

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

Corporate registration number 556822-1187

## Fourth quarter (October-December 2015)

- During the fourth quarter, a total of approx. 74,000 (8,000) BIP products were delivered, 100 % of which generated revenues.
- Revenues amounted to SEK 20.6 (24.7) million.
- EBITDA amounted to SEK -6.1 (-3.6) million. Provisions for doubtful accounts receivable have negatively affected EBITDA during the quarter by SEK -1.3 million. Adjusted for these items, EBITDA amounted to SEK -4.8 million
- Operating profit amounted to SEK -14.4 (-11.3) million.
- Reported net profit amounted to SEK -19.3 (-15.3) million, corresponding to SEK -0.58 (-0.46) per share. Net profit for the quarter has been negatively affected by market valuation of the bond with SEK -2.8 (-1.1) million.
- Operating cash flow for the quarter amounted to SEK -25.6 (-27.6) million, corresponding to SEK -0.77 (-0.83) per share.

## Full year (January-December 2015)

- During the full year, a total of approx. 152,000 (79,000) BIP products were delivered, 100 % of which generated revenues.
- Revenues amounted to SEK 138.5 (98.3) million, an increase by 41 % compared to full year 2014. The increase is mainly attributable to the additional order during the third quarter from C.R. Bard.
- EBITDA amounted to SEK 20.2 (-5.4) million. Provisions and non-recurring costs have negatively affected EBITDA by SEK -11.2 (-4.3) million. Adjusted for these items, EBITDA amounted to SEK 31.4 (-1.0) million or 23.0% (-1.0%).
- Operating profit amounted to SEK -12.7 (-35.5) million.
- Net profit amounted to SEK -26.5 (-110.7) million, corresponding to SEK -0.80 (-4.43) per share. Net profit for the period has been positively affected by market valuation of the bond with SEK 2.6 million (-32.2 million).
- Operating cash flow amounted to SEK -32.5 (-54.0) million, corresponding to SEK -0.97 (-2.16) per share.

## Key events during the fourth quarter

- Revised financial targets
- Refinancing of the bond loan secured
- License agreement for orthopaedic implants
- Initial order from India of approx. 50,000 units
- Adjusted additional order from C.R. Bard
- Product approval in China

## Key events after the end of the fourth quarter

- First order from China of 100,000 units
- Bactiguard wins tender in Halland
- Laboratory study shows that Bactiguard's coating may reduce the risk of thrombosis
- Change of accounting principle regarding territorial fees

Key figures	Oct-Dec	Oct-Dec	Full year	Full year
	2015	2014	2015	2014
Revenues, SEKm	20,6	24,7	138,5	98,3
EBITDA, SEKm	-6,1	-3,6	20,2	-5,4
EBITDA margin, %	-30%	-15%	15%	-5%
EBITDA <sup>1</sup> , SEKm	-4,8	-2,3	31,4	-1,0
EBITDA margin <sup>1</sup> , %	-23%	-9%	23%	-1%
Operating profit, SEKm	-14,4	-11,3	-12,7	-35,5
Net profit for the period, SEKm	-19,3	-15,3	-26,5	-110,7
Operating cash flow <sup>2</sup> , SEKm	-25,6	-27,6	-32,5	-54,0
Earnings per share <sup>3</sup> , SEK	-0,58	-0,46	-0,80	-4,43
Op. cash flow per share <sup>4</sup> , SEK	-0,77	-0,83	-0,97	-2,16
Equity ratio, %	62%	55%	62%	55%
Net debt, SEKm	120,0	90,4	120,0	90,4
Number of shares at the end of period <sup>5</sup>	33 302 373	33 302 373	33 302 373	33 302 373
Weighted average number of shares <sup>5</sup>	33 302 373	33 302 373	33 302 373	25 007 242

<sup>1</sup> EBITDA adjusted for non-recurring costs

<sup>2</sup> Cash flow from operating activities after investments and changes in working capital

<sup>3</sup> Net profit for the period / Weighted average number of shares during the period, issue-adjusted

<sup>4</sup> Operating cash flow / Weighted average number of shares during the period, issue-adjusted

<sup>5</sup> Adjusted for split

## Comments by the CEO

The year could not have ended in a better way for Bactiguard, as we received the final product approval for our infection prevention urinary catheter in China on New Year's Eve. Our technology has been approved at all levels, a process that took more than four years, and we are now ready to start penetrating one of the largest markets in the world. Following the approval, we also received our first order of 100 000 urinary catheters, which we will gradually start shipping from the end of this quarter.

Since I assumed the role as CEO in June, we have had three main priorities, to increase sales of our own product portfolio, to develop new license businesses and to secure the refinancing of the bond loan.

To drive sales, we have invested in our sales- and marketing organization and doubled the number of units delivered during the year, which is encouraging. We had a strong growth in the fourth quarter, which resulted in an annual volume of more than 150 000 units.

