increase in lifestyle diseases are putting more pressure on healthcare. Fewer infections lead to shorter care periods, lower costs and more effective healthcare, not to mention a better quality of life for patients.

3 Digitalisation

Digitization and Artificial Intelligence (AI) will affect both hospital care and home care. Digital methods will increasingly be used to monitor and diagnose patients. The aim is for Bactiguard to continually make the most of the opportunities presented by technological advances.

4 Home care

In the future more patients will receive care at home, which will place new requirements on medical devices. These products must not only be easy to use, they must also be able to be used over a long period of time. Bactiguard's catheters reduce the risk of infection, making it easier to provide care at home.

5 Demographic development

The economic and demographic development in the world is, for example, placing more demands on healthcare, requiring more treatments in different therapeutic areas. An ageing population also increases the need for, for example, joint and dental implants. Bactiguard's technology significantly reduces the risk of infection from treatment with products that have to remain in the body for more than two days.

6 Sustainability

The UN's Sustainable Development Goal 3, Good health and well-being, is at risk if the spread of multi-resistant bacteria continues. Infection prevention is therefore one of the most important sustainability issues of our time.

A FOCUSED GROWTH STRATEGY

In February 2022 we presented Bactiguard's new focused growth strategy. We are now targeting six important therapeutic areas and selected geographical markets, providing Bactiguard with a solid foundation for accelerated future growth.

Concentrating on a number of significant therapeutic areas where infection prevention is important, gives us a much greater understanding and allows us to gain more specialist knowledge. This makes us more competitive and enhances our position in infection prevention.

Bactiguard currently has license partnerships and clinically tested products in the following therapeutic areas: orthopaedics, urology, intensive care and wound care in several geographical markets. We have a global partnership with Zimmer Biomet, which includes orthopaedic implants, implants for hip and knee reconstructions, sports medicine, craniomaxillofacial applications and thoracic applications. Bactiguard has had a license partnership with BD for many years, which covers urinary catheters in the USA, UK and Japan. We also have a license agreement with Well Lead, a Chinese company, which will initially involve them launching urinary catheters and then our full catheter portfolio in China.

Large potential

There is large potential for growth in Bactiguard's current therapeutic areas. The addressable market is significant, particularly for orthopaedic implants, where the global market is worth more than USD 40 billion. Bactiguard has also identified nephrology (kidney related diseases) and dental as therapeutic areas where applications can be developed using Bactiguard's technology.

As part of the strategic review, we have decided to focus long-term on the USA and parts of Europe and Asia.

New license business

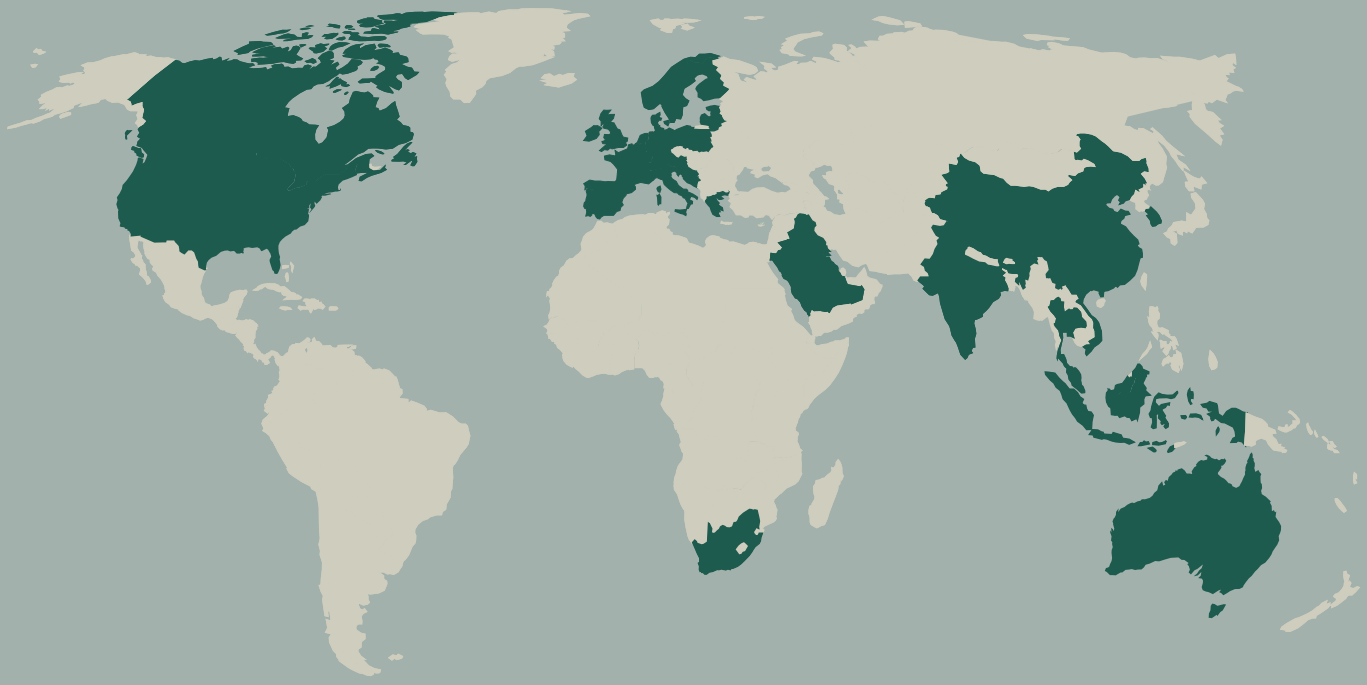
We have several interesting license projects in the pipeline and have identified new, exciting business opportunities. Our goal is to sign 1–2 new license agreements per year. Bactiguard's technology is documented as being effective and safe and approved for both short- and long-term use, and we see clear potential for new areas of application and license agreements.

Investments for growth

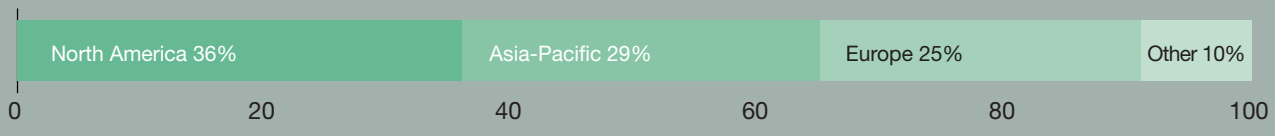
Already back in the autumn of 2020 we carried out a review of our sales strategy. As a result of this, we started to build our own direct sales force in the Nordic region and India. Going directly to the market creates close customer relationships and gives us a better insight into the needs of the customers and patients. It also enables us to be more effective and to better identify trends and changes on the market.

We have continued to invest in our organisation, which included recruiting a Chief Licensing Officer and a Global Head of Sales in 2021. These recruitments bring the strategic and operational competence which are of importance to our growth strategy. In the immediate future we will continue to invest in manufacturing, product development and a bigger sales and marketing organisation. These investments lay the foundation for accelerated growth going forward.

Bactiguard's foucs markets



The global medical device market, %



THERAPEUTIC AREAS IN FOCUS

We are focusing on six therapeutic areas where there is a significant medical need for infection prevention.

Orthopaedics

Many orthopaedic diseases are treated surgically, for example, fractures can be repaired using screws and plates, or by inserting implants into the skeleton or by replacing joints. The patient is at a greater risk of infection during and after the procedure. This elevated risk can last over a long period of time, sometimes up to several months. An infection in a newly operated fracture or joint prosthesis involves a comprehensive, cumbersome and long-term treatment that can include high doses of antibiotics and repeated operations. A joint prosthesis can also be at risk of a 'secondary infection' several years after the operation, as bacteria can attach to the prosthesis, which risks destroying joints, cartilage and ligaments.

Urology

Urological problems often require surgery. One of the most common problems in urology is a narrowing of the urethra, which can be caused, for example, by an enlarged prostate and makes it difficult for the patient to urinate. This is when urinary catheters are required to prevent damage to the kidneys, which can lead to a serious and life-threatening condition. Infections in the urinary tract are common complications following an operation and when a patient is catheterized.

Nephrology

As kidney conditions deteriorate, the blood may eventually have to be cleaned using dialysis, which can be performed at a hospital (haemodialysis) or at home (peritoneal dialysis). Kidney failure can be temporary and short term when patients are suffering from acute and severe disease, for example, while they are in intensive care, but it can also be caused by chronic disease. Infection is always a serious complication during dialysis.

Intensive care

Many intensive care patients are immunocompromised due to infection, medication or cancer. They are at a high risk of infection, particularly if their airways or bloodstream is affected. An infection in a patient who is already critically ill is serious and leads to higher mortality.

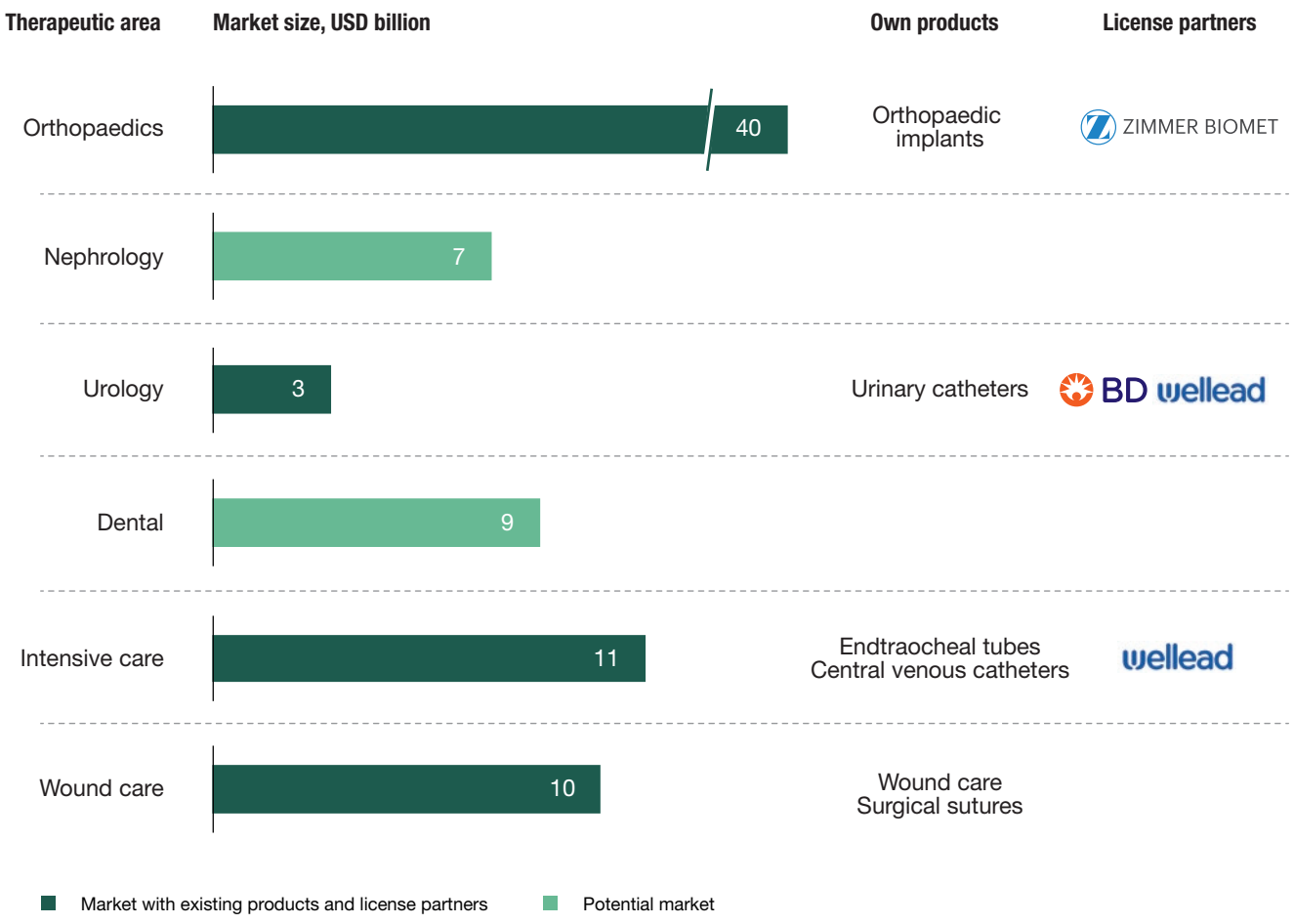
Dental

Damaged and diseased teeth may have to be replaced with various kinds of implants. Infections in teeth and dental implants cause long-term problems that can be difficult to heal and may require several operations. They can also cause inflammation, which can be harmful to the rest of the body.

Wound care

Bacteria and other microorganisms grow in most wounds, which make healing difficult and can cause the infection to spread in the body. Killing these bacteria and preventing new bacteria from taking hold in the wound can speed up healing. Wound treatment that speeds up healing results in less pain and discomfort for the patient, while reducing any unpleasant odours from the wound.

Focus areas with growth potential



EFFECTIVE AND SAFE TECHNOLOGY

Bactiguard's technology for medical devices and implants is safe and significantly reduces the risk of infection. The technology has been approved for both short- and long-term use, so there are many new applications where it could be used and 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 the Bactiguard technology were approved by the FDA in the USA.

Many new areas of application

We work continually on developing new products and applications for the technology. As it has been approved for use on implants that can remain in a person's body for the rest of their life, we have identified many new areas of use, including knee and hip joints.

The 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. As the coating is very thin, it does not affect the products' other properties such as thickness, appearance or stiffness.

There are no specific packaging requirements for medical devices with Bactiguard's 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 have been part 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 process patents that are based on a combination of noble metals deposited on the surface of a product. It is our opinion that it is very difficult to copy Bactiguard's technology without access to the recipe, patents and the company's process know-how to coat surfaces. 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.

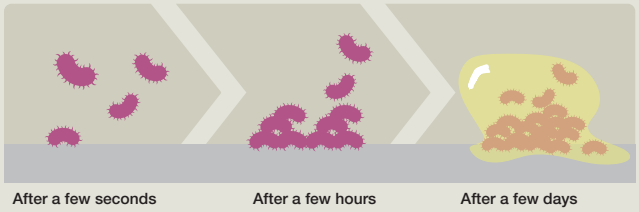
How the technology works

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

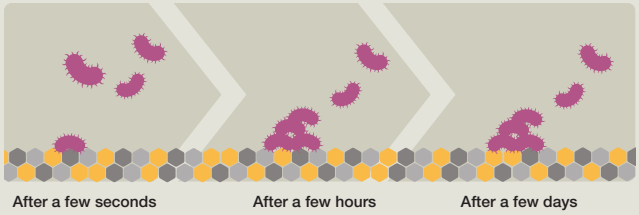
Bactiguard's technology is based on a very thin coating of gold, silver and palladium. When in contact with fluids it creates a galvanic effect resulting in fewer microbes adhering to the surface. This reduces the risk of a biofilm forming and leading to infection.

The quantities of noble metals are very small and no toxicological or pharmacological amounts 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 coating technology and at the same time provide us with data that enables regulatory approval of the products.

Clinical studies are important for patient safety, to ensure the efficacy of the technology and for 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. Regulatory processes often take several years, so it is a definite strength 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 are not supported by clinical evidence.

More than 40 clinical studies have so far been performed on Bactiguard's technology across 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 throughout a person's life. 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 applications.

In 2021 several important studies were completed on products with Bactiguard's coating technology.

