

# Year-end report for Bactiguard Holding AB (publ)

Corporate registration number 556822-1187

## Fourth quarter (October-December 2016)

- During the fourth quarter, a total of approx. 134,000 (74,000) BIP products were delivered, an increase of 81 %.
- Revenues amounted to SEK 33.6 (20.6) million, an increase of 63 % compared to the corresponding quarter previous year.
- EBITDA amounted to SEK 4.5 (-6.1) million.
- Operating profit amounted to SEK -3.9 (-14.4) million.
- Reported net profit for the quarter amounted to SEK -7.4 (-19.3) million, corresponding to SEK -0.22 (-0.58) per share. Net profit for the quarter has been positively affected by market valuation of the bond loan with SEK 1.4 (-2.8) million.
- Operating cash flow for the quarter amounted to SEK -19.1 (-25.6) million, corresponding to SEK -0.57 (-0.77) per share.

## Full year (January-December 2016)

- During the full year, a total of approx. 418,000 (152,000) BIP products were delivered, an increase of 175 %.
- Revenues amounted to SEK 128.3 (138.5) million. Previous year includes the effect of SEK 20 million from the additional one-off order from C.R. Bard. Excluding this effect, revenues increased by 8 %.
- EBITDA amounted to SEK 15.1 (20.2) million. Previous year includes a positive effect of the additional one-off order from C.R. Bard. Excluding this effect, EBITDA was higher in 2016 than in 2015.
- Operating profit amounted to SEK -18.3 (-12.7) million.
- Net profit amounted to SEK -26.9 (-26.5) million, corresponding to SEK -0.81 (-0.80) per share. Net profit for the period has been positively affected by market valuation of the bond loan with SEK 4.1 (2.6 million).
- Operating cash flow amounted to SEK -19.8 (-32.5) million, corresponding to SEK -0.60 (-0.97) per share.

### Key events during the fourth quarter

- New clinical study confirms reduced infections in intensive care units
- Repeat order from China of 100,000 catheters
- Bond loan repaid
- Bactiguard expands in Germany

### Key events after the end of the fourth quarter

- License agreement in new therapeutic area for advanced vascular injection catheters. In 2017, Bactiguard will receive 2.5 MUSD as payment for the exclusive and global right to this application.

Key figures <sup>1</sup>	Oct-Dec	Oct-Dec	Full year	Full year
	2016	2015	2016	2015
Revenues <sup>2</sup> , SEKm	33,6	20,6	128,3	138,5
EBITDA <sup>3</sup> , SEKm	4,5	-6,1	15,1	20,2
EBITDA margin <sup>3</sup> , %	14%	-30%	12%	15%
Operating profit, SEKm	-3,9	-14,4	-18,3	-12,7
Net profit/loss for the period <sup>2</sup> , SEKm	-7,4	-19,3	-26,9	-26,5
Operating cash flow, SEKm	-19,1	-25,6	-19,8	-32,5
Earnings per share <sup>2</sup> , SEK	-0,22	-0,58	-0,81	-0,80
Operating cash flow per share, SEK	-0,57	-0,77	-0,60	-0,97
Equity ratio, %	62%	62%	62%	62%
Net debt <sup>3</sup> , SEKm	134,4	120,0	134,4	120,0
Number of shares at the end of period	33 302 373	33 302 373	33 302 373	33 302 373
Weighted average number of shares <sup>2</sup>	33 302 373	33 302 373	33 302 373	33 302 373

<sup>1</sup> Definition of key figures are presented on page 17

<sup>2</sup> Defined according to IFRS

<sup>3</sup> Reconciliation of key figure see page 17

## Comments by the CEO

2016 was in many ways a good year for Bactiguard. Among other things, we exceeded by a wide margin the goal of doubling the volume of products sold in our own portfolio and we made progress in the license area. However, we were not able to fully turn this into a strong profitability. Revenues amounted to approximately SEK 128 million, with an EBITDA margin of 12 percent. Compared to the year before, revenues and profit were lower but, we must not forget that 2015 was affected by a major additional one-off order from C.R. Bard to build safety stock, which complicates the comparison. Adjusted for this effect, the underlying growth was 8 percent. The trend is positive, but I am not satisfied. During 2017 we will therefore work hard on both the revenue and cost side to achieve a positive profitability development.

In early 2016, we set up three main priorities. To increase sales of our own portfolio, to further develop our existing licensing business and sign at least one new contract, as well as to refinance the bond loan.

The sales trend of our own portfolio of infection prevention products has been strong. Already after three quarters we were close to the target for the full year i.e. to double the volume from the previous year. The strong sales trend continued during the fourth quarter and we delivered more than 130,000 units, primarily to China. This means that we delivered close to 420,000 units in 2016, a significant increase from the approximately 150,000 units in the previous year. I am therefore pleased to conclude that we, by far, have surpassed the tough goal we set at the beginning of 2016.

2016 started off with the positive news that we, after 5 years, finally got the long-awaited product approval in China. This resulted in large orders and product deliveries. We delivered 200,000 urinary catheters there during the year, which means that China has now become our largest market. Training activities for the staff of our distributor and sales activities aimed at hospitals have been intense since the summer and we are confident about the future development in the country.

India has emerged as our second largest market, to which we delivered close to 100,000 urinary catheters during the year. A large number of hospitals have evaluated our product and some 15 different hospital groups have started using it on a regular basis, but it takes time to turn positive evaluations into recurring orders. In 2017, we will therefore expand our distribution network with more regional distributors in order to have a more wide reaching approach in this enormous country and thus reach a higher market penetration. The ongoing clinical trial has reached the half-way point and the results look promising.