In November, we received an initial order from India and we see major potential in the country, where the increasing antibiotic resistance leads to major challenges in treating infections. We have already delivered a small part of the order of 50 000 catheters and intensified sales- and marketing activities. Since the beginning of the year we have participated in two major congresses in India as well as the annual congress Arab Health, and we experience an increasing interest in the Bactiguard technology.

The second priority, to develop new license businesses, has also generated results. In the autumn, we entered a license agreement with Vigilenz Medical Devices in South East Asia, regarding orthopaedic implants for bone fractures. This means that we are establishing our technology in a new therapeutic area, which opens doors to new application areas. We see significant potential for new license deals and aim to sign at least one new agreement in 2016.

In November, we completed our third priority, the refinancing of the bond maturing in December 2016, through a loan commitment and a renewed overdraft facility. This reduces uncertainty and gives us flexibility in securing long-term financing for the company, at market terms.

During the year, the clinical evidence was strengthened by two new studies, both independent and randomized, where the results show that the Bactiguard technology reduces catheter-related infections in a cost effective way. In January this year, a new laboratory study conducted together with the Karolinska Institute was published. The results indicate that the technology may also have a positive impact on thrombosis (blood clots), a serious condition for the patient.

A lot of resources have been utilized for the relocation of operations to our new integrated headoffice south of Stockholm in 2015. The transition has also led to extensive regulatory work, which we now see the end of. We now have the whole company under one roof, close to the Karolinska University Hospital, which generates positive synergy effects.

One of the positive surprises last year was the one-off order from C.R. Bard (Bard), which initially generated additional revenue of SEK 28 million. The order was later revised to 20 million, which led to lower than expected delivered volumes and revenues from Bard in the fourth quarter.

In connection with the annual accounts for 2015, following careful consideration and consultation with Nasdaq Stockholm, the management and the Board have decided to change the principle of how we account for territorial fees in the income statement, in order to establish a more direct link between product deliveries, revenues and cash flow. The change in accounting principle means that territorial fees are accounted for as Sales of BIP products in line with product deliveries. This will increase transparency and improve the possibilities for shareholders to analyse the company's annual earnings capacity. All in all, the change in accounting principle has had a positive effect of 34 MSEK on profit for 2015 and a negative effect on equity of 42 MSEK.

Revenues and earnings are behind our original plan. Therefore, in November, we revised our financial targets with an average growth of 20 percent per year as the base. These new financial targets are not affected by the change in accounting principle.

Our full focus is now on increasing sales while keeping a tight cost control, all in order to balance costs against revenues and reverse the trend towards positive earnings and cash flow.

Finally, I would like to highlight that I am proud of our strong and international team, where each employee fills his role in the value chain. We have built a solid foundation and are well equipped to meet the opportunities we see ahead for Bactiguard. 2016 will be an exciting year.

Christian Kinch  
CEO

## Key events during the fourth quarter

### Revised financial targets

In November, the Board made the decision to revise our financial targets for the coming five year period, described in more detail under the heading Financial targets on page 11 in this report.

### Refinancing of the bond loan secured

Bactiguard has entered a credit facility agreement of 130 million SEK in total consisting of a loan commitment of SEK 100 million and a renewal of overdraft facility of SEK 30 million. Combined with the company's cash position, the credit facility secures the refinancing of Bactiguard's bond loan, which matures in December 2016. When utilizing the loan commitment, the credit initially expires at 30 June 2017 unless otherwise so agreed. If the loan commitment is utilized, the two main shareholders, without compensation, have agreed to enter into guarantee commitments for Bactiguard Holding AB's obligations under the loan agreement.

### License agreement for orthopaedic implants, a new therapeutic area

Bactiguard and Vigilenz Medical Devices (Vigilenz), a supplier of medical and surgical products, have entered into a license agreement for Bactiguard coated orthopaedic implants, covering the Asean region (Malaysia, Indonesia, Thailand, Philippines, Singapore, Brunei, Vietnam, Myanmar, Cambodia & Laos).

The implants will initially be coated by Bactiguard. Vigilenz will be responsible for the CE certification process and for conducting clinical trials. As soon as the coated implants have been launched, Bactiguard will start receiving royalties.

### Initial order from India

Bactiguard has received an initial order from India of some 50 000 Foleys for infection prevention generating revenues of close to 2 million SEK, at product delivery. At the same time, the planned clinical study has been initiated. A small part of the order was shipped during the fourth quarter of 2015 and the bulk will be shipped in the first quarter of 2016.

### Adjusted additional order from C.R. Bard

In August 2015, Bactiguard received a one off order from C.R. Bard, intended to increase their safety stock, which generated additional sales of approximately 28 MSEK in the third quarter. Following an internal analysis, C.R. Bard concluded that the safety stock order was incorrect and that an order worth approximately 20 MSEK would have been sufficient. Part of the additional order, corresponding to a value of approximately 8 MSEK, will therefore be used in C.R. Bard's regular production. This will have a corresponding negative impact on Bactiguard's revenues, primarily in the fourth quarter but also early 2016.