- In March 2021 a randomised, controlled multi-centre study was published which shows that urinary catheters with Bactiguard's technology for infection prevention significantly reduces the risk of catheter-associated urinary tract infections 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 infection prevention technology. The group that received the Bactiguard catheter had a 69% lower risk of developing catheter-associated urinary tract infections during the treatment period. In addition no adverse events were registered that related to Bactiguard's technology.
- In October 2021 the VITAL study from Liège, Belgium, was presented at the European Society of Intensive Care (ESICM) congress. The study showed a 53% reduction in ventilator-associated pneumonia (VAP) in intensive care patients, intubated with Bactiguard's endotracheal tube with subglottic secretion drainage (BIP ETT Evac). It was a randomised, controlled study with 323 patients, either intubated with a Bactiguard endotracheal tube or a conventional tube (both with subglottic secretion drainage). The number of VAP cases was 22.4 per 1,000 ventilator days in the control group compared with 10.5 in the Bactiguard group, which was just outside the significance level (p=0.07). The time to the occurrence of VAP was significantly reduced in the Bactiguard group (p=0.02).

  The VITAL study was selected as one of the six best abstracts at the ESICM congress and in January 2022 the study was published in the renowned journal 'Annals of Intensive Care'.

Studies that are currently underway include the Rehab study in Stockholm. This study has examined the long-term use of the urinary catheter BIP Foley for patients with spinal cord injuries who require lifelong treatment with a urinary catheter. It provides crucial knowledge about how the technology affects the urinary tract and the inflammatory system in the long term. The study has been completed and the data is currently being analysed.

Our license partner Zimmer Biomet is performing a study into the orthopaedic implant ZNN Bactiguard, which was launched in 2021.

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 adverse events 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%.

INFECTION PREVENTION MORE IMPORTANT THAN EVER

Infections are a growing problem throughout the world. More infections lead to a greater 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 global sustainability issues.

Bactiguard's coating technology prevents infections when using medical devices, for example, implants and different types of catheters.

The silent pandemic

Antimicrobial resistance (AMR) is sometimes referred to as the 'silent pandemic' and is a growing problem globally. AMR will make common infections, such as tonsillitis and otitis, more difficult to treat in the future, and in the worst case they could prove fatal. In 2019 a total of 1.3 million people died of AMR and according to the World Health Organization (WHO), ten million people will be at risk of dying of AMR every year by 2050. This can be compared to about eight million people dying of cancer every year.

Antibiotic resistance an acute health risk

"Antibiotic resistance is one of the most urgent health risks of our time and threatens to undo a century of medical progress," says 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.

Most bacterial infections can still be effectively treated with antibiotics but broad-spectrum antibiotics must be used more frequently. This encourages the development of antibiotic-resistant bacteria, which will lead to worse treatment outcomes. Routine operations and cancer treatments also depend on effective antibiotics to supplement a patient's own immune system.

Healthcare-associated infections affect one in ten patients

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.

> 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**

10 million people die of sepsis

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 30% 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 related to preventing infections are much lower than the costs for HAIs.

Bactiguard's coating technology

Our coating technology forms an important link in the value chain in the fight against antibiotic resistance, as it significantly reduces the risk of infections when using medical devices that will remain in the body for more than two days. Bactiguard's technology also contributes to greater patient safety, more effective care and lower healthcare costs.

STRONG FINANCIAL POSITION AND INVESTMENTS FOR PROFITABLE GROWTH

Revenues continued to be affected by the pandemic, particularly during the first half of 2021. In the second half of the year the fact that healthcare started to return to more normal activities had a positive impact on the company. Profitability was affected by our strategic investments for future profitable growth in, for example, the sales and marketing organisation. Bactiguard has a strong financial position with high cash levels and low net debt.

Revenues

Total revenues fell by 4% to MSEK 179.0 (186.0). Net of currency effects, the reduction was 3%.

License revenues increased by just under 1% to MSEK 103.7 (102.9). License revenues from BD increased to MSEK 100.2 (93.4). Both volumes and royalties from BD increased compared with the corresponding period in the previous year, while currency effects impacted revenues by MSEK -9.0. Net of currency effects, license revenues from BD increased by 17%.

New license revenues increased to MSEK 9.1 (0.6) as a result of license revenue of MSEK 8.5 from Zimmer Biomet. This license revenue was generated once a milestone had been reached in the license agreement following the launch of the the Bactiguard coated implants in Europe. In 2021 a total of MSEK 0.6 (0.6) was received in new license revenues that were related to product development.

Sales of our own products are included in the BIP sales segment, amounting to MSEK 56.8 (68.9).

BIP sales comprised 37% of total revenues. Compared with the previous year, they were affected by the high demand for disinfectants when the pandemic started in the spring of 2020. If the sales of disinfectants are excluded, the growth of BIP products would have been 7% in 2021.

Other revenues amounted to MSEK 9.6 (13.7), of which MSEK 3.8 (9.5) is related to currency effects.

Operating expenses

The costs for raw materials and consumables increased slightly to MSEK 44.3 (43.9) as a result of higher freight prices at the end of the year, driven by general price rises on the global market. Other external expenses increased by 13.8% to MSEK 56.1 (49.3). This increase was due to higher investments in marketing activities, totalling MSEK 2.1 and higher costs for regulatory registrations in new countries, totalling MSEK 0.5. Costs for consultants and temporary employees increased by MSEK 1.5 in order to accelerate the implementation of the growth strategy.

Personnel costs increased by 26.0% to MSEK 84.7 (67.2), mostly as a result of integrating Vigilenz, building the direct sales organisation in the Nordic region and India, and investing in the marketing organisation and management functions.

Other operating expenses comprised currency effects, which had a negative impact of MSEK -6.8 (-7.3).

Total operating expenses increased during the year by 16.8%, amounting to MSEK 233.2 (203.7).

EBITDA and operating profit

Profitability was affected by the strategic investments in the sales and marketing organisation to secure future profitable growth. EBITDA* amounted to MSEK -7.2 (26.7) with an EBITDA margin* of -4% (14%). Operating profit amounted to MSEK -54.2 (17.6). Depreciation affected operating profit by MSEK -47,0 (-44.3), including depreciation of MSEK -25.4 (-25.1) for Bactiguard's technology, and depreciation of MSEK -10.6 (-10.5) for leasing.

Financial net

Financial items amounted to MSEK -9.1 (-24.3). The part of the purchase price for the acquisition of Vigilenz in 2020 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 0 (-10.9).

Taxes

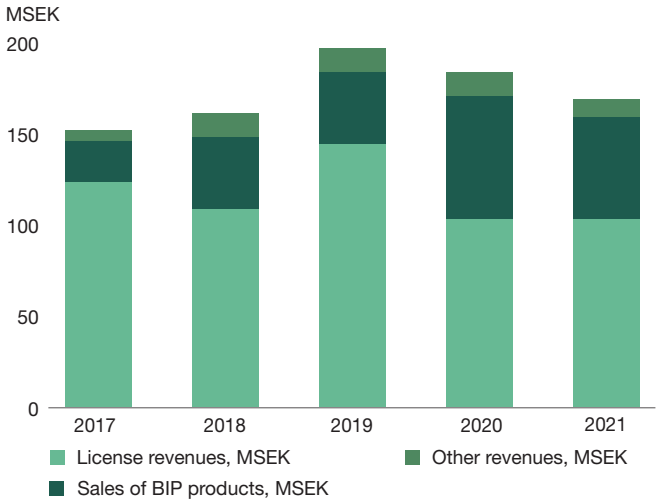
Tax amounted to MSEK 4.5 (3.5). Income tax in foreign subsidiaries comprised MSEK -0.3 (-2.6). Tax for the period included a change in deferred tax of MSEK 4.8 (5.8), attributable to the Group's intangible assets and leases.

Profit/loss for the year

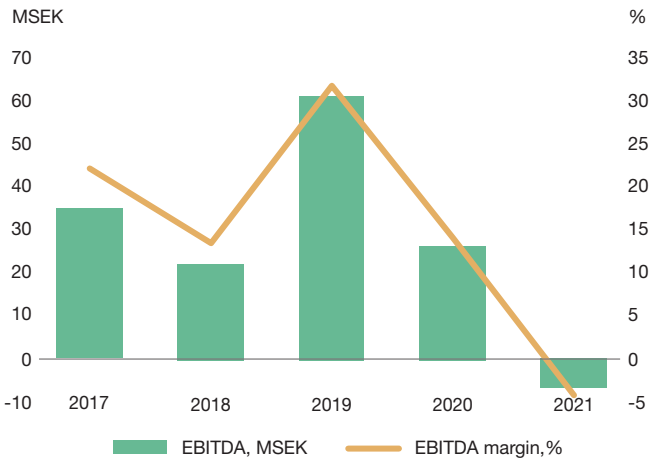
The loss for 2021 amounted to MSEK -58.8 (-38.4).

* Reference to page 84, Definitions of alternative key performance indicators.

Revenues



EBITDA and EBITDA margin



Investments

Investments amounted to MSEK -7.3 (-15.4) and related to investments in production facilities, IT and capitalised development costs.

Cash flow

Cash flow from operating activities amounted to MSEK 7.3 (0.7). Working capital was positively affected during the year by a decrease in inventories, which had been built up during the pandemic. After the directed new share issue in September 2021, which provided Bactiguard with SEK 228 million, a total of SEK 8.9 million was repaid on the overdraft facility, which has since been unutilized.

Financial position

The equity ratio was 64% (55%) and equity amounted to MSEK 541.4 (373.3).

On 31 December 2021 cash and cash equivalents amounted to MSEK 217.6 (9.9) and net debt stood at 30.4 (254.1).

Bactiguard has a credit facility with SEB, which was renegotiated in December 2021 following the directed new share issue and its term was extended by two years to December 2024. The total outstanding amount stood at MSEK 170.9 (170.9) as of 31 December 2021. Changes to the terms and conditions also included the covenants, which now reflect the updated growth strategy, and a reduction of the overdraft facility to MSEK 30 (45). On 31 December 2021 MSEK 0.0 (-3.9) of the overdraft was utilised.

Total assets for the Group amounted to MSEK 849.3 (675.2) as of 31 December 2021. The largest asset items in the balance sheet are goodwill, MSEK 247.5 (245.4), cash and cash equivalents, MSEK 217.6 (9.9), and Bactiguard's technology, MSEK 124.2. 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 2021. No investments were made in 2021.

Future expectations

The need for infection prevention is increasing throughout the world and Bactiguard offers 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 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.

Events after the end of the year

In February 2022 Bactiguard and Zimmer Biomet agreed to expand their global license partnership that started in 2019 to cover more product categories. The new agreement includes exclusivity and developments fees of MUSD 1.5 in 2022. The agreement also includes milestone related fees of MUSD 7.5, which are linked to regulatory clearance from authorities in the USA for various product categories and royalties on net revenues after commercialisation.

Dividend policy

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

FINANCIAL TARGETS

Growth

Annual revenues of at least SEK 1 billion by 2026.

Profitability

EBITDA of at least MSEK 400 by 2026.

BACTIGUARD EXPANDS LICENSE BUSINESS WITH WORLD-LEADING ZIMMER BIOMET

In 2021 the leading, global medical device company Zimmer Biomet launched Bactiguard coated trauma implants. The launch took place in Europe and was a significant progress in our license partnership. As a result of this successful collaboration, our global license partnership with Zimmer Biomet was expanded to include more product categories in February 2022.

Our license business involves us licensing Bactiguard's technology to medical device companies that apply the coating on their own products to reduce infection risks. We signed an exclusive license agreement with BD back in 1995 for the USA, UK and Japan, offering urinary catheters with Bactiguard's technology. License revenues from BD had been stable for many years, but were hit by the pandemic in 2020 when regular health services were cut back and elective surgeries were postponed. In 2021 both volumes and royalty revenues from BD recovered as healthcare returned to a more normal situation.

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.

Successes with Zimmer Biomet

In 2019 we signed a global license agreement with Zimmer Biomet for orthopaedic trauma implants. Our partnership continues at a high pace and in January 2021 Bactiguard received a CE marking for Zimmer Biomet's Bactiguard coated trauma implants. This meant that production could get underway and the first products were launched on selected markets in Europe, the Middle East and Africa in June 2021. The registration process in the USA and other major markets is underway in parallel with this. In addition to the initial license fee that Zimmer Biomet paid when signing the agreement, there are contingent payments of MUSD 2 that relate to various milestones; the first totalling MUSD 1 (8.5) was paid in 2021.

Just over two years after the first license agreement with Zimmer Biomet, the partnership expanded in February 2022 to cover more product categories. The expanded exclusive license agreement includes implants for joint reconstruction of hips, shoulders and knees, sports medicine, as well as craniomaxillofacial and thoracic applications. The agreement includes license and development fees of MUSD 1.5 payable in 2022, as well as contingent milestone related fees totalling MUSD 7.5. The contingent payments are linked to regulatory clearance by US authorities for various product categories. This agreement also covers royalties on net sales following commercialisation.

The expanded partnership with Zimmer Biomet positions Bactiguard's technology in the orthopaedic segment, which has been a top priority.

Awaiting approval in China

Well Lead Medical is our Chinese license partner that has been involved in an approval process for a few years that will allow it to sell locally-produced catheters and tubes with Bactiguard's coating. Well Lead has made significant progress in developing its own portfolio of medical devices using Bactiguard's technology. This resulted in Well Lead placing its first order for concentrate in 2020, worth just over MSEK 9. This concentrate is used in development work, while awaiting regulatory approval for locally-produced products. In 2021 Well Lead's development work was affected by the pandemic, which has resulted in the approval process taking longer than normal.

License revenues

MSEK	2021	2020	Change
License revenues	103.7	102.9	0.8%
New license revenues	9.1	0.6	
- whereof Zimmer Biomet	8.5	–	

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, China, India and South Korea	Ortophedic trauma implants, products for joint reconstructions, craniomaxillofacial and thoracic applications.
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

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MSEK IN LICENSE REVENUES

EXTENSIVE PORTFOLIO FOR EFFECTIVE INFECTION PREVENTION

Bactiguard has an extensive portfolio of medical devices and wound care products that prevent infections safely and effectively. Medical devices with Bactiguard's unique technology reduce the risk of infection by up to 69%.

The BIP portfolio comprises urinary catheters, central venous catheters and endotracheal tubes featuring Bactiguard's unique coating. According to the most recent published study, the BIP Foley catheter reduces the risk of catheter-associated urinary tract infections by 69% compared with a standard catheter. In addition to the much lower infection risk, the BIP Foley catheter also prevents other common bacteria-related problems, including odours, encrustation and catheter blockage.

Bactiguard's endotracheal tubes (BIP ETT Evac) are used in intensive care; according to the most recent published study they reduce the risk of ventilator-associated pneumonia by 53%. Approximately one in four patients intubated with an endotracheal tube suffers from an infection with a mortality rate of 30–50 percent, which makes it an important product to improve patient safety.

Bactiguard's BIP CVC is used to administer drugs and intravenous fluids, take blood samples and blood pressure measurements. Central venous catheters can cause serious blood infections with a mortality rate of up to 25%.

New countries and segments

The acquisition of Vigilenz in 2020 expanded the BIP portfolio to include, for example, Bactiguard Wound Care and Disinfectants, as well as surgical sutures. Bactiguard's wound care and disinfectant products have attracted a lot of interest, with new collaboration agreements being signed in 2021 for the distribution of these products in countries such as Spain, Germany and Greece.