One of our top priorities has been to establish ourselves in major European markets and, in December, we entered into an exclusive partnership with Roeser for Germany and Switzerland. Roeser is one of Germany's leading suppliers to the healthcare sector. At the same time we received an order worth approximately 400,000 Euro where the first delivery was made before the end of the year and the main part will be delivered during 2017. We believe strongly in the German market and have invested in expertise and capacity to support our partner in the best possible way. Earlier in the year, we signed distribution agreements for Poland and Austria, where sales have developed favorably. Meanwhile, work continues to establish partnerships in several other major markets in Europe.

In Sweden we have had a positive development and we are increasing our presence region by region. In the fourth quarter we won tenders for Kronoberg and Blekinge regions and since November our products are available to hospitals in the counties of Kalmar and Halland. The Stockholm County Council has just announced a tender for urinary catheters, where infection prevention is listed as a requirement and we see more and more regions going the same way. During the year we also launched our central venous catheter (CVC), which now has become standard of care for ICU patients at Lund University Hospital.

The Middle East has not lived up to our expectations and deliveries were significantly lower than the year before. This was mainly due to the political and economic situation in the region. Despite this, we see that it is possible to do more business, and we are therefore increasing our sales and marketing resources. In January this year, we signed a distribution agreement for Egypt, the most populous country in the Middle East and Northern Africa. The product registration process has begun and the launch is planned for the second quarter of 2017. Within a few years, we see that this market can become one of our largest in the region.

We now have a product portfolio that is very well adapted to the needs of patients in intensive care units (ICU), where infection rates are high and patients are seriously ill. The cost of treating patients in ICUs is much higher than in other units so there are considerable economic gains to be made.

At the same time, we are developing new tools in order to reach our vision of establishing a new standard of care for the prevention of healthcare associated infections. An example of this is Bactiguard Academy, a digital platform designed to be able to continuously train our distributors. At the end of the year, we launched another tool, Bactiguard Clinical Implementation Programme - BIP CIP, which was developed in cooperation with specialists from the Karolinska University Hospital in order to train healthcare professionals and thereby reduce infections associated with urinary catheter treatment. During 2017, we will continue developing new modules for other therapy areas.

The level of activity in developing both new and ongoing licensing businesses has been high. We did not quite reach the goal of signing a new contract during the past year, but in early February this year we entered a new, interesting therapeutic area.

The license agreement with Smartwise Sweden AB opens up a completely new area of application for our technology. Through advanced injection systems, pharmaceuticals and other forms of therapy can be targeted at damaged tissue of vital organs, following for example stroke or heart attack. High doses of chemotherapy can also be injected into cancer tumours. In 2017, Smartwise will pay 2.5 MUSD for the exclusive and global right to this application and, once the products reach the market, we will receive royalty payments. Through this deal, we see that our technology has the potential to add value to many different kinds of applications and this bodes well for the future.

At the beginning of December we completed the third priority, i.e. the refinancing of the bond loan, when the outstanding debt was paid in full. The refinancing solution consists of loans totalling SEK 150 million, at terms which will substantially reduce Bactiguard's interest expenses going forward.

During 2017 our priorities will essentially remain the same, namely to double the sales of our own product portfolio and develop new licensing deals. The goal is to generate growth while maintaining cost control in order to close in on our long-term financial target of a growth of 20 percent and an EBITDA margin of 30 percent.

Finally I would like to thank our employees for your efforts in 2016. We have achieved a lot during the year, which gives us an excellent platform to build on for growth in the ongoing war against hospital acquired infections.

Christian Kinch

CEO

## Key events during the fourth quarter

### **New clinical study confirms that Bactiguard coated Foley catheters reduce infections in ICU**

A recent independent and randomized clinical study confirms that Bactiguard-coated Foley catheters reduce catheter associated urinary tract infections in patients in intensive care.

The study was conducted at the King Fahad Hospital in Saudi Arabia and included 60 patients in the Intensive Care Unit (ICU), who were catheterized for at least 3 days. The incidence of catheter associated urinary tract infections was 90 % lower for patients with Bactiguard-coated Foley catheters (BIP Foley) compared to patients with standard silicone Foley catheters. The study is published in Urology Annals.

### **Repeat order from China**

Bactiguard received a repeat order from our distributor in China, Jian An Pharmaceuticals. The order was for 100,000 BIP Foley catheters, which was the same quantity as the initial order received in early 2016. The order was delivered during the fourth quarter 2016 and generated sales revenues of approx. SEK 3 million.

### **Bond loan repaid**

The bond loan Bactiguard issued in December 2011, with an initial nominal value of SEK 450 million, an annual interest rate of 11 % and a duration of 5 years, matured on 12 December 2016.

The outstanding nominal value of SEK 138 million and accrued interest have now been paid in full. The refinancing solution consists of a bank loan of SEK 100 million maturing 31 December, 2017 and a loan from the company's main shareholders of SEK 50 million, maturing 30 June 2018. The loans carry a base interest rate of STIBOR 90, but not less than 0 %, and a margin of 3.5 %.

Bactiguard's interest expenses will be substantially reduced by this refinancing.

### **Bactiguard enters Germany**

In December, Bactiguard entered into partnership with Roeser Medical GmbH ("Roeser") and signed an exclusive distribution agreement for Germany and Switzerland. At the same time, an order for products worth some EUR 400 000 was placed, the majority of which will be delivered throughout 2017.

## Key events after the end of the fourth quarter

### **Bactiguard enters new therapeutic area through license agreement**

Bactiguard and Smartwise Sweden AB (Smartwise) have entered into a joint development project for advanced, Bactiguard-coated vascular injection catheters. At the same time, a license agreement has been signed. Smartwise will pay USD 2.5 million, for the exclusive and global right to the Bactiguard technology for this application, payable in 2017, and followed by royalty payments once the products are commercialized.