In 2021 Bactiguard launched wound care products for animals together with Musti group, the leading chain for pet products in the Nordic region. The products are sold under the brand Aniocyn in Sweden, Norway and Finland in Musti Group's physical stores and online, including Arken Zoo and Vetzoo.

Development of blood applications

Previous laboratory studies have shown that Bactiguard's coating reduces the coagulation system's activation compared with a standard product. This is why Bactiguard worked with Karolinska Institutet in the project "Noble stent", partly financed by Vinnova and in detail studied how Bactiguard's coating affects the blood. The project was completed in 2021 and the results are currently being compiled for publication.

The results from this project will pave the way for new opportunities to further develop Bactiguard's technology, combined with products that are in the bloodstream, for example, various kinds of vascular catheters.

Sales of BIP products

MSEK	2021	2020	Change
Sales of BIP products	56.8	68.9	-17.6%

> "Bactiguard Wound Care is a clinically tested and safe system for effective wound wash, debridement and irrigation for all stages of acute, chronic and infected wounds."
>
> **Stefan Grass Chief Medical Officer**

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MSEK IN BIP REVENUES

BIP portfolio — Bactiguard Infection Protection

	Properties	Area	Market position
 **Urinary catheter BIP Foley**	A recently published study shows that the BIP Foley catheter reduces the risk of catheter-associated urinary tract infections by 69%, compared with the use of standard catheters.	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.	Market-leading through our own sales and license partnership with BD. Since the launch in 1995 more than 200 million catheters have been used globally.
 **Endotracheal tube BIP ETT Evac**	It offers twice the protection, both through subglottic secretion drainage and the effect of Bactiguard's coating. A recently published study has shown a reduction in ventilator-associated pneumonia of 53%.	Ventilator-associated pneumonia (VAP) is a serious complication that can occur during mechanical ventilation. In intensive care, it is the second most common HAI, affecting up to 25% with a risk of longer hospital stays, higher costs and a greater mortality risk.	Bactiguard is the only company to offer double infection protection: subglottic drainage and a coating for infection prevention.
 **Central venous catheter BIP CVC**	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 the use of central venous catheters. According to WHO, treatment for one individual case can cost up to USD 56,000. The mortality rate is estimated at 12–25%.	BIP CVC has the advantage of being effective against infection, while offering good compatibility with blood and tissue.
 **Orthosyn trauma implants**	Bactiguard coated trauma implants to prevent post-operative infections.	Trauma implants are devices used in orthopaedic surgery to treat various kinds of trauma, including fractures, dislocations, sprains, strains, burns etc. The implants are intended to remain in the body for several months and sometimes for the rest of a patient's life.	Orthosyn is the only orthopaedic trauma implant in Malaysia that features Bactiguard's infection prevention coating. Outside Southeast Asia, the orthopedic trauma implants ZNN Bactiguard, are marketed by our licensing partner Zimmer Biomet.
 **Bactiguard Wound Care**	Reduces microbial load and growth by killing bacteria, virus and fungi. Removes biofilm and supports natural healing. Biocompatible, pH neutral and hypoallergenic. Clinically proven to be safe and effective.	Bactiguard Wound Care is a clinically tested and safe system for effective wound wash, debridement and irrigation for acute, chronic and infected wounds.	Effective wound care and infection prevention with growth potential.
 **Surgical sutures**	A wide range of surgical sutures, including specialist sutures for, for example, cardiovascular operations and eye operations.		
 **Aniocyn - Wound Care for animals**	Wound and skin care products for animals. Reduces the risk of infection without irritating the skin or stinging, while supporting the natural healing process.	Cleans the wound and supports the healing of different kinds of wounds, for example, infected skin and skin folds, wounded and infected paws, cuts and lacerations, bite wounds, surgical wounds and burns.	Effective, safe and gentle wound care that prevents infection in the expanding pet segment.
 **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 disinfecting skin and surfaces.	Kills 99.98% of the coronavirus that causes Covid-19.

DIRECTED NEW SHARE ISSUE RAISED MSEK 228 FOR THE COMPANY

During the year a directed new share issue was carried out to the Swedish pension fund AMF, which provided Bactiguard with MSEK 228 in new capital.

Share capital

As a result of this directed new share issue to the Swedish pension fund AMF, the share capital increased by SEK 37,500, amounting to SEK 876,097 at the end of 2021. There is a total of 35,043,885 shares, consisting of 4,000,000 A shares and 31,043,885 B shares. The A shares have ten votes each and the B shares have one vote each. All shares have identical rights to dividend and a share in the company's assets and earnings.

Share price development

On the last trading day in 2021 Bactiguard's closing price was SEK 165.00 with a share value of MSEK 5,122.2 for the listed B shares. On the last trading day in 2020, the closing price was SEK 143.00 with a share value of MSEK 4,224.8. The share price increased by 15.4% during the year. The index for all shares on Nasdaq Stockholm OMXSPI increased by 35.0% in 2021.

During the year the highest closing price was recorded on 20 May at SEK 200.00. The lowest closing price was recorded on 5 January at SEK 137.50.

Market history

Bactiguard's B share was listed on Nasdaq Stockholm in the Small Cap segment on 19 June 2014 and is included in the Mid Cap segment since January 2021. The introductory price was SEK 38. Since the introduction until the last trading day in 2021 the share price rose by 276%. Nasdaq Stockholm, measured with the OMXSPI index, increased by 131.8% 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 at an expansion stage, the company will prioritise growth over dividends in the coming years.

Ownership structure

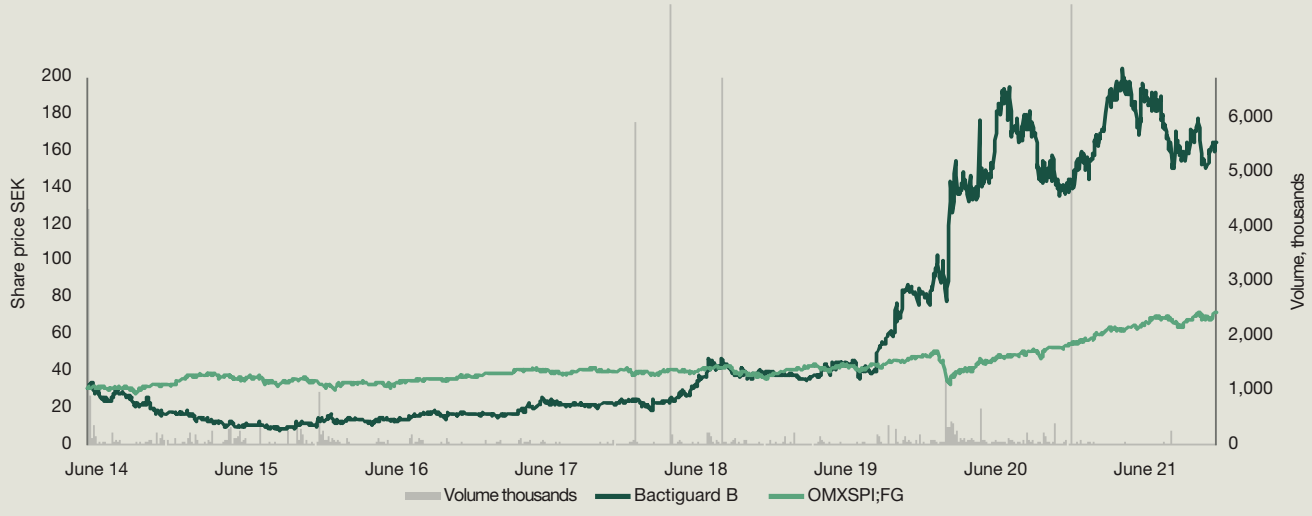
At the end of the year Bactiguard had 3,767 (4,999) shareholders. The holdings of the ten largest shareholders accounted for 81.5% (80.8%) of the share capital and 90.9% (90.7%) of the votes. At the end of the year 15.8% (17.6%) of the shares were owned by private Swedish individuals; 64.7% (43.9%) by Swedish institutions and legal entities; and 19.4% (38.5%) by foreign private individuals and institutions.

Analysts that monitor Bactiguard

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 2021



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
September 2021	Directed new share issue	1,500,000	4,000,000	35,043,885	37,500	876,097

Ownership structure 31 December 2021

Number of shares	Number of owners	Proportion of owners, %
1–500	3,180	84.4
501–1,000	236	6.3
1,001–5,000	220	5.8
5,001–10,000	46	1.2
10,001–15,000	17	0.5
15,001–20,000	10	0.3
20,001–	58	1.5
Total	**3,767**	**100.0%**

Allocation of the share capital

	Series A	Series B	Total
Shares	4,000,000	31,043,885	35,043,885
Votes	40,000,000	31,043,885	71,043,885
Capital, %	11.4	88.6	100.0
Votes, %	56.3	43.7	100.0

The five largest countries 31 December 2021

	Votes, %	Proportion of owners, %
Sweden	80.6	90.4
Finland	9.3	4.6
USA	3.6	1.8
UK	3.2	1.6
Luxembourg	2.5	1.2
Total	**99.2**	**99.6**

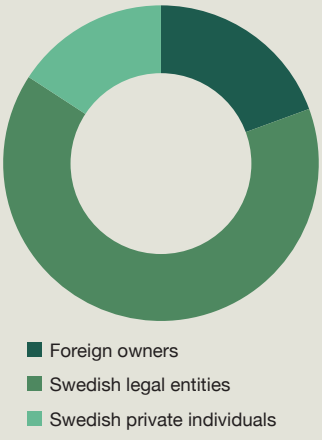
Source: Euroclear Sweden

The ten largest owners 31 December 2021

Owner	Total A shares	Total B shares	Total shares	% of capital	% of votes
Christian Kinch with family	2,000,000	4,117,167	6,117,167	17.5	34.0
Thomas von Koch	2,000,000	4,117,068	6,117,068	17.5	34.0
Jan Ståhlberg	0	3,354,387	3,354,387	9.6	4.7
Fjärde AP Fonden	0	3,340,781	3,340,781	9.5	4.7
Nordea Nordic Small Cap Fund		3,191,961	3,191,961	9.1	4.5
Handelsbanken Fonder		2,070,421	2,070,421	5.9	2.9
AMF – Försäkring och fonder		1,540,003	1,540,003	4.4	2.2
Försäkringsaktiebolaget Avanza Pension	0	1,095,592	1,095,592	3.1	1.5
State Street Bank and Trust Co, W9	0	1,053,547	1,053,547	3.0	1.5
Lancelot Avalon Master	0	650,000	650,000	1.9	0.9
Total ten largest shareholders	**4,000,000**	**24,530,927**	**28,530,927**	**81.5**	**90.9**
Other shareholders	0	6,512,958	6,512,958	18.5	9.1
Total	**4,000,000**	**31,043,885**	**35,043,885**	**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 2021



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 coating 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 infections and contribute to reducing 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 halted. 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.

Infections that patients acquire during hospital stays or in other healthcare settings (healthcare-associated infections, HAIs) are a growing problem and constitute a threat to global public health. 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. Medical devices are a common cause of HAIs.

According to WHO one in every ten patients suffers from HAIs 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," according to 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 Sustainable Development Goals

According to WHO, antibiotic resistance is a threat to achieving the UN's 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 Sustainable Development 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 HIV, tuberculosis and malaria by 2030 and to combat hepatitis, waterborne 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 risk of infections. Viral infections – for example the coronavirus – places the body's immune system under stress, which increases the risk of secondary bacterial infections. One of the most serious 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. We offer significantly improved infection prevention when using medical devices. Our daily activities at Bactiguard help in the work to prevent infections. 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 is when WHO is in a position to report the levels of HAIs 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 providers 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 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 patients, care providers, 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 an utmost priority 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 across 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 CE certificates and 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 Act. 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 do 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.

Climate effects

Bactiguard could be negatively affected by changing climate conditions at the locations where the company has its production facilities. Bactiguard has not identified any company-specific risks relating to changing climate conditions at these locations.

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, which are adopted by the Board. All policies are 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 team. It is also the responsibility of each manager to ensure that employees who need to be made aware of specific goals, rules and procedures, or any other information, are informed 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 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.

An overview of our policies for the following areas: the environment, employees and social aspects, respect for human rights and anti-corruption, can be found below:

Environment

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

Production

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

Chemicals

The chemicals that are used must have the lowest environmental impact, without compromising on performance. The chemicals must be able to be treated or disposed of in an environmentally sound manner.

Recycling

We strive to reduce the amount of waste and recycle as much as possible.

Purchases

We always strive to use eco-friendly materials. In terms of purchases, important parameters that have to be taken into consideration include environmentally sustainable manufacturing, materials, packaging and transport. Bactiguard strives to optimise the environmental performance of its supply chain.

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 with a digital meeting, and whether the most eco-friendly means of transport has been chosen. Bactiguard uses different means of transport when transporting products and intermediate goods and always strives to optimise its transport to reduce negative environmental impact.

Notifiable activities

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

Employees and social aspects

Motivated employees is key if we are going to be successful in our mission to prevent infections. To ensure that we have motivated employees, it is important that our business contributes to sustainable societal development in accordance with our vision and that our culture is characterized by our core values. These 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 the entire value chain, 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.

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.

All employees are encouraged to report any breaches of the code of conduct. Reports must be dealt with quickly and fairly, and be subject to a detailed investigation. In 2021 no reports were made and there are no reports under investigation.

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 or forced labour.

Every employee is entitled to choose whether or not they want to be represented by a trade union in collective bargaining. 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.

Our core values

Everything we do is permeated by:

- Teamwork
- Innovation
- Courage
- Personal responsibility
- Transparency

Our core values will support us in successfully realising our vision to keep people safe from infections.

Our employees

	2021	2020
Total number	188	163
Of which in Sweden	42	33
Of which in Malaysia	134	119
Of which in the rest of the world	12	11
Of which in production	80	71
Of which in sales and marketing	39	33
Of which in development	17	16
Total number of women/men	**121/67**	**105/58**

CORPORATE GOVERNANCE REPORT

In 2021 the following areas were in focus: the effects of the pandemic; continued development of the growth strategy; long-term financing through a directed new share issue; and the appointment of a new CEO.

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 regulations.

This corporate governance report has been prepared as part of the Swedish Annual Accounts Act and the company's application of the Code. Bactiguard has in 2021 not deviated from any apects of the Code. The auditors have performed an examination of this report.

Articles of association

The articles of association were adopted by the Annual General Meeting on 28 April 2021 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 carries ten votes, while one series B share carries 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 2021 the share capital amounted to SEK 876,097 allocated among a total of 35,043,885 shares of which 4,000,000 were unlisted A shares and 31,043,885 B shares. The total number of votes amounted to 71,043,885. In September 2021 both the number of B shares and the number of votes increased by 1,500,000 following the directed new share issue to the Swedish pension company AMF.

The 2021 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 before the next Annual General Meeting, with or without deviation from the shareholders' pre-emptive rights. Based on the authorisation, a resolution can be made to issue new shares, exercise warrants and/or convert convertibles corresponding to a maximum of 10% of the total number of outstanding shares in the company at the time when the Annual General Meeting resolves to give its authorisation (which does not prevent convertibles from being combined with conversion terms which, if applied, may result in a different number of shares).

This authorisation includes the right to resolve that shares will be issued against cash payment, payment in kind or payment by way of set-off and the issue may otherwise be subject to conditions as set out in Chapter 2, Section 5, second paragraph, 1–3 and 5 of the Swedish Companies Act.