By entering the agreement with Smartwise, Bactiguard expands its license business to comprise three different therapeutic areas, Foley catheters, orthopaedic implants and now, advanced transvascular injection catheters.

# Consolidated revenues and earnings

## Revenues

Bactiguard has two revenue streams.

### Sales of BIP products

The BIP portfolio currently includes sales of the BIP Foley, BIP ETT and BIP CVC products.

### License revenues

License revenues are attributable to sales of products under license, which currently includes the Group's licensing agreement with C.R. Bard regarding Bactiguard coated Foley catheters for the USA, Japan, the UK, Ireland, Canada and Australia as well as license agreement with Vigilenz Medical Devices for Bactiguard coated orthopaedic implants, covering the Asean region.

### Other revenue

Comprises mainly foreign exchange differences and other operating income.

Bactiguard's BIP (Bactiguard Infection Protection) product portfolio includes medical devices in three areas: urinary tract, respiratory tract and blood streams.

BIP Foley	BIP ETT	BIP CVC
 <ul style="list-style-type: none"><li>BIP Foley is the company's urinary catheter, which uses the Bactiguard coating to reduce the risk of patients contracting catheter-associated infections of the urinary tract.</li></ul>	 <ul style="list-style-type: none"><li>BIP ETT is the company's endotracheal tube, which uses the Bactiguard coating intended to reduce the risk of patients contracting ventilator-associated pneumonia.</li></ul>	 <ul style="list-style-type: none"><li>BIP CVC is the company's central venous catheter, which uses the Bactiguard coating to reduce the risk of patients contracting catheter-associated blood infections.</li></ul>

## Revenue distribution

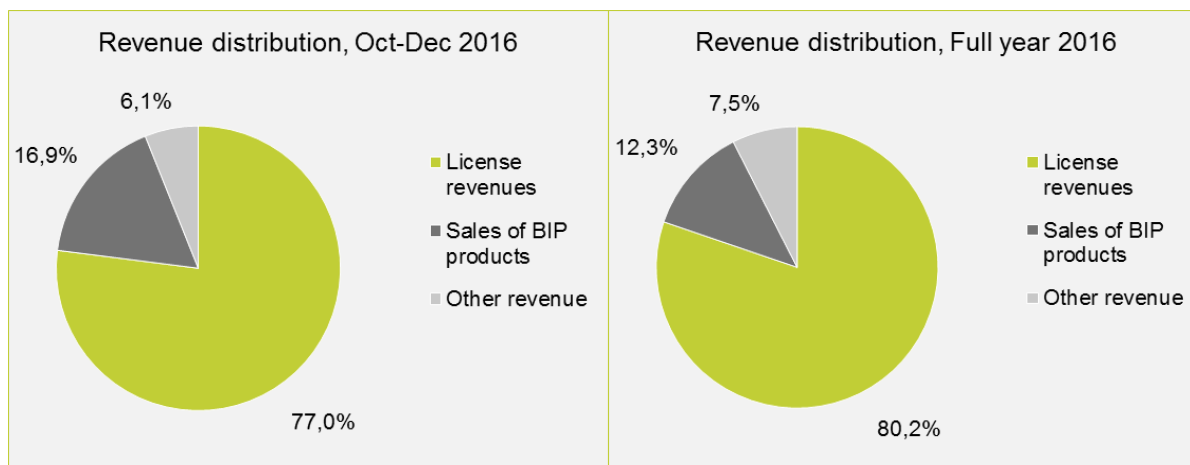
### Fourth quarter (October-December)

Consolidated revenues for the fourth quarter amounted to SEK 33.6 (20.6) million, which is an increase of approx. 63 % compared to the same quarter last year. The increase is mainly related to higher revenues from Sales of BIP products following a strong improvement in delivered volumes. License revenue from C.R. Bard was also higher than in the fourth quarter of 2015 due to the adjustment made at that time of the additional one-off order which affected the ordered volume for the quarter, representing a value of about SEK 8 million.

The bulk of revenues during the fourth quarter (77 %) came from License revenues. These amounted to SEK 25.9 (15.9) million, including a positive currency effect of SEK 1.9 (1.2) million. A smaller part of License revenues consisted of the second payment from the license partner in Malaysia, Vigilenz Medical Devices.

Sales of BIP products amounted to 16.9 % of revenues or approx. SEK 5.7 (2.4) million in the fourth quarter, with sales primarily to China. Out of SEK 5.7 million in revenues, SEK 2.2 million had a cash flow effect. The remaining revenues correspond to a reduction of the debt item deferred revenue in the balance sheet.

Other revenues during the quarter amounted to 6.1 % or approx. SEK 2.0 (2.2) million and are attributable to exchange rate differences and EU grants for development projects.



### Full year (January-December)

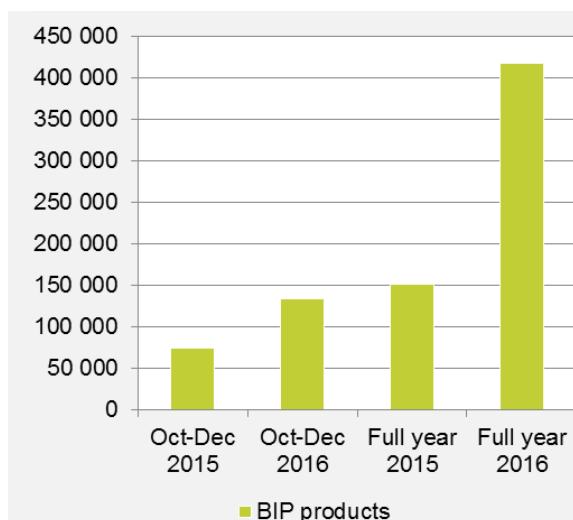
Consolidated revenues for the full year 2016 amounted to SEK 128.3 (138.5) million, a decrease of reported revenues of 7.4 % compared with the full year 2015. However, excluding the effect of the additional one-off order from C.R. Bard of SEK 20 million in 2015, this corresponds to an increase of approx. 8 % compared with the full year 2015. The increase is primarily a result of higher revenues from Sales of BIP products due to a strong improvement in delivered volumes.

The bulk of the revenue, 80.2 % (90.5 %) or SEK 103.0 (125.3) million was attributable to License revenues. The decrease in license revenues compared to the full year 2015 was primarily related to the additional one-off order from C.R. Bard in 2015. The total volume of the underlying license flow from C.R. Bard was basically unchanged from the previous year (i.e. excluding the additional order). License revenue for the full year 2016 included a positive currency effect of approximately SEK 1.6 million.

Sales of BIP products for the year accounted for 12.3 % (4.4 %) of revenues, totalling SEK 15.8 (6.1) million. Other revenues during the full year amounted to SEK 9.6 (7.0) million or approx. 7.5 % (5.1 %) and are attributable to exchange rate differences and EU grants for development projects.

	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
License revenues	77,0%	77,4%	80,2%	90,5%
Sales of BIP products	16,9%	11,9%	12,3%	4,4%
Other revenue	6,1%	10,7%	7,5%	5,1%

### Products delivered



During the fourth quarter of 2016, a total of approx. 134,000 BIP products were delivered compared to approx. 74,000 in the corresponding quarter of 2015, an increase of 81 %.

During the full year 2016, a total of approx. 418,000 products were delivered, compared to approx. 152,000 during the full year 2015, an increase of approx. 175 %.

## Financial results

### Fourth quarter (October-December)

EBITDA for the fourth quarter amounted to SEK 4.5 (-6.1) million corresponding to an EBITDA margin of approx. 14 % (-30 %). The positive change compared with the corresponding quarter last year is mainly a consequence of higher license revenues and revenues from Sales of BIP products.

Consolidated operating profit for the fourth quarter of 2016 amounted to SEK -3.9 (-14.4) million.

Financial items for the quarter amounted to SEK -4.4 (-5.9) million. The effects of market valuation of the bond loan, which have no effect on cash flow, are recognised as financial items in the income statement. During the fourth quarter of 2016, the market valuation of the bond loan affected financial items positively by SEK 1.4 (-2.8) million. Interest expense related to the bond loan amounted to SEK -3.1 (-3.8) million in the fourth quarter.

Tax for the period amounted to SEK 0.9 (1.0) million. Reported income tax refers to the change in deferred taxes attributable to temporary differences relating to the Group's intangible assets.

Consolidated net profit for the fourth quarter amounted to SEK -7.4 (-19.3) million.

### Full year (January-December)

EBITDA for the full year amounted to SEK 15.1 (20.2) million corresponding to an EBITDA margin of approx. 12 % (15 %). The negative change compared with the full year 2015 is essentially a consequence of the additional one-off order from C.R. Bard which generated an effect on revenues for the full year of SEK 20 million at a very high gross margin.

Consolidated operating profit for the full year amounted to SEK -18.3 (-12.7) million including operational costs of SEK 146.6 (151.1) million. The increase in Raw materials and consumables compared to the previous year of SEK 7.9 million reflects the strong growth in Sales of BIP products in 2016. Other external expenses decreased by SEK 9.6 million compared with the full year 2015, but last year included one-off costs of SEK 6.6 million (the majority of which was attributable to consulting support in a strategic marketing project) which distorts the comparison. Personnel costs also include a non-recurring item in 2015 of SEK 4.6 million in relation to severance pay to the former CEO, which largely explains the decrease of SEK 7.1 million from the full year 2015 to 2016. The reduction in personnel costs can otherwise be attributable to a reduction in staff by 8 people (average number of employees), primarily due to changes in connection with the relocation of production from the plant in Markaryd to Botkyrka in 2016.

Tax for the full year amounted to 4.5 (4.5) million. Reported income tax refers to the change in deferred taxes attributable to temporary differences relating to the Group's intangible assets.

Consolidated net profit for the full year amounted to SEK -26.9 (-26.5) million. Net profit is impacted by the effect of the market valuation of the bond loan, which has no effect on cash flow, of SEK 4.1 (2.6) million.

## Cash flow

### Fourth quarter (October-December)

Operating cash flow for the fourth quarter amounted to SEK -19.1 (-25.6) million, out of which Cash flow from operating activities was SEK -13.9 (-22.6) million and Cash flow from changes in working capital was SEK -2.8 (0.0) million.

Cash flow from financing activities amounted to SEK 12.0 (-1.0) million following the repayment of the bond loan of SEK 138 million and new loans of SEK 150 million. This meant that the total cash flow for the fourth quarter was SEK -7.1 (-26.6) million.

### Full year (January-December)

Operating cash flow for the full year 2016 amounted to SEK -19.8 (-32.5) million.

Total cash flow for the full year was SEK -7.8 (-83.3) million. The comparative figure for the corresponding period last year included repurchase of bonds amounted to SEK 50.8 million.

## Investments

Investments in property, plant and equipment during the fourth quarter amounted to SEK 0 (0.7) million. Investment in intangible assets, mainly related to capitalised development expenditures, amounted to SEK 2.4 (2.3) million. No investments were made in financial non-current assets during the period (-) million.

For the full year 2016, total investments were SEK 7.4 (11.7) million, of which tangible fixed assets accounted for SEK 1.0 (5.7) million and intangible assets, mainly related to capitalised development expenditures, amounted to SEK 6.5 (5.9) million.

## Financial position

The consolidated equity ratio was 62 % at 31 December 2016 (62 % at 31 December 2015) and equity amounted to SEK 390.3 (417.4 at 31 December 2015) million.