A cash issue or a set-off issue that takes place with deviation from the shareholders' pre-emptive rights must be on market terms.

The reason for the right to deviate from the shareholders' pre-emptive rights is to allow flexibility when raising capital or making potential acquisitions.

Shareholders

At the end of the year the number of shareholders was 3,767 (4,999) and the largest owners were (the figures in brackets represent the proportion of capital and votes respectively):

Christian Kinch with family and companies (17.5%, 34.0%); Thomas von Koch with companies (17.5%, 34.0%); Jan Ståhlberg (9.6%, 4.7%); Fjärde AP Fonden (9.5%, 4.7%); and Nordea Nordic Small Cap Fund (9.1%, 4.5%).

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.

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 the general meeting.

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

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. The Board of Directors and auditor are elected until the next annual general meeting. Other statutory matters are also addressed, such as the adoption of the guidelines for remuneration to senior executives.

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 in 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 2021

Bactiguard's Annual General Meeting was held on 28 April 2021 at the company's headquarters in Tullinge. Due to the continuing pandemic, the Annual General Meeting was conducted without the physical presence of shareholders, proxies and third parties. The shareholders were able to exercise their voting rights by post before the meeting. The lawyer Magnus Lindstedt was elected Chairman.

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 2020 and a resolution that no dividend be paid.
- The Board and the CEO were granted discharge from liability for 2020.
- The remuneration for the next mandate period shall be SEK 750,000 to each of the Chairman of the Board and the Deputy Chairman of the Board, SEK 400,000 to the Board Member Anna Martling and SEK 200,000 to each of the other members. For work as the Chairman of the Audit Committee, the remuneration shall be SEK 100,000. There is no remuneration to the Chairman of the Remuneration Committee nor for other committee members.
- Cecilia Edström, Christian Kinch, Thomas von Koch, Anna Martling and Jan Ståhlberg were re-elected as ordinary Board members.
- Thomas von Koch was elected as the 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 to the auditor to be paid according to approved invoices.
- Approval of the remuneration report.
- Amendment to the articles of association.
- 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 2022

Bactiguard's 2022 Annual General Meeting will be held on Friday 29 April 2022. Postal voting will be used for the Annual General Meeting as a result of the pandemic. The notice to convene the meeting contains more information about voting procedures.

Nomination Committee

At the 2021 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 five 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 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 repre-

sents 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 more than 12 weeks prior to the next Annual General Meeting, and provided that a shareholder after this change becomes one of the five 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.

The Nomination Committee has the right to incur costs for its work.

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

The Nomination Committee for the 2022 Annual General Meeting was announced on 29 October 2021 and comprises:

Helena Borglund, appointed by TomBact AB; Christian Kinch, appointed by KK Invest AB; 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, Thomas von Koch, is an adjunct member of the Nomination Committee without voting rights.

The shareholders were able to submit proposals and opinions to the Nomination Committee by 16 January 2022.

Board of Directors and its governance

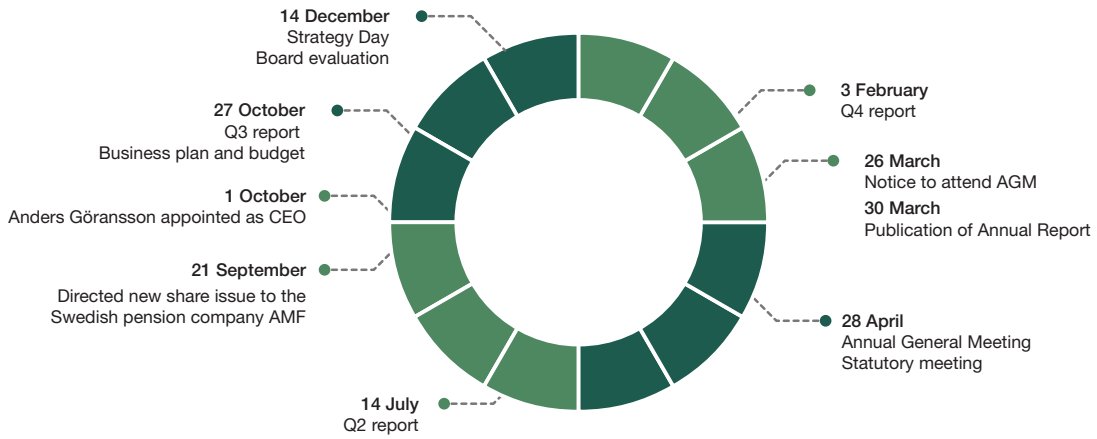
Board of Directors

The Board of Directors is, inter alia, responsible for Bactiguard's organisation and management, and appoints a CEO who is 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 manage the company's accounts, financial management and other economic conditions. The Board of Directors shall primarily address comprehensive and long-term issues, and other issues of unusual character or great significance to the Group and the company.

The Board of Directors' work shall follow a written work procedure designed to ensure that the Board of Directors is fully informed and that all Board-related aspects of the company's operations are addressed. Every quarter the Board of Directors receives information from management in the form of 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 its work procedure at a statutory Board meeting. The current work procedure was adopted on 28 April 2021. Pursuant to the work procedure, six ordinary Board meetings are normally held per year in addition to the statutory meeting. The work procedure for the Board of Directors regulates the division of responsibility between the Board of Directors, the Chairman of the Board and the CEO. It also regulates the responsibilities of the Board, the meeting schedule, and the tasks to 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.

Work of the Board of Directors 2021



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

Chairman of the Board

According to the Board's work procedure, 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 CEO and CFO attend all Board meetings except when the work of the CEO is being evaluated.

The Board is presented in more detail on pages 42-43.

The Board's work in 2021

In 2021 the Board held 12 minuted meetings, as well as one statutory meeting in conjunction with the Annual General Meeting.

At these meetings the Board discussed regular 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 2021 the following areas were in focus: the effects of the pandemic; continued development of the growth strategy; long-term financing through a directed new share issue; and the appointment of a new CEO.

The Board met the company's auditor once in 2021 where executive management was not in attendance.

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 adopted for each committee. The work of these committees is primarily preparatory and advisory in each area. However, the Board can delegate the decision-making authority to the committees for certain issues.

Remuneration Committee

The Remuneration Committee shall support the Board of Directors with proposals, advice, and preparation in regard to issues of remuneration principles for the CEO and other senior executives, and individual remuneration to the CEO in accordance with the guidelines for remuneration for senior executives 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

Policies adopted by the Board

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

remuneration, the principal 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 Executive managment and other senior executivesare 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 executives. The committee shall also monitor and assess any ongoing or concluded incentive programmes for variable remunerations to the CEO and other senior executives; evaluate compliance with the guidelines for remuneration to the CEO and other senior executives adopted by the general meeting well as the current structure and levels of remuneration.

In 2021 the Remuneration Committee considered, inter alia, the salary of the CEO and carried out an evaluation to ensure that the terms and conditions of senior executives comply with the guidelines for remuneration to senior executives adopted by the Annual General Meeting.

Following the 2021 Annual General Meeting, the Remuneration Committee comprises the Chairman of the Board, Thomas von Koch, Christian Kinch and Jan Ståhlberg. Thomas von Koch is the Chairman of the Remuneration Committee. The committee had the same composition as before the 2021 Annual General Meeting.

In 2021 the committee held one minuted meeting and had informal contacts where necessary in between. Attendance of the Remuneration Committee is shown on the table on page 36.

Audit Committee

The Audit Committee is tasked with monitoring the company's financial reporting and the effectiveness of internal controls and risk management, as well as internal audits, if required. 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 provides proposals for the general meeting's decision on the selection of auditors.

The interim reports and year-end report were discussed by the committee in 2021, as well as the effectiveness of the work in the company's executive management team and finance function.

Following the 2021 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. The committee had the same composition as before the 2021 Annual General Meeting. After Cecilia Edström left her role as CEO on October 1, 2021, she is also a member of the Audit Committee.

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. In 2021 the committee held four minuted meetings and had informal contacts where necessary in between. Attendance of the Board members at the Audit Committee is shown in the table on page 36. 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 all of the meetings in 2021.

Evaluation of the Board's work

The company evaluated the work of the Board in November 2021 and this was presented to the Board in December 2021. The evaluation was performed using a questionnaire that covered 18 different aspects of the Board's work and its measures to create value. The evaluation shows the Board members' view 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 input 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 2021. The instructions for the CEO state what is included in the daily administration and what decisions should be referred to the Board. The CEO keeps the Board and Chairman continually informed of the company's financial position and development, and provides essential information and decision-making material for Board meetings. The CEO also functions as the Chairman of Group management and makes decisions in consultation with other members of Group management.

The Board's attendance, independence and remuneration 2021

Member	Board meeting	Audit Committee	Remuneration Committee	Independent in relation to the company	Independent in relation to the major shareholders	Remuneration, TSEK
Thomas von Koch, Chairman [1]	13/13	4/4	1/1	Yes	No	567
Cecilia Edström	12/13	1/1	-	No	Yes	–
Christian Kinch, Deputy Chairman [2]	13/13	4/4	1/1	No	No	1,167
Anna Martling	13/13	3/4	–	Yes	Yes	333
Jan Ståhlberg [3]	13/13	4/4	1/1	Yes	Yes	300
Total number of meetings and remuneration	**13**	**4**	**1**			**2,367**

[1] Elected as the Chairman of the Board at the AGM on 28 April 2021.
[2] Elected as the Deputy Chairman of the Board at the AGM on 28 April 2021.
[3] Deputy Chairman until the AGM on 28 April 2021.

The Board evaluates the CEO's work and performance on an annual basis. As the CEO of the company changed in October 2021, there was no evaluation of the CEO's work and performance.

On 1 October Anders Göransson took over as CEO from Cecilia Edström. In December 2021 Gabriella Björknert Caracciolo announced that she would be leaving her role as CFO and Deputy CEO to take on the role as COO at Söderberg & Partners.

Executive management

Executive management is an advisory body for the CEO and manages 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 related matters. Group management is presented on pages 44–45.

Guidelines for remuneration to the CEO and other senior executives

Remuneration issues are discussed by the Board's Remuneration Committee and decided by the Board. The Board prepares proposals for guidelines for remuneration to senior executives which it passes to the Annual General Meeting, for resolution.

At the 2020 Annual General Meeting the following guidelines for remuneration to the CEO and other senior executives 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 made to already agreed remuneration, after the guidelines were 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 brief, 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 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% 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% 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 5% 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 majority of the variable salary shall 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 2021, the registered accounting firm Deloitte AB was elected as auditor for the period through the Annual General Meeting that will be held in 2022. 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 brief the entire Board on at least one occasion. In 2021 the auditor attended meetings of the Audit Committee and the Board of Directors. The auditor attends the annual general meeting and reports their examination of Bactiguard's management and annual accounts. In addition the auditors examine the interim report for the period January–September, remuneration to Executive management, the corporate governance report and the sustainability report.

Internal controls for financial reporting

According to the Swedish Annual Accounts Act and the Code, the Board is responsible for ensuring that the company has adequate 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 within the finance department. In accordance with its work procedure, 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 its meeting in November, the Board of Directors conducted its annual risk assessment and decided on measures that needed to be taken. 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.

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 required. 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 and updated on a regular basis, to reflect legislative changes or revision of reporting standards. Executive 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 executives and the auditor submit.

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 uses a quality system that has documented standard procedures and work instructions. These procedures and instructions are reviewed both internally and by external quality auditors (notified body). Any deviations are reported to the executive management team and any major deviations are reported to the Board. The company's auditor reviews the internal control and reports any deviations, observations and activity proposals to the Audit Committee. The CEO reports regularly to the Board in order to monitor the operational targets in the business plan. The CEO prepares 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 Executive 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 designated by the CEO, is responsible for the other documents.

Internal audit

In 2021 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, is enough to maintain effective internal control for the financial reporting.

Investor relations

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

Thomas von Koch

Chairman of the Board

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 significant assignments: Deputy Managing Partner of EQT Partners AB, EQT Partners AB, Deputy Board member of Kochcompany AB and Board member of TomEnterprise AB.

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

Christian Kinch

Deputy 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. Chairman of the Board 2014–2015 and 2020–2021. Founder and CEO of Kinchard AB and Netpharma AB.

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

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

Cecilia Edström

Board member

Membership of committees: Audit Committee.

Elected to the Board: 2020

Born: 1966

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

Background: Different positions in Bactiguard since 2014, CEO February 2020-October 2021, CFO September 2017-February 2020. Various positions at SEB, as well as in Group Management for Scania AB and TeliaSonera AB.

Other significant assignments: Owner of and active in ceed konsult AB.

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, Stockholm. Board Certified Surgeon, Ph.D. Professor of Surgery, Karolinska Institutet.

Background: Dean Karolinska Institutet, Senior Consultant Surgeon, Team Cancer, Karolinska University Hospital.

Other significant assignments: Board member of Karolinska Cancer Comprehensive Center, Forska!Sverige and Radiumhemmet's research funds.

Shareholdings: 3,423 B shares as personal holdings.

Jan Ståhlberg

Board member

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. CFO of Ovako Steel.

Other significant 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.

GROUP MANAGEMENT

Anders Göransson

CEO

Employed 2021

Born: 1971

Education: MSc, Uppsala University. MBA, Suffolk University, USA.

Background: Various managerial positions in Amgen and extensive consultancy experience from McKinsey and EY.

Other assignments: -

Shareholdings: 17,620 B shares as personal holdings.

Gabriella Björknert Caracciolo

CFO, Deputy CEO

Employed 2020

Born: 1970

Education: BSc Business and Economics, Stockholm University.

Background: Management 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.

Carl Johan Fredin

Chief Licensing Officer

Employed 2022

Born: 1966

Education: MBA, Stockholm University.

Background: Global Marketing Director, Mölnlycke Health Care; Country Director, Doro Care; Head of Sales and Marketing, Mundipharma; Country Director, Doro Care; Sales and Marketing Director, Aleris; and CEO, Orthocenter Gothenburg and Malmö.

Other assignments: -

Shareholdings: -

Peter Rådqvist

Global Head of Sales

Employed 2021

Born: 1967

Education: Bachelor's degree in marketing, 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 Operating 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: Member of Industry Advisory Panel for University Technology of Petronas, Malaysia. Technical Committee Member for Implants for Surgery (NSC R/TC 6), Department of Standards, Malaysia.

Shareholdings: 1,978 B shares as personal holdings.

CEO Anders Göransson took over on 1 October 2021 from Cecilia Edström. In December 2021 the CFO and Deputy CEO, Gabriella Björknert Caracciolo, announced that she would be leaving Bactiguard in 2022 to take on the role as COO at Söderberg & Partners.

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 coating 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.

Climate risks

Bactiguard has not identified any company-specific risks relating to climate change. The Group has a negative impact on the climate through, among other things, transports of products and inputs. Bactiguard always strives to optimize transport to reduce the negative environmental impact. During the pandemic, passenger travel has been very limited. The policy is that employees should always choose a more environmentally friendly alternative and, if possible, replace the trip with a digital meeting.

Liquidity risk

The liquidity risk is monitored on a monthly basis through rolling 12-month forecasts which evaluate the liquidity situation and is the base of taking relevant financial or operational measures. In 2021 a targeted new share issue was carried out to the Swedish pension fund AMF, which provided Bactiguard with MSEK 228 in capital. On 31 December 2021 cash and cash equivalents amounted to MSEK 217.6 (9.9) and the executive management team makes the assessment 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 coating 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 significant financial investment.