The bond loan Bactiguard issued in December 2011, with an initial nominal value of SEK 450 million, with an annual interest rate of 11 % and a duration of 5 years, matured on 12 December. The outstanding nominal value of SEK 138 million and accrued interest was then paid in full. The refinancing solution consists of a bank loan of SEK 100 million maturing 31 December, 2017 and a loan from the company's main shareholders of SEK 50 million, maturing 30 June 2018. The loans carry a base interest rate of STIBOR 90, but not less than 0 %, and a margin of 3.5 %.

Consolidated cash position at 31 December 2016 amounted to SEK 15.6 million (SEK 22.1 million at 31 December 2015). Out of a granted overdraft facility of SEK 30 million, SEK 0 million was utilized as of 31 December 2016. Net debt amounted to SEK 134.4 million (SEK 120.0 million at 31 December 2015).

The total assets of the group at 31 December 2016 amounted to SEK 632.1 million (676.2 million at 31 December 2015). The largest asset item in the balance sheet is technology related to Bactiguard's product portfolio, which at 31 December amounted to SEK 236.6 million (260.4 million at 31 December 2015).

Accounts receivable (short- and long term) amounted to SEK 43.8 million at 31 December 2016, which is a decrease of SEK 13.8 million since 31 December 2015. The decrease is mainly due to the provision for doubtful accounts receivable of SEK 12.2 million, with no effect on earnings, prior to change of distributor for Brazil, Argentina and Chile. There has also been an amendment to the agreement with the company's distributor in China in order to better reflect the process of approval of other BIP products in China, which resulted in a reclassification of accounts receivable of SEK 18.2 million from short-term to long-term and the reclassification of the corresponding short-term debt to long-term.

## Other disclosures

### The share and share capital

Trade in the Bactiguard share takes place on Nasdaq Stockholm under the ticker symbol "BACTI". The last price paid for the listed B share at 30 December 2016 was SEK 16.90, and the market capitalization amounted to SEK 563 million.

The share capital of Bactiguard at 31 December 2016 amounted to SEK 0.8 million divided into 29,302,373 B shares, each with one vote (29,302,373 votes) and 4,000,000 A shares, each with ten votes (40,000,000 votes). The total number of shares and votes in Bactiguard at 31 December 2016 amounted to 33,302,373 shares and 69,302,373 votes.



## Ownership

At 31 December 2016, Bactiguard had 2,632 shareholders.

Shareholders	No. of A shares	No. of B shares	Total number	% of capital	% of votes
CHRISTIAN KINCH WITH FAMILY AND COMPANY	2 000 000	7 440 977	9 440 977	28,3%	39,6%
THOMAS VON KOCH WITH COMPANY	2 000 000	7 440 878	9 440 878	28,3%	39,6%
HANDELSBANKEN FONDER AB		1 212 688	1 212 688	3,6%	1,7%
AVANZA PENSION		778 860	778 860	2,3%	1,1%
SWEDBANK FÖRSÄKRING		729 902	729 902	2,2%	1,1%
STÅHLBERG, JAN		582 544	582 544	1,7%	0,8%
CANCERFONDEN		559 415	559 415	1,7%	0,8%
FRÖAFALL INVEST AB		516 000	516 000	1,5%	0,7%
RUGFELT, JOHAN		401 632	401 632	1,2%	0,6%
SARGAS EQUITY AB		364 090	364 090	1,1%	0,5%
<b>Total, major shareholders</b>	<b>4 000 000</b>	<b>20 026 986</b>	<b>24 026 986</b>	<b>72,1%</b>	<b>86,6%</b>
Total, others	0	9 275 387	9 275 387	27,9%	13,4%
<b>Total number of shares</b>	<b>4 000 000</b>	<b>29 302 373</b>	<b>33 302 373</b>	<b>100%</b>	<b>100%</b>

## Human resources

The average number of employees in the group in the period January to December 2016 amounted to 57 (65), of which 34 (36) women.

## Accounting and valuation principles

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with IAS 34 Interim Reporting and the Annual Accounts Act. Disclosures in accordance with IAS 34 Interim Reporting are submitted both in notes and elsewhere in the interim report. The parent company financial statements have been prepared in accordance with the Annual Accounts Act and the Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The accounting and valuation principles are unchanged from those applied in the Annual Report 2015. In 2015 the accounting principle, regarding accounting of revenues relating to territorial fees, was changed. In earlier delivered annual and consolidated financial statements, territorial fees were accounted for upon signing the contract. In connection with the year-end accounts for 2015, Bactiguard has decided to change its accounting principle and instead report such fees at delivery of products. The part of the territorial fees and associated market contribution on the balance date that are subject to future deliveries of products are recognized as deferred revenue until the delivery has been made. Settlement of deferred income is made upon delivery. The new principle increases transparency and provides a better link between income and delivered products. The change of accounting principle has been recognized in accordance with IAS 8 and the effects of the change are shown in Note 1 on page 16 and in the annual report 2015 in Note 36 on page 58.

The new and amended standards and interpretations that are in place from 1 January, 2016 have not had any significant effect on the Group's financial reports. ESMA's guidelines on "alternative performance measures" are applied from 3 July 2016. They include disclosure requirements related to financial measures that are not defined under IFRS.

## Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may derive revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which there is discrete financial information. The company's reporting of operating segments is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function that assesses the operating segment performance and decides how to allocate resources. The company has determined that the Group executive management constitutes the chief operating decision maker.

The company is considered in its entirety to operate within one business segment.

## Related-party transactions

Transactions between the company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation.

Services and other transactions between companies within the Group are charged according to commercial principles. Bactiguard has a bank loan of SEK 100 million where the board member - who is also the CEO and a major shareholder - Christian Kinch and major shareholder Thomas von Koch have agreed to, without compensation, enter into guarantee commitments for Bactiguard Holding AB's obligations under the loan agreement. Bactiguard has in addition also a loan directly from the main shareholders of a maximum of SEK 50 million on equivalent commercial terms as the bank loan.

Other than as described above, neither Bactiguard nor its subsidiaries have granted loans, guarantees or sureties to, or for the benefit of, any directors or senior managers of the Group. None of these persons has any direct or indirect participation in any other business transaction with any entity of the Group which is, or was, unusual in its nature or with regard to its terms.

## Parent company

Revenues consist of invoiced intercompany expenses (management fees). During the period the parent company received interest on its receivables from group companies. Company costs primarily relate to financial expenses of which the interest due on the bond loan is the single largest item. No investments were made during the period.

## Risk factors

Companies within the Group are exposed to various types of risk through their activities. The company continually engages in a process of identifying all risks that may arise and assessing how each of these risks shall be managed. The Group is working to create an overall risk management programme that focuses on minimising potential adverse effects on the company's financial results. The company is primarily exposed to market related risks, operational risks and financial risks. A description of these risks can be found on page 30 and 47-49 in the Annual Report for 2015.

## Financial targets

Bactiguard's goal is to create value and generate good returns for the shareholders. One financial target is to have an average growth of 20 % per year over a five year period, with 2015 (adjusted for the effect of the additional order from C.R. Bard) as the base year – starting point SEK 118.5 million. Another target is to achieve an EBITDA margin of at least 30 % at the end of the five year period. Bactiguard will continue to expand the business by strengthening the sales- and marketing organization, developing new products to the existing BIP portfolio and by entering new license agreements in new therapeutic areas. Other financial targets are to have an equity ratio of at least 30 % and a long-term objective of a dividend of 30-50 % of profit after tax, taking into consideration the company's financial position. The company is in an expansion phase and will therefore in the coming years, prioritize growth over dividends. Therefore, the Board will not propose any dividend for the 2017 annual general meeting.

## Condensed consolidated income statement

Amounts in TSEK	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
<i>Revenues</i>				
License revenues	25 876	15 899	102 983	125 292
Sales of BIP products	5 673	2 447	15 753	6 128
Other revenue	2 047	2 207	9 606	7 043
	33 596	20 553	128 342	138 463
Raw materials and consumables	-4 853	-1 127	-15 797	-7 902
Other external expenses	-12 428	-13 386	-46 701	-56 287
Personnel costs	-11 887	-12 080	-45 819	-52 942
Depreciation and amortisation	-8 445	-8 307	-33 375	-32 850
Other operating expenses	109	-70	-4 918	-1 148
	-37 504	-34 970	-146 610	-151 129
<b>Operating profit/loss</b>	<b>-3 908</b>	<b>-14 417</b>	<b>-18 268</b>	<b>-12 666</b>
<i>Profit/loss from financial items</i>				
Financial income	5 208	1 058	9 735	2 657
Financial expenses	-9 654	-6 909	-22 800	-20 961
	-4 447	-5 851	-13 065	-18 304
<b>Profit before tax</b>	<b>-8 355</b>	<b>-20 268</b>	<b>-31 333</b>	<b>-30 970</b>
Taxes for the period	946	969	4 482	4 469
<b>Net profit/loss for the period</b>	<b>-7 409</b>	<b>-19 298</b>	<b>-26 851</b>	<b>-26 501</b>
<b>Attributable to:</b>				
Shareholders of the parent	-7 409	-19 298	-26 851	-26 501
Earnings per share, SEK*	-0,22	-0,58	-0,81	-0,80

## Condensed consolidated statement of comprehensive income

Amounts in TSEK	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Net profit/loss for the period	-7 409	-19 298	-26 851	-26 501
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified to profit or loss for the year</u>				
Translation differences	161	-887	-264	1 146
Other comprehensive income, after tax	161	-887	-264	1 146
Total comprehensive income for the period	-7 248	-20 185	-27 115	-25 355
<b>Attributable to:</b>				
Shareholders of the parent	-7 248	-20 185	-27 115	-25 355
Total earnings per share, SEK*	-0,22	-0,61	-0,81	-0,76
Number of shares at the end of period ('000)	33 302	33 302	33 302	33 302
Weighted average number of shares ('000)	33 302	33 302	33 302	33 302

\* no dilution effect

## Condensed consolidated statement of financial position

Amounts in TSEK	2016-12-31	2015-12-31
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	226 292	226 292
Technology	236 612	260 418
Brands	25 572	25 572
Customer relationships	11 728	12 908
Capitalised development expenditure	16 562	12 062
Patents	1 021	1 272
<b>Intangible assets</b>	<b>517 787</b>	<b>538 524</b>
Improvements, leasehold	16 133	17 917
Machinery and other technical plant	5 659	7 412
Equipment, tools and installations	3 937	5 432
<b>Property, plant and equipment</b>	<b>25 728</b>	<b>30 761</b>
Accounts receivable	16 170	6 012
Investments in associates	1 228	1 298
<b>Financial assets</b>	<b>17 398</b>	<b>7 310</b>
<b>Total non-current assets</b>	<b>560 912</b>	<b>576 595</b>
<b>Current assets</b>		
Inventory	15 144	11 687
Accounts receivable	27 642	51 634
Other current receivables	12 732	14 211
Cash and cash equivalents	15 645	22 119
<b>Total current assets</b>	<b>71 162</b>	<b>99 651</b>
<b>TOTAL ASSETS</b>	<b>632 074</b>	<b>676 246</b>
<b>Equity attributable to shareholders of the parent</b>		
Share capital	833	833
Other equity	389 496	416 610
<b>Total equity</b>	<b>390 328</b>	<b>417 443</b>
<b>Non-current liabilities</b>		
Advance payments from customers	18 207	-
Debt to Shareholders	50 000	-
Deferred tax liability	30 285	34 767
	<b>98 492</b>	<b>34 767</b>
<b>Current liabilities</b>		
Liabilities to credit institutions	100 000	-
Bond loan	-	142 140
Accounts payable	4 896	4 017
Other current liabilities	3 835	3 996
Accrued expenses and deferred income	34 523	73 883
	<b>143 254</b>	<b>224 036</b>
<b>Total liabilities</b>	<b>241 746</b>	<b>258 803</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>632 074</b>	<b>676 246</b>