Covid-19 pandemic

As well as the risks identified above, the impact of the Covid-19 pandemic is analysed on a regular basis. 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 2021 the pandemic impacted Bactiguard in several different ways. The need for infection prevention has increased creating new opportunities for Bactiguard, which had a positive effect on sales at the start of the pandemic. In the fourth quarter the pandemic clearly had a negative impact on our operations as regular health services were cut back and operations were postponed. In 2021 we saw a stabilisation of the license revenues from BD, as healthcare in the USA recovered more quickly than in the rest of the world. The sales of BIP products continued to be affected in 2021 by the reduced ordinare care caused by Covid-19.

The roll-out of the vaccine will continue to have a positive impact on the return to a more normal situation for healthcare and society as a whole, and we can see that there is a great need for infection prevention. However, what will happen in the near future is still difficult to assess.

Although the pandemic 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 closed down, which has increased the risk of payments being delayed or defaulted. The company continually monitors payments from all of its customers. In 2021 there were no defaults on large payments, so the pandemic did not result in an increase in customer losses for Bactiguard.

With regard to the company's earnings and position in general, reference is made to subsequent income statements and balance sheets with accompanying notes.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

Amounts in TSEK	Note	2021	2020
Net sales	5.6	169,486	172,315
Other operating revenues	7	9,562	13,711
Total		**179,048**	**186,026**
Change in inventory of finished goods and products in progress		3,057	4,700
Capitalised production		2,412	3,959
Raw materials and consumables		-44,152	-43,853
Other external expenses	8	-56,101	-49,330
Personnel costs	9	-84,692	-67,188
Depreciation	14-23	-47,004	-44,293
Other operating expenses	7	-6,756	-7,659
Total		**-233,236**	**-203,664**
Operating profit/loss		**-54,188**	**-17,638**
Profit/loss from financial items			
Financial revenues	10	7,008	2,240
Financial expenses	11	-16,072	-26,535
Total		**-9,064**	**-24,295**
Profit/loss before tax		**-63,252**	**-41,933**
Current tax	12	-331	-2,608
Deferred tax	12	4 810	6,152
Profit/loss for the year		**-58,773**	**- 38,388**
Attributable to:			
The parent company's shareholders		-58,773	-38,388
Total earnings per share (before and after dilution)		-1.68	-1.14

Condensed consolidated statement of comprehensive income

Amounts in TSEK	2021	2020
Profit/loss for the year	-58,773	-38,388
Other comprehensive income:		
Items that will be reclassified to profit or loss for the year		
Translation differences	3,961	-7,091
Other comprehensive income after tax	**3,961**	**-7,091**
Total comprehensive income for the year	**-54,812**	**-45,479**
Attributable to:		
The parent company's shareholders	-54,812	-45,479

Consolidated statement of financial position

Amounts in TSEK	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	13	247,485	245,411
Technology	14	124,245	149,652
Brands	15	26,015	26,155
Customer relationships	16	7,946	9,334
Capitalised development costs	17	19,823	22,324
Patent	18	1,113	1,117
Total		**426,627**	**453,994**
Property, plant and equipment			
Right of use lease assets	19	63,776	73,029
Buildings	20	14,132	13,509
Improvements, leasehold	21	6,623	8,370
Machinery and other technical plant	22	10,465	7,981
Equipment, tools and installations	23	5,650	5,283
Total		**100,646**	**108,172**
Financial assets			
Other non-current accounts receivable		1,674	1,708
Total		**1,674**	**1,708**
Total non-current assets		**528,947**	**563,875**
Current assets			
Inventories	25	36,064	34,161
Accounts receivable	26	43,157	49,642
Other current receivables		7,162	6,738
Prepaid expenses and accrued income	27	16,372	10,919
Cash and cash equivalents	28	217,587	9,886
Total		**320,342**	**111,346**
TOTAL ASSETS		**849,289**	**675,221**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent			
Share capital	29	876	839
Translation reserve		-3,841	-7,802
Other capital contribution		930,680	707,805
Retained earnings including net profit for the year		-386,265	-327,492
Total		**541,450**	**373,349**
Total equity		**541,450**	**373,349**
Non-current liabilities			
Deferred tax liabilities	12	7,320	11,980
Liabilities to credit institutions	30.31	180,663	188,016
Leasing liability	19	57,645	66,263
Total		**245,628**	**266,259**
Current liabilities			
Liabilities to credit institutions	30	-	-
Leasing liability	19	9,652	9,746
Accounts payable		27,904	8,801
Other current liabilities		5,242	3,991
Accrued expenses and prepaid income	32	19,413	13,076
Total		**62,211**	**35,614**
Total liabilities		**307,839**	**301,873**
TOTAL EQUITY AND LIABILITIES		**849,289**	**675,221**

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent company				
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 2020	833	675,690	-711	-289,103	386,708
Comprehensive income					
Profit/loss for the year	-	-	-	-38,388	-38,388
Other comprehensive income:					
Translation differences	-	-	-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**
Opening balance 1 January 2021	839	707,805	-7,802	-327,492	373,349
Adjustment of shareholders' equity for previous year					
Comprehensive income					
Profit/loss for the year	-	-	-	-58,773	-58,773
Other comprehensive income:					
Translation differences	-	-	3,961	-	3,961
Total comprehensive income after tax	**-**	**-**	**3,961**	**-58,773**	**-54,812**
Transactions with shareholders					
New share issue	38	222,875	-	-	222,913
Total transactions with shareholders	**38**	**222,875**	**-**	**-**	**222,913**
Closing balance 31 December 2021	**876**	**930,680**	**-3,841**	**-386,265**	**541,450**

Consolidated statement of cash flows

Amounts in TSEK	Note	2021	2020
Profit/loss for the year		-58,773	-38,388
Adjustment for non-cash flow items:			
Depreciation		47,004	44,293
Profit from changes in derivatives		-	10,887
Deferred tax		-4,810	-6,152
Income tax paid		154	-1,814
Other non-cash items*		1,574	5,415
Cash flow from operating activities before changes in working capital		**-14 851**	**14,241**
Increase/decrease inventory		-3,720	-5,054
Increase/decrease accounts receivable		4,521	1,395
Increase/decrease other current receivables		-4,105	873
Increase/decrease accounts payable		17,993	-730
Increase/decrease other current liabilities		7,418	-10,023
Cash flow from change in working capital		**22,107**	**-13,539**
Cash flow from operating activities		**7,256**	**702**
Investing activities			
Acquisition of subsidiaries	34	-	-41,663
Investments in intangible assets	17-18	-2,710	-4,903
Investments in property, plant and equipment	20-23	-4,584	-10,447
Cash flow from investing activities		**-7,295**	**-57,013**
Financing activities			
Debt incurred		-	43,441
Amortisation of financial leasing liability		-8,618	-5,498
Amortisation of loan		-562	-1,376
Change to bank overdraft		-8,856	8,856
Other financing activities*		-4,137	781
New share issue		228,000	-
Cash flow from financing activities	35	**205 827**	**46,204**
Cash flow for the year		**205,788**	**-10,107**
Cash and cash equivalents at start of year		9,886	22,878
Exchange difference in cash and cash equivalents		1,913	-2,886
Cash and cash equivalents at end of year		**217,587**	**9,886**

* A reclassification has taken place in relation to the year-end report 2021. Costs related to the new share issue have been moved from ”cash flow from operating activities before changes in working capital” to ”cash flow from financing activities”. This adjustment affects the cash flow from operating activities by SEK 5.1 million and the cash flow from financing activities negatively by SEK -5.1 million.

PARENT COMPANY'S ACCOUNTS

Parent company's income statement

Amounts in TSEK	Note	2021	2020
Net sales	5	-	2,315
Total		**-**	**2,315**
Other external expenses	8	-2,520	-2,816
Personnel costs	9	-3,113	-4,762
Total		**-5,633**	**-7,578**
Operating profit/loss		**-5,633**	**-5,263**
Profit/loss from financial items			
Interest income and similar items	10	4,457	3,593
Interest expenses and similar items	11	-6,655	-17,229
Total		**-2,198**	**-13,636**
Profit/loss after financial items		-7,831	-18,899
Deferred tax	12	-	-
Profit/loss for the year		**-7,831**	**-18,899**

Parent company's statement of comprehensive income

Amounts in TSEK	2021	2020
Profit/loss for the year	-7,831	-18,899
Other comprehensive income	-	-
Total comprehensive income	**-7,831**	**-18,899**

Parent company's statement of financial position

Amounts in TSEK	Note	31 Dec 2021	31 Dec 2021
ASSETS			
Non-current assets			
Financial assets			
Shares in subsidiaries	24	481,191	481,191
Receivables from group companies		397,895	178,240
Deferred tax assets		15,254	15,255
Total		**894,340**	**674,686**
Current assets			
Current receivables			
Other current receivables		552	646
Prepaid expenses and accrued income	27	2,938	153
Total		**3,490**	**800**
Cash and bank balances	28	366	80
Total current assets		**3,856**	**880**
TOTAL ASSETS		**898,196**	**675,566**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	29	876	839
Total		**876**	**839**
Non-restricted equity			
Retained earnings		703,094	499,156
Profit/loss for the year		-7,831	-18,899
Total		**695,263**	**480,257**
Total equity		**696,139**	**481,095**
Non-current liabilities			
Liabilities to credit institutions	30	170,941	169,489
Total		**170,941**	**169,489**
Current liabilities			
Liabilities to credit institutions	30	-	-
Liabilities to group companies		30,000	24,017
Accounts payable		277	65
Other current liabilities		144	144
Accrued expenses and prepaid income	32	695	756
Total		**31,116**	**24,983**
Total liabilities		**202,057**	**194,472**
TOTAL EQUITY AND LIABILITIES		**898,196**	**675,566**

Parent company's statement of changes in equity

Amounts in TSEK	Share capital	Restricted equity	Non-restricted equity	Total equity
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**
Opening balance 1 January 2021	**839**	**-**	**480,257**	**481,095**
Comprehensive income				
Profit/loss for the year	-	-	-7,831	-7,831
Total comprehensive income	**839**	**-**	**472,426**	**473,264**
Transactions with shareholders				
New share issue	38	-	222,875	222,913
Total transactions with shareholders	**876**	**-**	**695,301**	**696,176**
Closing balance 31 December 2021	**876**	**-**	**695,301**	**696,176**

Parent company's statement of cash flows

Amounts in TSEK	Note	2021	2020
Cash flow from operating activities			
Profit/loss for the year		-7,831	-18,899
Profit from changes in derivatives		-	10,868
Accrued interest income		4,667	9,378
Accrued interest expense		-780	-887
Income tax paid		4	-71
Cash flow from operating activities before changes in working capital.		**-3,940**	**389**
Increase/decrease accounts receivable		-	410
Increase/decrease other current receivables		63	1,051
Increase/decrease accounts payable		990	-50
Increase/decrease other current liabilities		-31	-1,555
Cash flow from change in working capital		**1,022**	**-144**
Cash flow from operating activities		**-2,918**	**245**
Investing activities			
Acquisition of subsidiaries	34	-	-45,364
Cash flow from investing activities		**-**	**-45,364**
Financing activities			
New long-term loans		-	43,441
Change in Group loans		-219,671	-305
New share issue		228,000	-
Other investment activities		-5,125	-
Cash flow from financing activities	35	**3,204**	**43,136**
Cash flow for the year		286	-1,983
Cash and cash equivalents at start of year		80	2,063
Cash and cash equivalents at end of year		**366**	**80**

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 2021. 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 2021.

New or amended IFRS standards and interpretations that came into force on 1 January 2021 have not had any material impact on the Group.

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 as a result of 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 from the acquisition. 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 Executive 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 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 coat products with Bactiguard's noble metal conentrate.

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 licensee's product has reached the market and generates revenue for the licensee, the license agreement then transitions to the commercial phase. The license revenue then consists of remuneration from the licensees for product delivery in the form of noble metal concentrate and a variable remuneration in the form of royalties from the licensees' sales revenue and revenues related to contract manufacturing.

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 satisfies 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 satisfied.

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 licensee. 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 satisfied 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 the noble metal concentrate is made and when the variable remuneration in the form of royalties is incurred.

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 through a company acqusition

Intangible assets acquired through a company acquisition 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 through a company acquisition 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 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 cost and net realizable value. The cost of finished goods includes raw materials, direct labor costs, tool costs, other direct costs, and related manufacturing costs. Inventory value is calculated using the weighted average costing method. The net realizable value is the estimated sales price in ongoing business.

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.

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 reflect the transfer of goods and services to customers at an amount that represent 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 license business involves a certain level of complexity, as the value of the license agreements need to be distributed over time based on the assessment of phases, obligations and the distribution of the transaction price. These estimates and judgements for license agreements may have a material impact on recognised revenues. License revenues also include royalties. Royalties are variable remuneration from the licensees, which accrues to Bactiguard once the licensee has sold its Bactiguard-coated products. Bactiguard's revenues for royalties are recognised in connection with subsequent sales or following use by a licensee 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. The revenue model for BD is continuously analyzed 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 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

Executive 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 of deductions for expected credit losses.

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 established by the Board of Directors and revised annually. The Board of Directors has delegated responsibility for daily risk management to the company's CEO, who in turn has delegated this to the company's CFO. The Board of Directors is able to decide on temporary departures from these established frameworks. The financial risks Bactiguard is 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 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 2021.

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 2021	Within 3 months	4–12 months	2–5 years	Later than 5 years	Total
Liabilities to credit institutions (including future interest)	1,552	4,727	181,296	7,552	195,127
Leasing liability	2,890	8,672	42,777	20,206	74,545
Accounts payable	27,904	-	-	-	27,904
Total	**32,965**	**14,363**	**224,073**	**27,758**	**299,159**

Group 31 Dec 2020	Within 3 months	4–12 months	2–5 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	-	8,856	-	17,657
Total	**12,791**	**12,034**	**233,761**	**38,016**	**296,601**

Parent company 31 Dec 2021	Within 3 months	4–12 months	2–5 years	Later than 5 years	Total
Liabilities to credit institutions (including future interest)	1,282	3,917	173,681	-	178,880
Accounts payable	277	-	-	-	277
Total	**1,559**	**3,917**	**173,681**	**-**	**179,157**

The parent company 31 Dec 2020	Within 3 months	4–12 months	2–5 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**

Financial assets

The determination of fair value is divided into the following three levels:
Level 1: based on the prices listed on an active market for the same instrument
Level 2: based on direct or indirect observable market data that is 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 are currency derivatives, which are measured in accordance with level two.

Financial assets	Recognised as of 31 Dec 2021		Recognised as of 31 Dec 2020	
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	1,674	-	1,708	-
Accounts receivable	43,157	-	49,642	-
Other current receivables	7,161	-	4,749	1,988
Cash and cash equivalents	217,587	-	9,886	-
Total	**269,579**	**-**	**65,985**	**1,988**

Financial liabilities	Recognised as of 31 Dec 2021		Recognised as of 31 Dec 2020	
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	180,663	-	188,016	-
Non-current leasing liabilities	57,645	-	66,263	-
Current lease liabilities	9,652	-	9,746	-
Accounts payable	27,921	-	8,801	-
Other liabilities	12,545	-	15,310	-
Total	**288,426**	**-**	**288,135**	**-**

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 recovery. Indications that there is no reasonable expectation of recovery include, inter alia, that the customer has failed to engage with the repayment plan or that there agreed payments are late by more than 120 days. 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 2021						
Accounts receivable, gross per risk class	6,400	1,798	35,525	1,771	-	45,494
Exchange rate adjustment	-	-	-	-	-	-
Expected loss level %	0.2%	1%	2%	5%		
Credit loss provision	-12	-18	-710	-89	-1,508	-2,337
Total accounts receivable, net 31 Dec 2021						**43,157**
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**

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 with expected cash flow.
- Meeting covenants in line with loan agreements. Covenants in the three-year credit facility in the Skandinaviska Enskilda Banken are reported to the lender on the dates specified in the agreement. Current covenants in this agreement are based on EBITDA.
- Optimising operating capital in the Group.
- Monitoring the debt ratio. The gearing ratio is determined as 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 in 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 2021, there were MUSD 3.2 (2.3) in outstanding currency contracts.

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

Sensitivity analysis

Based on the year's revenues, cost and currency structures, a general one percentage point change in the exchange rate between SEK and USD would impact the Group's operating profit by approximately MSEK +/– 0.4 (0.4). 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).

Interest rate risk

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

As the loan runs at an interest base for Ibor, the company's foremost interest risk to possible changes is represented by the underlying Stibor rate. A change of one percentage point in Stibor 90 would have an impact of MSEK -2.2 (-2.2) on the Group's annual interest expense for the loan, which stood at MSEK 170.9 (170.9) at the end of 2021.

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 coating of products.

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

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

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.

When the performance obligation has been satisfied, the part of the transaction price that has been allocated to this performance obligation is recognised as revenue.

The performance obligation can be satisfied 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 is met over time, continuous assessments are made in consultation with the licensee in terms of the sub-goals that have been achieved, what the next step is and so on. This is considered to constitute an appropriate basis for assessing the performance obligations that have been satisfied 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 elements of the Group's existing license agreements. In the 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	**2021**	**2020**	**2021**	**2020**
License revenues (commercial phase)	103,659	102,871	-	-
New license revenues (collaboration phase)	9,059	592	-	-
Sales of BIP products	56,768	68,852	-	-
Services	-	-	-	2,315
Total	**169,486**	**172,315**	**-**	**2,315**

	Group		Parent company	
Time of revenue recognition	**2021**	**2020**	**2021**	**2020**
Performance obligations satisfied at a point in time	169,486	172,315	-	-
Performance obligations satisfied over time	-	-	-	2,315
Total	**169,486**	**172,315**	**-**	**2,315**

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.

	Prepaid income	
Agreement liabilities	**2021**	**2020**
Opening balance 1 January	**5,048**	**8,474**
Gross increase during the year	5,241	3,770
Revenues recognised during the year	-4,550	-7,197
Closing balance 31 December	**5,739**	**5,048**

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 of TSEK 169,486 (172,315), sales to the customer BD accounted for TSEK 100,206 (93,432), which is equivalent to 59.1% (54.2%).

Revenues per segment

	2021		2020
USA	112 196	USA	94 025
Malaysia	21 207	Sweden	21 606
Bangladesh	3 516	Malaysia	19 028
Sweden	2 759	China	9 636
Poland	2 105	Thailand	3 445
Indonesia	2 064	Bangladesh	2 551
Greece	2 037	New Zealand	1 757
Other countries	23 602	Other countries	20 268
Total net sales	**169 486**	**Total net sales**	**172 315**

Parent company

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

Non-current assets

	2021		2020	
Non-current assets	**Geography**	**Percentage %**	**Geography**	**Percentage %**
Sweden	73,886	73%	84,645	78%
Malaysia	26,744	27%	23,521	22%
Other	16	-	6	-
Total	**100,646**	**100%**	**108,172**	**100%**

NOTE 7 Other operating revenues and operating expenses

	Group		Parent company	
Other operating revenues	**2021**	**2020**	**2021**	**2020**
Exchange rate gains	3,757	9,458	-	-
Other operating revenues	5,805	4,253	187	2,315
Total	**9,562**	**13,711**	**187**	**2,315**

	Group		Parent company	
Other operating expenses	**2021**	**2020**	**2021**	**2020**
Exchange rate loss	-6,428	-7,256	-	-
Loss for disposal of non-current assets	-327	-403	-	-
Total	**-6,755**	**-7,659**	**-**	**-**

NOTE 8 Information on fees and remuneration to auditors

	Group		Parent company	
	2021	**2020**	**2021**	**2020**
Deloitte				
audit assignment	610	545	610	545
additional audit assignments	110	169	110	169
tax consultancy	-	-	-	-
other services	-	-	-	-
Total	**720**	**714**	**720**	**714**
Other auditors				
audit assignment	81	125	-	-
additional audit assignments	-	30	-	-
tax consultancy	64	-	-	-
other services	20	-	-	-
Total	**165**	**155**	**-**	**-**

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	2021		2020	
Average number of employees	**Number of employees**	**Of which women**	**Number of employees**	**Of which women**
Parent company	-	-	1	1
Swedish subsidiaries	40	21	42	22
Foreign subsidiaries	145	92	120	82
Group total	**185**	**113**	**163**	**105**

	2021			2020		
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	2,367	746	3,113	3,451	1,299	4,750
– of which pension costs	-	-	-	-	302	302
Swedish subsidiaries	47,050	11,372	58,422	31,461	12,360	43,822
– of which pension costs	6,155	1,449	7,604	-	5,389	5,389
Foreign subsidiaries	18,214	607	18,821	13,218	1,657	14,875
– of which pension costs	1,399	98	1,497	-	1,263	1,263
Group total	**67,631**	**12,725**	**80,356**	**48,130**	**15,316**	**63,447**
– of which total pension costs	7,554	1,547	9,101	-	6,954	6,954

The above figures do not include other personnel costs, which amounted to TSEK -4,336 (-3,741).

	2021		2020	
Gender distribution in Board of Directors and senior executives	**Board of Directors**	**Senior executives**	**Board of Directors**	**Senior executives**
Men	3	5	3	2
Women	2	2	2	3
Total	**5**	**7**	**5**	**5**

Remuneration and other benefits to senior executives	2021				2020			
Group	**Salary/Fee**	**Other benefits**	**Pension**	**Total**	**Salary/Fee**	**Other benefits**	**Pension**	**Total**
Chief Executive Officer, through 30 september 2021 Cecilia Edström, as of 1 oktober 2021 Anders Göransson	2,690	5	523	3,218	2,369	4	545	2,918
Deputy CEO (2 Deputy CEOs from August 2020)	3,830	8	745	4,583	2,293	6	600	2,899
Other senior executives	5,506	19	772	6,297	3,474	19	683	4,176
Total	**12,026**	**32**	**2,040**	**14,099**	**8,137**	**29**	**1,828**	**9,993**

	2021				2020			
Parent company	**Salary/Fee**	**Other benefits**	**Pension**	**Total**	**Salary/Fee**	**Other benefits**	**Pension**	**Total**
Chief Executive Officer	-	-	-	-	176	-	34	210
Other senior executives	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**176**	**-**	**34**	**210**

In 2020 a former CEO was employed by Bactiguard Holding AB. The current CEO is employed by a Swedish subsidiary.
Guidelines for remuneration to senior executives are described in the corporate governance report on pages 32–45.

	2021		2020	
Board of Directors	**Salary/Board fee**	**Total**	**Salary/Board fee**	**Total**
Thomas von Koch, Chairman from the Annual General Meeting in April 2021	567	567	133	133
Jan Ståhlberg, from the Annual General Meeting in April 2021	300	300	333	333
Christian Kinch, Deputy Chairman from the Annual General Meeting in April 2021	1,167	1,167	1,267	1,267
Mia Arnhult, until the Annual General Meeting in April 2020	-	-	100	100
Anna Martling, from the Annual General Meeting in April 2020	333	333	200	200
Cecilia Edström, from the Annual General Meeting in April 2020	-	-	-	-
Total	**2,367**	**2,367**	**2,033**	**2,033**

NOTE 10 Financial income

	Group		Parent company	
	2021	**2020**	**2021**	**2020**
Interest income	4	25	-	-
Interest income, Group company	-	-	4,457	3,593
Exchange rate gains	7,004	-	-	-
Other financial income	-	2,215	-	-
Total financial income	**7,008**	**2,240**	**4,457**	**3,593**

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	
	2021	**2020**	**2021**	**2020**
Interest expenses	8,373	8,809	5,199	5,203
Profit from changes in derivatives	-	10,868	-	10,868
Exchange rate loss	5,761	5,697	-	-
Other financial expenses	1,938	1,161	1,454	1,158
Total financial expenses	**16,072**	**26,535**	**6,653**	**17,229**

Interest expenses in the Group are attributable to interest on bank loans and interest on leasing liabilities.
Other financial expenses mainly consist of set-up fees for loans.

NOTE 12 Taxes

	Group		Parent company	
	2021	2020	2021	2020
Nominal tax 20.6%	12,317	8,974	1,613	4,044
Tax effect non-deductible expenses	-1,411	-4,583	-356	-2,326
Tax effect non-deductible income	450	859	-	-
Tax effect of differences in tax rates between Sweden and other countries	-63	-238	-	-
Capitalised deficits not previously recognised as deferred tax assets	80	924	0	0
Tax effect for which no deferred tax loss carry-forwards are recognised	-6,421	-2,391	-1,257	-1,719
Total	**4,952**	**3,545**	**-**	**-**

The Group had tax loss carry-forwards on 31 December 2021 of TSEK -334,451 (-310,492) that can be used against future profits. The tax loss carry-forwards have no maturity date.

	Group		Parent company	
	2021	2020	2021	2020
Current tax	-331	-2,608	-	-
Deferred tax	4,810	6,152	-	-
Total	**4,479**	**3,545**	**-**	**-**

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	
	2021	2020	2021	2020
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	
	2021	2020	2021	2020
Deferred tax liabilities				
IB, tax liability Intangible assets	43,447	45,020	-	-
Through acquisitions of subsidiaries	-	4,745	-	-
Change for the year	-4,810	-6,152	-	-
Translation difference	150	-166	-	-
Total deferred tax liabilities	**37,787**	**43,447**	**-**	**-**
Total net deferred tax liabilities	**7,320**	**11,980**	**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 year's change to deferred tax liabilities is attributable to temporary differences related to depreciation of intangible assets.

NOTE 13 Goodwill

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020???
Opening acquisition value	245,411	226,292	-	-
Through acquisitions of subsidiaries	-	22,891	-	-
Translation differences	2,074	-3,772	-	-
Closing accumulated acquisition value	**247,485**	**245,411**	**-**	**-**
Net carrying amount	**247,485**	**245,411**	**-**	**-**

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 smallest cash generating units in the Group that were expected to obtain benefits of the combination. Bactiguard Holding has a single cash generating unit. The impairment test was performed as of 31/21/2021.

The recoverable amount for a cash generating unit is established based on estimations of value in use. These estimations are based on expected future cash flows identified in financial forecasts that were approved by the company management that cover a 5-year period. The assessment of future cash flows includes assumptions regarding primarily sales growth and discount rates. Management sees stable growth and a positive pace of development for sales of both BIP products and new licensing business over the 5-year period. Growth beyond the forecasted 5-year period is expected to be 1.5% (1.5%) per year, which matches the Group's long-term assumptions for inflation. The discount rate of 11.7% (11.6%) before tax reflects specific risks associated with the asset. The assumptions are in line with the impairment testing from the previous year.

Bactiguard is in a global growth and build-up phase. 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. The collaboration with the license partner Zimmer Biomet progressed in 2021; 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. The partnership with one of the three largest orthopaedic companies in the world was expanded to include more product categories in 2022 and endorses the strength of Bactiguard's technology, both from a global perspective and for s new medical device applications 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 5-year period as a result of higher sales volumes and license revenue. Bactiguard's new long-term financial targets relate to growth and profitability, with annual revenues of at least SEK 1 billion and annual EBITDA of at least SEK 400 million in 2026.

Although Covid-19 had a negative impact on sales and profit in 2021, we believe this to be temporary. The need for healthcare remains and a healthcare backlog 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 adding considerable future value in the form of new license agreements 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 lowered by 5 percentage points and the expected future cash flow has remained constant, 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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening acquisition value	366,700	357,100	-	-
Through acquisitions of subsidiaries	-	9,600	-	-
Closing accumulated acquisition value	**366,700**	**366,700**	**-**	**-**
Opening depreciation	-217,048	-191,908	-	-
Depreciation for the year	-25,407	-25,140	-	-
Closing accumulated depreciation	**-242,455**	**-217,048**	**-**	**-**
Net carrying amount	**124,245**	**149,652**	**-**	**-**

The technology item 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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening acquisition value	26,272	25,572	-	-
Through acquisitions of subsidiaries	-	700	-	-
Acquisitions	-	-	-	-
Exchange rate differences	-	-	-	-
Closing accumulated acquisition value	**26,272**	**26,272**	**-**	**-**
Opening depreciation	-	-	-	-
Depreciation for the year	-257	-117	-	-
Exchange rate differences	-	-	-	-
Closing accumulated depreciation	-257	-117	**-**	**-**
Net carrying amount	**26,015**	**26,155**	**-**	**-**

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. The acquisition of Vigilenz in 2020 added a value for the Vigilenz brand, as well as 21 registered product brands. These will be amortised over a period of 5 years.

NOTE 16 Customer relationships

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening acquisition value	20,200	17,700	-	-
Through acquisitions of subsidiaries	-	2,500	-	-
Sales/scrapping	-	-	-	-
Exchange rate differences	-	-	-	-
Closing accumulated acquisition value	**20,200**	**20,200**	**-**	**-**
Opening depreciation	-10,866	-9,512	-	-
Depreciation for the year	-1,389	-1,354	-	-
Closing accumulated depreciation	**-12,255**	**-10,866**	**-**	**-**
Net carrying amount	**7,945**	**9,334**	**-**	**-**

NOTE 17 Capitalised development costs

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening acquisition value	35,801	31,842	-	-
Capitalisation for the year	2,413	3,959	-	-
Closing accumulated acquisition value	**38,214**	**35,801**	**-**	**-**
Opening depreciation	-13,402	-10,287	-	-
Depreciation for the year	-4,914	-3,115	-	-
Closing accumulated depreciation	**-18,316**	**-13,402**	**-**	**-**
Impairment for the year	-76	-76	-	-
Net carrying amount	**19,822**	**22,324**	**-**	**-**

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

NOT 18 Patent registrations

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening acquisition value	4,107	3,164	-	-
Capitalisation for the year	299	943	-	-
Closing accumulated acquisition value	**4,406**	**4,107**	**-**	**-**
Opening depreciation	-2,990	-2,808	-	-
Depreciation for the year	-303	-182	-	-
Closing accumulated depreciation	**-3,293**	**-2,990**	**-**	**-**
Net carrying amount	**1,113**	**1,117**	**-**	**-**

NOTE 19 Leasing

Rights of use

	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**
Closing carrying amount 31 December 2020	**60,995**	**11,809**	**163**	**63**	**73,029**

	Buildings	Machinery	Vehicles	Equipment	Total
Acquisition value					
As of 1 January 2021	72,669	18,781	782	286	92,518
Through acquisitions of subsidiaries	-	-	-	-	-
Future rights of use	-	-	1,070	54	1,124
Disposals	-1,341	-541	-498	-	-2,380
Exchange differences	1,620	-	-	-	1,620
As of 31 December 2021	**72,948**	**18,240**	**1,354**	**340**	**92,882**
Accumulated depreciation					
As of 1 January 2021	-11,674	-6,972	-620	-222	-19,488
Depreciation for the year	-8,025	-2,323	-230	-54	-10,632
Disposals	827	-	187	-	1,014
As of 31 December 2021	**-18,872**	**-9,295**	**-663**	**-276**	**-29,106**
Closing carrying amount 31 December 2021	**54,076**	**8,945**	**691**	**64**	**63,776**

Rights of use are recognised in a separate row 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 2021 totalled MSEK 4.2 (1.8).