## Condensed consolidated statement of changes in equity

Amounts in TSEK	Equity attributable to shareholders of the parent				Total equity
	Share capital	Other capital contributions	Translation reserve	Retained earnings including net profit for the period	
<b>Adjusted opening balance, 1 January 2015</b>	833	675 690	-794	-232 931	442 798
Profit/loss for the period	-	-	-	-26 501	-26 501
<i>Other comprehensive income:</i>					
Translation differences	-	-	1 146	-	1 146
<b>Total comprehensive income after tax</b>	<b>0</b>	<b>0</b>	<b>1 146</b>	<b>-26 501</b>	<b>-25 355</b>
<b>Transactions with shareholders</b>					
<b>Total transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing balance, 31 December 2015</b>	<b>833</b>	<b>675 690</b>	<b>352</b>	<b>-259 432</b>	<b>417 443</b>
<b>Opening balance, 1 January 2016</b>	833	675 690	352	-259 432	417 443
Profit/loss for the period	-	-	-	-26 851	-26 851
<i>Other comprehensive income:</i>					
Translation differences	-	-	-264	-	-264
<b>Total comprehensive income after tax</b>	<b>0</b>	<b>0</b>	<b>-264</b>	<b>-26 851</b>	<b>-27 115</b>
<b>Transactions with shareholders</b>					
<b>Total transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing balance, 31 December 2016</b>	<b>833</b>	<b>675 690</b>	<b>88</b>	<b>-286 283</b>	<b>390 328</b>

## Condensed consolidated statement of cash flows

Amounts in TSEK	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
<b>Cash flow from operating activities</b>				
Net profit/loss for the period	-7 409	-19 297	-26 851	-26 501
Accrued interest expense	-	-	-	-
Adjustments for depreciation and amortisation and other non-cash items	-6 490	-3 265	22 967	26 595
	-13 899	-22 562	-3 884	94
<b>Cash flow from changes in working capital</b>				
Increase/decrease inventory	-1 798	-619	-3 416	-2 628
Increase/decrease accounts receivable	517	4 443	-803	-4 747
Increase/decrease other current receivables	-1 820	-3 041	370	141
Increase/decrease accounts payable	560	2 441	933	-7 371
Increase/decrease other current liabilities	-273	-3 207	-5 611	-6 280
	-2 814	16	-8 527	-20 885
<b>Cash flow from investing activities</b>				
Investments in intangible assets	-2 368	-2 343	-6 450	-5 921
Investments in property, plant and equipment	-33	-680	-961	-5 744
Investments in associates	-	-	-	-
	-2 401	-3 023	-7 411	-11 666
<b>Operating cash flow</b>	<b>-19 114</b>	<b>-25 569</b>	<b>-19 822</b>	<b>-32 456</b>
<b>Cash flow from financing activities</b>				
Amortisation of debt	-138 000	-1 035	-138 000	-50 827
Borrowings	150 000	-	150 000	-
	12 000	-1 035	12 000	-50 827
<b>Cash flow for the period</b>	<b>-7 114</b>	<b>-26 604</b>	<b>-7 822</b>	<b>-83 283</b>
<b>Cash and cash equivalents at start of period</b>	<b>22 119</b>	<b>48 802</b>	<b>22 119</b>	<b>105 147</b>
Exchange difference in cash and cash equivalents	640	-79	1 348	255
<b>Cash and cash equivalents at end of period</b>	<b>15 645</b>	<b>22 119</b>	<b>15 645</b>	<b>22 119</b>

## Condensed parent company income statement

Amounts in TSEK	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Revenues	1 669	929	7 563	7 036
	1 669	929	7 563	7 036
Operating expenses	-2 662	-2 984	-10 328	-15 502
	-2 662	-2 984	-10 328	-15 502
<b>Operating profit/loss</b>	-993	-2 055	-2 765	-8 466
Net financial items	-8 253	-5 929	-26 897	-22 399
<b>Profit/loss after financial items</b>	-9 246	-7 984	-29 662	-30 865
Tax for the period	-	-	-	-
<b>Net profit/loss for the period</b>	-9 246	-7 984	-29 662	-30 865

## Condensed parent company statement of comprehensive income

The parent company has no items in 2016 or 2015 recognised in other comprehensive income. Net profit/loss for the period for the parent company thereby also constitutes the comprehensive income for the period. The parent company therefore presents no separate statement of comprehensive income.

## Condensed parent company balance sheet

Amounts in TSEK	2016-12-31	2015-12-31
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets	598 089	699 774
<b>Total non-current assets</b>	<b>598 089</b>	<b>699 774</b>
<b>Current assets</b>		
Receivables from group companies	22 395	12 977
Prepayments and accrued income	243	1 457
Cash and cash equivalents	1 118	16 052
<b>Total current assets</b>	<b>23 756</b>	<b>30 486</b>
<b>TOTAL ASSETS</b>	<b>621 845</b>	<b>730 260</b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Total equity</b>	<b>468 531</b>	<b>498 193</b>
<b>Non-current liabilities</b>		
Liabilities to group companies	-	-
Liabilities to credit institutions	100 000	-
Bond loan	-	225 259
Other liabilities	3 314	6 808
<b>Current liabilities</b>	<b>103 314</b>	<b>232 067</b>
<b>Total liabilities</b>	<b>153 314</b>	<b>232 067</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>621 845</b>	<b>730 260</b>

### Not 1: Effects from change of accounting principle in 2015

In 2015 the accounting principle for recognizing territorial fees was changed. The change for the group, which has had no effect on cash flow, is presented below. For more information, please refer to the Annual Report for 2015.