Amounts recognised in the income statement

	2021	2020
Depreciation on rights of use	-10,559	-10,564
Interest expenses for leasing liabilities	-2,570	-2,818
Costs attributable to low value leases	-395	-410
	-13,524	**-14,000**

Cash flow

The total cash outflow for leases totalled TSEK -12,400 (-12,703).

Leasing liability

The weighted average marginal loan rate was 3.5%

Maturity analysis for leasing liabilities

	31 Dec 2021	31 Dec 2020
Year 1	11,562	9,746
Years 2-5	42,777	38,525
After more than 5 years	20,206	27,738
	74,545	**76,008**
Classified as:		
Non-current liabilities	57,645	66,263
Current liabilities	9,652	9,746

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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening acquisition value	14,729	-	-	-
Through acquisitions of subsidiaries	-	15,662	-	-
Sales/scrapping	-	-	-	-
Reclassifications	-	-	-	-
Exchange rate differences	972	-933	-	-
Closing accumulated acquisition value	**15,701**	**14,729**	**-**	**-**
Opening depreciation	-1,220	-	-	-
Depreciation for the year	-257	-208	-	-
Through acquisitions of subsidiaries	-	-1,089	-	-
Sales/scrapping	-	-	-	-
Exchange rate differences	-92	77	-	-
Closing accumulated depreciation	**-1,569**	**-1,220**	**-**	**-**
Net carrying amount	**14,132**	**13,509**	**-**	**-**

NOTE 21 Improvements, leasehold

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening acquisition value	21,804	21,525	-	-
Through acquisitions of subsidiaries	-	792	-	-
Purchases	4,743	141	-	-
Sales/scrapping	-	-	-	-
Reclassifications	-	-	-	-
Exchange rate differences	-16	-654	-	-
Closing accumulated acquisition value	**26,531**	**21,804**	**-**	**-**
Opening depreciation	-13,434	-11,989	-	-
Depreciation for the year	-6,474	-1,684	-	-
Through acquisitions of subsidiaries	-	-386	-	-
Sales/scrapping	-	-	-	-
Exchange rate differences	-	625	-	-
Closing accumulated depreciation	**-19,908**	**-13,434**	**-**	**-**
Net carrying amount	**6,623**	**8,370**	**-**	**-**

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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening acquisition value	24,215	14,736	-	-
Through acquisitions of subsidiaries	-	3,381	-	-
Purchases	3,481	10,452	-	-
Sales/scrapping	15	-2,060	-	-
Reclassifications	-	-59		-
Exchange rate differences	648	-2,234	-	-
Closing accumulated acquisition value	**28,359**	**24,215**	**-**	**-**
Opening depreciation	-16,234	-10,326	-	-
Depreciation for the year	-1,495	-1,767	-	-
Through acquisitions of subsidiaries	-	-6,959	-	-
Sales/scrapping	-	1,322	-	-
Reclassifications	-	2	-	-
Exchange rate differences	-165	1,494	-	-
Closing accumulated depreciation	**-17,894**	**-16,234**	**-**	**-**
Net carrying amount	**10,465**	**7,981**	**-**	**-**

NOTE 23 Equipment, tools and installations

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening acquisition value	16,279	9,209	-	-
Through acquisitions of subsidiaries	-	6,672	-	-
Purchases	992	2,616	-	-
Sales/scrapping	48	-1,914	-	-
Exchange rate differences	334	-305	-	-
Closing accumulated acquisition value	**17,653**	**16,279**	**-**	**-**
Opening depreciation	-10,995	-7,324	-	-
Through acquisitions of subsidiaries	-	-4,379	-	-
Depreciation for the year	-799	-546	-	-
Sales/scrapping	-	1,048	-	-
Exchange rate differences	-208	205	-	-
Closing accumulated depreciation	**-12,002**	**-10,995**	**-**	**-**
Net carrying amount	**5,650**	**5,283**	**-**	**-**

NOTE 24 Shares in subsidiaries

	Parent company	
	31 Dec 2021	31 Dec 2020
Opening acquisition value	481,191	481,191
Closing acquisition value	**481,191**	**481,191**

Subsidiary	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%	
Bactiguard South East Asia	505559-U	Malaysia	100%	100%	
Total					**481,191**

NOTE 25 Inventory

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Raw material	17,613	10,227	-	-
Products in progress	2,648	5,899	-	-
Finished goods	15,803	18,035	-	-
Total inventory	**36,064**	**34,161**	**-**	**-**

In 2021 TSEK -41,095 (-39,153) was recognised as an expense for inventories. The cost of goods sold includes provisions for obsolescence and other impairments of inventories, totalling TSEK -5,071 (-2,134). Reversals of previous impairments that were recognised in the income statement amounted to TSEK -1,643 (2,317). Previous impairments have been reversed as a result of better 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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Accounts receivable, gross	45,495	50,678	-	-
Provision for expected credit losses	-2,338	-1,036	-	-
Total accounts receivable, net after provision for bad debts	**43,157**	**49,642**	**-**	**-**

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	**2021**	**2020**
Not due	11,024	34,064
Overdue 1–30 days	24,929	12,782
Overdue 31–90 days	4,980	1,071
Overdue > 90 days	4,562	2,760
Of which provision for expected credit losses	-2,338	-1,036
Total	**43,157**	**49,642**

	Group		Parent company	
Loss provision	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Opening balance	-1,036	-1,556	-	-
Change to provision for expected credit losses	-1,302	116	-	-
Realised loss	-	404	-	-
Closing balance	**-2,337**	**-1,036**	**-**	**-**

NOTE 27 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Prepaid rent	2,574	2,570	-	-
Other items	13,798	8,350	205	153
Total	**16,372**	**10,919**	**205**	**153**

NOTE 28 Cash and cash equivalents

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Cash and bank balances	217,587	9,886	366	80
Total	**217,587**	**9,886**	**366**	**80**

NOTE 29 Share capital

The share capital in Bactiguard as of 31 December 2021 was TSEK 876,097 (838,596) allocated to 31,043,885 series B shares each carrying a single vote (29,302,373 votes) and 4,000,000 series A shares, each with ten votes (40,000,000 votes).

The total number of shares and votes in Bactiguard as of 31 December 2021 was 35,043,885 shares and 71,043,885 votes. The shares have a quotient value of SEK 0.0250.

In the third quarter 1,500,000 new shares were issued in a directed new share issue to the Swedish pension fund AMF.

NOTE 30 Loans

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Non-current liabilities to credit institutions	180,664	188,016	170,941	169,489
Current liabilities to credit institutions	-	-	-	-
Total	**180,664**	**188,016**	**170,941**	**169,489**

In December 2021 the Group's current credit facility with SEB was renegotiated. The term was extended to December 2024 and the credit facility now amounts to TSEK 201,000 in the form of a bank overdraft of TSEK 30,000 and a bank loan of TSEK 171,000. The facility is subject to customary covenants.

NOTE 31 Bank overdrafts

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Bank overdraft facilities granted	30,000	30,000	-	-
Unutilised bank overdrafts	30,000	21,144	-	-
Utilised bank overdrafts	**-**	**8,856**	**-**	**-**

NOTE 32 Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Accrued interest expenses	29	57	28	57
Accrued holiday pay	6,607	4,253	347	-
Prepaid income*	4,938	5,048	-	-
Other items	7,838	3,718	320	699
Total	**19,412**	**13,076**	**695**	**756**

* 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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Shares in subsidiaries	239,961	283,124	481,191	414,574
Floating charge	180,000	180,000	-	-
Total	**419,961**	**463,124**	**481,191**	**414,574**

NOTE 34 Acquisitions of Group companies

2021
No acquisitions were made in 2021.

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 accounts from March 2020. The purchase consideration comprised a cash payment of MSEK 43.7 at closing and, following approval by the Annual General Meeting on 28 April 2020, 241,512 new B shares in Bactiguard. The shares have been valued 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.

This acquisition boosts Bactiguard's position in infection prevention and wound care, and adds innovation and product development capacity and expertise. Bactiguard SEA, formerly known as Vigilenz,[1] 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 the 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 Bactiguard SEA. The estimated useful life for technology is 6 years, customer relations 12 years and the Vigilenz trademark 5 years.

Acquisition analysis

Fair value acquired net assets	Vigilenz
Goodwill	
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 current liabilities	**4,388**
TOTAL ACQUIRED NET ASSETS	42,064

[1] Name change has taken place in 2021 by one of the two companies that in the previous year went under the collective name Vigilenz and which in 2021 goes under the collective name Bactiguard SEA. Bactiguard SEA includes Vigilenz Medical Supplies SDN BHD and Bactiguard South East Asia SDN BHD, formerly known as Vigilenz Medical Devices SDN BHD.

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, opening balance 1 Jan 2021	Opening balance 2021	Cash flow from financing activities	Change to part of short-term loans	Acquisitions	Other changes	31 Dec 2021
Non-current liabilities						
Leasing liability	66,263	-8,618	-	-	-	57,645
Liabilities to credit institutions	188,016	-8,856	-562	-	2,065	180,663
Current liabilities						
Leasing liability	9,746	-	-	-	-94	9,652
Liabilities to credit institutions	-	-	-	-	-	-
Reconciliation of liabilities attributable to financing activities	**264,025**	**-17,474**	**-562**	**-**	**1,971**	**247,960**

Group, opening balance 1 Jan 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**	**-**	**-**	**-1,616**	**264,025**

Parent company, opening balance 1 Jan 2021	Opening balance 2021	Cash flow from financing activities	Change to part of short-term loans		Other changes	31 Dec 2021
Non-current liabilities						
Liabilities to credit institutions	169,489	-	-		1,452	170,941
Current liabilities						
Liabilities to credit institutions	-	-	-		-	-
Reconciliation of liabilities attributable to financing activities	**169,489**	**-**	**-**		**1,452**	**170,941**

Parent company, opening balance 1 Jan 2020	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**

NOTE 36 New share issue

Directed new share issue
A directed new share issue to the Swedish pension fund AMF provided Bactiguard with MSEK 228. The related transaction costs for this directed new share issue impacted the share premium reserve in equity; as of 31 December 2021 it had impacted equity by MSEK 5.1.

Distribution of the new share issue

Share capital	37,500
Share premium reserve	227,962,500
	228,000,000

NOTE 37 Key events after the balance sheet date

Group sales to associated companies amounted to MSEK 3.2 (1.8) or 1.8% (0.9%) of total group revenues. Group purchases from associated companies amounted to MSEK 0.4 (0.2). Loans to associated companies amounted totally to MSEK 0 (0). Interest revenues from loans to associated companies amounted to MSEK 0 (0). Warranties issued to associated companies amount to MSEK 0 (0). All transactions are based on market terms. The mother company has not issued loans to associated companies.

No transactions with related physical persons have occurred except what has been described in note 9 and in the description of the board.

No member of the board or leading executive in the group has or had any direct or indirect participation in any business transaction with the group that is unusual considering the business terms during present or past business period. The group has also not issued any loans, guarantees or gone on bail to or on behalf of any of the members of the board or leading executive in the company. The mother company Bactiguard AB has not received any dividend from Bactiguard Holding AB.

NOTE 38 Key events after the balance sheet date

Clinical study featuring Bactiguard's endotracheal tube has now been published
The VITAL study by Professor Pierre Damas and his research team has now been published in the renowned journal 'Annals of Intensive Care'. The study showed a 53% reduction in ventilator-associated pneumonia (VAP) in intensive care patients, intubated with Bactiguard's endotracheal tube with subglottic secretion drainage (BIP ETT Evac).

Bactiguard and Zimmer Biomet expand their global partnership
Bactiguard and Zimmer Biomet agreed to expand their global license partnership that started in 2019 to cover more product categories. The expanded exclusive license agreement includes implants for joint reconstructions (hips and knees), sports medicine, as well as craniomaxillofacial and thoracic applications.

Bactiguard presented a focused growth strategy and set new long-term financial targets
Bactiguard presented new long-term financial targets in conjunction with its Year-End Report for 2021. The new targets refer to growth and profitability, with annual revenues of a minimum of SEK 1 billion and an annual EBITDA of at least MSEK 400 in 2026.

NOTE 39 Dividend

No dividends were paid during 2021 and no dividends are proposed for the 2022 AGM.

NOTE 40 Proposed appropriation of profit

The following are at the disposal of the AGM:	SEK
Retained earnings	-24,875,383
Share premium reserve	727,969,424
Profit/loss for the year	-7,831,042
Total	**695,262,999**
The Board of Directors proposes that the profits be carried forward	695,262,999
Total	**695,262,999**

EU Taxonomy

The EU has developed its own climate taxonomy to ensure that it can achieve its climate and energy goals for 2030 as well as the goals in The European Green Deal. Its purpose is to be a tool to guide investments towards sustainable projects and activities. The taxonomy is a classification system for what the EU considers to be sustainable economic activities.

It is designed for listed companies and companies of public interest with more than 500 employees. These companies have to submit disclosures on the proportion of their turnover, capital expenses and operating expenses that are linked to activities in the taxonomy. The EU's first version of this taxonomy covers the sectors that the EU assesses to have the biggest impact on carbon dioxide emissions: forestry, manufacturing, energy production, water and waste management, transport, construction and real estate, as well as data centres. For the 2021 financial year companies have to report contributions to the following two environmental objectives in accordance with the taxonomy: climate change mitigation and climate change adaptation.

As Bactiguard is a listed company with fewer than 500 employees, it is not covered by the taxonomy.

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 8 April 2022

Thomas von Koch
Chairman of the Board

Christian Kinch
Deputy Chairman of the Board

Cecilia Edström
Board Member

Anna Martling
Board Member

Jan Ståhlberg
Board Member

Anders Göransson
CEO

Our auditor's report was submitted on 8 April 2022.

Deloitte AB

Therese Kjellberg
Authorized 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 2021-01-01 - 2021-12-31 except for the corporate governance statement and sustainability report on pages 32–41 and 28-31. The annual accounts and consolidated accounts of the company are included on pages 5, 8-9, 12-17, 20-25 and 28-80 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 2021 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 2021 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 32–41 and 28-31. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Revenue recognition

The Group's revenue amounts to 179 MSEK for the financial year 2021 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 59, 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 247 MSEK and other intangible assets, foremost technology, amounting to 179 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 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 2-4, 6-7, 10-11, 18-19, 26-27 and 84-83 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 Directors of Bactiguard Holding AB (publ) for the financial year 2021-01-01 - 2021-12-31 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 Directors be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit

or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

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

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

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Bactiguard Holding AB (publ) for the financial year 2021-01-01 – 2021-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report eaf57a515d-4157f499e7e3ac843526d0e21144e95ad-b50151907f9fdcd5f4bc3 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 32-41 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 28-31, 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 2020-05-28 and has been the company's auditor since 2012-05-18.

Stockholm 8 April, 2022
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 range of products, both in the BIP portfolio and through license agreements.

	2021	2020
Operating profit/loss	-54,187	-17,638
Depreciation	47,004	44,293
EBITDA	**-7,183**	**26,655**

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.

	2021	2020
EBITDA	-7,183	26,655
Revenues	179,048	186,026
EBITDA margin	**-4%**	**14%**

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.

	2021	2020
Liabilities to credit institutions	180,663	188,016
Non-current leasing liabilities	57,645	66,263
Current leasing liabilities	9,652	9,746
Interest-bearing liabilities	**247,960**	**264,024**
Cash and cash equivalents	-217,587	-9,886
Net debt	**30,373**	**254,137**

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.

	2021	2020
Equity	541,450	373,349
Total assets	849,289	675,221
Equity ratio	**64%**	**55%**

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

	2021	2020	2019	2018	2017
Revenues and earnings, MSEK					
Revenues	179.0	186.0	193.9	163.2	153.6
Net sales	169.5	172.3	185.0	150.1	147.5
Growth net sales	-1.6%	-6.9%	23.3%	6.3%	19.7%
EBITDA	-7.2	26.7	61.6	22.2	34.4
EBITDA margin	-4.0%	14.3%	31.8%	13.6%	22.4%
Operating profit/loss	-54.2	-17.6	19.5	-12.0	-0.6
Profit/loss before tax	-63.3	-41.9	10.4	-20.7	-8.3
Profit/loss for the year	-58.8	-38.4	16.3	-14.9	-3.3
Total assets	849.3	675.2	641.4	587.5	625.4
Equity ratio	64%	55%	60%	63%	62%
Net debt, MSEK	30.4	254.1	185.0	155.8	152.4
Cash flow					
From operating activities	7.3	0.7	54.0	0.9	6.1
From investing activities	-7.3	-57.0	-4.4	-5.7	-6.2
From financing activities	205.8	46.2	-27.8	-5.1	-3.2
Cash flow for the year	**205.8**	**-10.1**	**21.7**	**-9.9**	**-3.3**
Total shares					
Total shares at year end	35,043,885	33,543,885	33,302,373	33,302,373	33,302,373
Average number of shares	35,043,885	33,543,885	33,302,373	33,302,373	33,302,373
Data per share, SEK					
Total earnings per share (before and after dilution	-1.68	-1.14	0.49	-0.45	-0.10
Cash flow from operating activities per share	0.21	0.02	1.62	0.03	0.18
Dividend per share	-	-	-	-	-
Stock price at year end, B share	165	143.0	82.60	40.20	23.00
Employees					
Average number of employees	185	163	60	66	66

GLOSSARY

Antibiotic resistance
Micro-organisms, including 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 EU 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.

Dental
Dental care.

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

Intensive care
Care of critically ill patients with multiple damaged or diseased organs. The Covid-19 pandemic has put a spotlight on the importance of effective intensive care.

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

Craniomaxillofacial applications
Medical applications for the cranium and skull.

MDR
The Medical Device Regulation (MDR) came into force in May 2021, replacing the EU's current legislation, the Medical Device Directive (MDD).

Nephrology
A branch of medicine that focuses on diseases that affect the functioning of the kidneys. Kidney failure occurs when the functioning of the kidneys deteriorates.

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

Orthopaedics
Treatment of (or the branch of medicine that focuses on) fractures, injuries and deformities of the musculoskeletal system.

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

Thoracic applications
Medical applications or implants for the chest ('thorax' in Latin), i.e. the part of the skeleton surrounding the heart and lungs.

Healthcare-associated infections
Infections that arise in connection with hospital care, or other healthcare. Read more about health-associated infections on pages 18-19.

Urology
Urology is the treatment and branch of medicine for diseases of the urinary tract. This can include diseases and damage to the urethra, bladder, prostate, ureter and also the kidneys.

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

INFORMATION TO THE SHAREHOLDERS

Annual General Meeting 2022

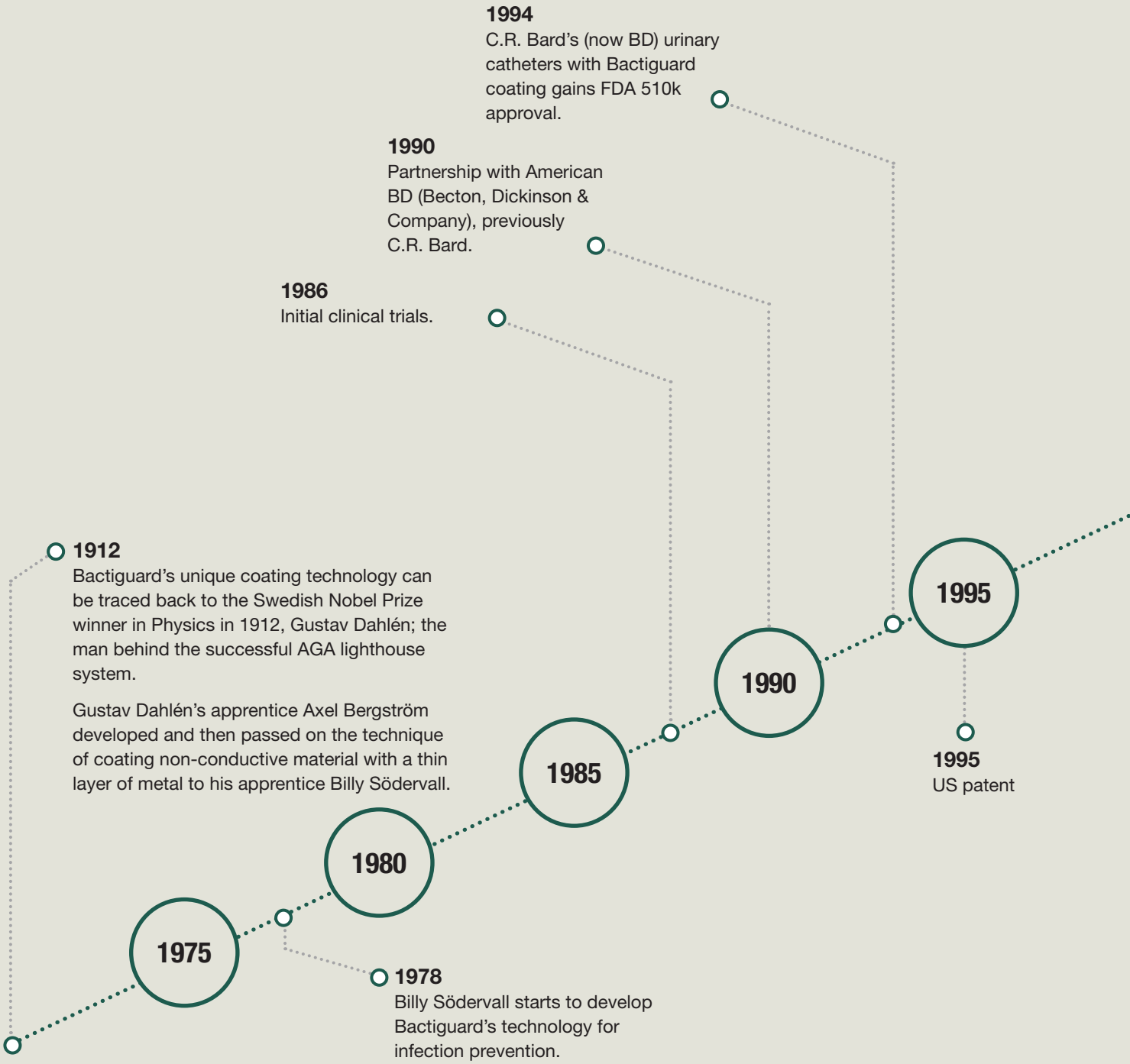
The 2022 Annual General Meeting will take place on Friday, April 29, 2022. Postal voting will be used for the AGM as a result of the pandemic.

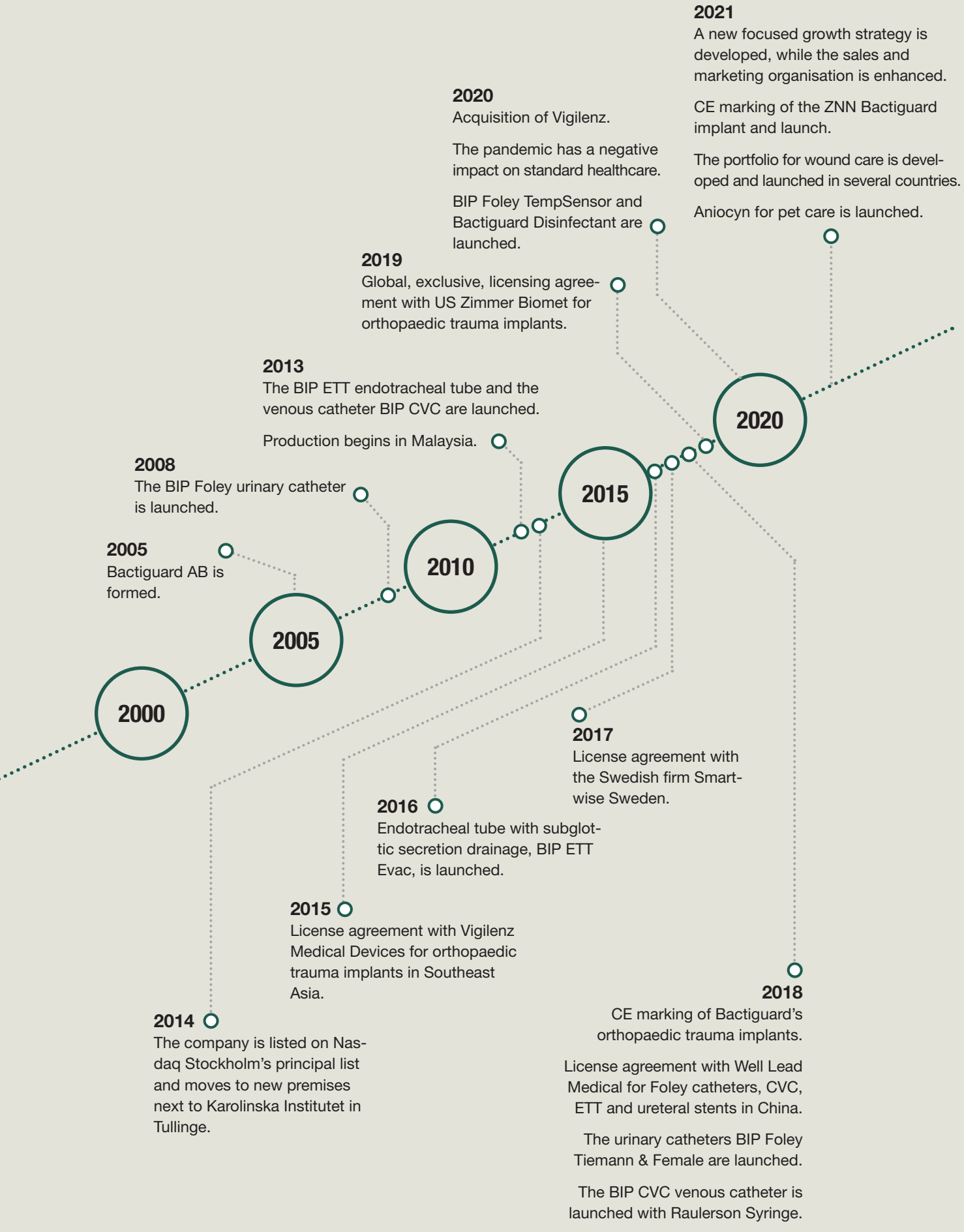
The notice to convene the Annual General Meeting contains more detailed information about the postal voting procedure.

FINANCIAL CALENDAR 2022

27 April	Interim report Q1
29 April	Annual General Meeting
14 July	Interim report Q2
27 October	Interim report Q3

A SWEDISH INVENTION THAT CHANGED THE WORLD




2021
A new focused growth strategy is developed, while the sales and marketing organisation is enhanced.
CE marking of the ZNN Bactiguard implant and launch.
The portfolio for wound care is developed and launched in several countries.
Aniocyn for pet care is launched.
2020
Acquisition of Vigilenz.
The pandemic has a negative impact on standard healthcare.
BIP Foley TempSensor and Bactiguard Disinfectant are launched.
2019
Global, exclusive, licensing agreement with US Zimmer Biomet for orthopaedic trauma implants.
2013
The BIP ETT endotracheal tube and the venous catheter BIP CVC are launched.
Production begins in Malaysia.
2008
The BIP Foley urinary catheter is launched.
2005
Bactiguard AB is formed.
2000
2005
2010
2015
2020
2017
License agreement with the Swedish firm Smartwise Sweden.
2016
Endotracheal tube with subglottic secretion drainage, BIP ETT Evac, is launched.
2015
License agreement with Vigilenz Medical Devices for orthopaedic trauma implants in Southeast Asia.
2014
The company is listed on Nasdaq Stockholm's principal list and moves to new premises next to Karolinska Institutet in Tullinge.
2018
CE marking of Bactiguard's orthopaedic trauma implants.
License agreement with Well Lead Medical for Foley catheters, CVC, ETT and ureteral stents in China.
The urinary catheters BIP Foley Tiemann & Female are launched.
The BIP CVC venous catheter is launched with Raulerson Syringe.

TEN REASONS TO INVEST IN BACTIGUARD

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

According to WHO, one in ten patients suffers from healthcare-associated infections (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 Tedros Adhanom Ghebreyesus, Director General of WHO.

HAIs are a growing problem and constitute a threat to global public health. HAIs are infections that patients acquire on hospital visits 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.

Bactiguard's coating technology is an important component in fighting infections since the risk for infection decreases when using our urinary catheters, endotracheal tubes, central venous catheters and implants.

2 Bactiguard's coating 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 across 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

Bactiguards has strong clinical evidence showing that the technology is effective and safe. 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 advantage when negotiating and developing new license agreements. This is becoming increasingly clear at the moment, 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 market potential for our portfolio of infection prevention products. 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 is approved for both short-term use on consumables and on 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 signing new license agreements. We will make effective use of the great market potential that we have identified.

5 Clear growth strategy

We are a growth company that has a clear strategy for how we are going to grow. This strategy involves us focusing on six therapeutic areas and priority countries. Sales will increase through new license agreements and a more extensive BIP portfolio, combined with smaller supplementary acquisitions that are of strategic importance. In 2021 we made strategic investments in, for example, the sales and marketing organisation. This has advanced our position in the value chain and enhanced our understanding of the needs of both patients and our customers.

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 focus 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 Extensive product portfolio for infection prevention

We contribute to safe and effective infection prevention with our product portfolio of urinary catheters, endotracheal tubes, central venous catheters and orthopaedic trauma implants, as well as wound care products.

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 target is to sign 1–2 new license agreements per year. The Bactiguard technology has been successfully applied to different types of products in titanium, stainless steel, latex, silicone, polymers, ceramics and textile materials. The technology has been approved for both short- and long-term use, so there are many new applications where it could be used.

9 Profitable growth

Bactiguard's goal is to create value and provide a good return for its shareholders, and has set the following long-term financial targets for its operations:

- Annual revenues of at least SEK 1 billion by 2026.
- EBITDA of at least MSEK 400 by 2026.

10 Long-term owners and dedicated management

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

The Executive 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.

Photo: Lena Larsson, Anja Callius och Wee Photographer
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