Bridge for new accounting policy	Q4 2015			Full year 2015		
	Old policy	Adjustment	New policy	Old policy	Adjustment	New policy
<b>Effect in income statement</b>						
Revenues	17 277	3 277	20 553	135 290	3 173	138 463
Operating profit/loss	-19 137	4 719	-14 417	-46 631	33 965	-12 666
<b>Net profit/loss for the period</b>	<b>-24 019</b>	<b>4 719</b>	<b>-19 298</b>	<b>-60 465</b>	<b>33 965</b>	<b>-26 501</b>
<b>Attributable to:</b>						
Shareholders of the parent	-24 019		-19 298	-60 465		-26 501
Total earnings per share, SEK (no dilution effect)	-0,72		-0,58	-1,82		-0,80
<b>Effect in balance sheet</b>						
Assets	676 246	-	676 246	676 246	-	676 246
<b>Equity</b>	<b>459 460</b>	<b>-42 017</b>	<b>417 443</b>	<b>459 460</b>	<b>-42 017</b>	<b>417 443</b>
<b>Current liabilities</b>	<b>39 879</b>	<b>42 017</b>	<b>81 896</b>	<b>39 879</b>	<b>42 017</b>	<b>81 896</b>
<b>Total equity and liabilities</b>	<b>676 246</b>	<b>0</b>	<b>676 246</b>	<b>676 246</b>	<b>0</b>	<b>676 246</b>



## Key figures

### Equity ratio

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

### Net debt

Interest-bearing liabilities less cash and cash equivalents

### EBITDA

Earnings before interest, taxes, depreciation and amortisation

### EBITDA margin

EBITDA/revenue

### Earnings per share

Earnings for the period/weighted average number of shares during the period, issue-adjusted

### Operating cash flow

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

### Profit/loss from financial items

Financial income minus financial expenses

## Alternative Performance Measures

The Company presents certain financial measures in the interim report that are not defined under IFRS. The Company believes that these measures provide useful supplemental information to investors and the company's management as they allow for the evaluation of the company's performance. Because not all companies calculate the financial measures in the same way, these are not always comparable to measures used by other companies. Therefore, these financial measures should not be considered as substitutes for measures as defined under IFRS.

The tables below present measures that are not defined under IFRS

### EBITDA

Shows the company's earning power from ongoing operations irrespective of capital structure and tax situation and is meant to facilitate comparisons with other companies in the same industry.

Amounts in TSEK	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Operating profit/loss	-3 908	-14 417	-18 268	-12 666
Depreciation and amortisation	<u>8 445</u>	<u>8 307</u>	<u>33 375</u>	<u>32 850</u>
<b>EBITDA</b>	<b>4 537</b>	<b>-6 110</b>	<b>15 107</b>	<b>20 184</b>

### Net debt

Is a measurement used to describe the group's indebtedness and its ability to repay its debt with cash generated from the group's operating activities if the debts matured today.

Amounts in TSEK	Oct-Dec 2016	Oct-Dec 2015	Full year 2016	Full year 2015
Interest-bearing liabilities	150 000	142 140	150 000	142 140
Cash and cash equivalents	<u>-15 645</u>	<u>-22 119</u>	<u>-15 645</u>	<u>-22 119</u>
<b>Net debt</b>	<b>134 355</b>	<b>120 021</b>	<b>134 355</b>	<b>120 021</b>

## Forthcoming disclosures of information

18 April 2017	Annual report 2016
4 May 2017	Interim report, 1 Jan – 31 Mar 2017
10 August 2017	Interim report, 1 Apr – 30 Jun 2017
9 November 2017	Interim report, 1 Jul – 30 Sep 2017

## Annual General Meeting

The Annual General Meeting of Bactiguard Holding AB (publ) will be held on Thursday, 18 May 2017 in Botkyrka.

## Contacts

For additional information, please contact:

Christian Kinch, CEO: +46 8 440 58 80

Fredrik Järrsten, CFO: +46 725 500 089

## Signatories to the report

The Board of Directors and the CEO certify that the interim report, to the best of their knowledge, provides a fair overview of the parent company's and the group's operations, financial position and results and describes the material risks and uncertainties faced by the parent company and the companies included in the Group.

Stockholm, 9 February 2017

Stanley Brodén

Chairman

Mia Arnhult

Board member

Peter Hentschel

Board member

Marie Wickman-Chantereau

Board member

Christian Kinch

CEO and Board member

This interim report is unaudited

Bactiguard is a Swedish medtech company with a global presence, offering a solution that prevents healthcare associated infections caused by medical devices. By preventing infections, we contribute to a reduced use of antibiotics and the spread of multi-resistant bacteria, which is a growing problem worldwide. We save lives, increase patient safety and significantly reduce the cost for the healthcare and society. Our technology is well-proven, safe and tissue friendly and consist of a thin layer of noble metals that prevents bacterial growth. The coating can be applied on almost all medical devices. Bactiguard-coated urinary catheters are market leading in the US and Japan and the company has also its own product portfolio consisting of Foley catheters, central venous catheters and endotracheal tubes. Bactiguard is a growth company, focused on markets in Europe, Middle East, Asia and Latin America. The company has about 60 employees worldwide, mainly at the headquarters in Stockholm and the production facility in Malaysia and is listed on Nasdaq Stockholm. Read more about Bactiguard at [www.bactiguard.com](http://www.bactiguard.com).

This information is information that Bactiguard Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above 2017-02-09, at. 08.00.