### Product approval opens door to China

On 31 December 2015, China Food and Drug Administration (CFDA) announced the regulatory approval for Bactiguard's Foley catheter. This green light from CFDA is an important breakthrough for Bactiguard and opens one of the largest and fastest growing markets in the world. The Chinese market for Foley catheters is estimated to be more than 50 million units per year and steadily growing.

## Key events after the end of the fourth quarter

### First order from China

Following the Chinese approval of Bactiguard's Foley catheters for infection prevention, which was recently announced, the company has received an initial order of 100,000 catheters corresponding to an order value of more than SEK 3 million which will be accounted for as revenue at delivery.

A small part of the order will be shipped during the first quarter of 2016, the rest in the second quarter of 2016.

### Laboratory study shows that coating may also prevent thrombosis

A laboratory study, recently published in the Journal of Biomedical Material, by scientists at Karolinska Institutet and Bactiguard, shows that Bactiguard's coating may reduce the risk of thrombosis.

A previous clinical study shows that Bactiguard's Infection Protection central venous catheters reduce the number of bloodstream infections by 50 percent. In this new study it was also observed that the coating, applied to the surface, may also prevent thrombosis.

### Bactiguard won a tender in the Swedish region Halland

Bactiguard won a tender, to supply urinary tract catheters to the Swedish region Halland. This means that Halland is able to start to purchase Bactiguard's Infection Protection Foley catheters from 1 October 2016.

### Change of accounting principle regarding territorial fees

In connection with the annual accounts for 2015, following careful consideration and consultation with Nasdaq Stockholm, the management and the Board have decided to change the accounting principle regarding territorial fees. As of 2015, the company will account for territorial fees as Sales of BIP products in line with product deliveries instead of, as previously, revenues at contract signing. This has a positive effect of approximately 34 MSEK on profit for 2015 and a negative effect on equity of 42 MSEK. For the fourth quarter 2015, the change had a SEK 4.7 million positive effect on profit. The above changes have had no effect on cash flow.

The principle that the company will adopt from the full financial year 2015, will establish a more direct link between product deliveries, revenues and cash flow, which increases transparency and improves the possibilities for shareholders to analyse the company's annual earnings capacity. The previous principle was based on accounting for revenues at signing of the contract, while cash flow was related to the actual payment of the territorial fees. At the same time, some product deliveries were made against market contribution, which meant that revenues did not increase in line with delivered volumes. This accounting principle is accepted, but makes the revenue streams more difficult to analyze.

In the year end report for 2015, full income statements and balance sheets based on the new accounting principle are presented for the financial years 2014 and 2015. In note 1, a specification of the effects of the change can be found. In the annual report for 2015, the effects of the new accounting principle on the 2011-2013 period will be presented in the financial overview.

The revised financial targets, which were communicated in the interim report for the third quarter, will not be affected by the change in accounting principle.

# Consolidated revenues and earnings

## Revenues

Bactiguard has two revenue streams (after implemented change of accounting principle).

### 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 any other operating income.

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

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

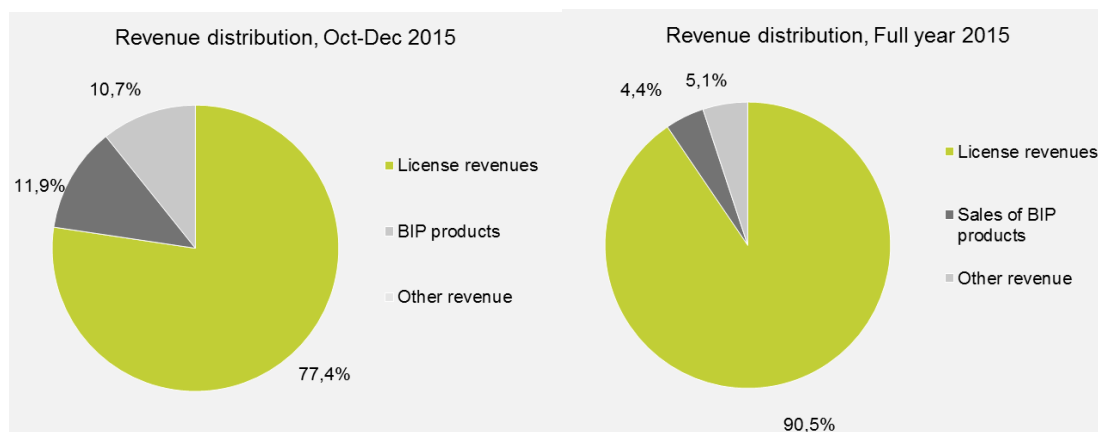
### Fourth quarter (October-December)

Consolidated revenues for the fourth quarter amounted to SEK 20.6 (24.7) million, which is a decrease of approx. 17 % compared to the same quarter last year. The decrease is mainly related to the adjustment of the additional one-off order from C.R. Bard, which generated additional sales of approximately SEK 28 million in the third quarter. Following an internal analysis, C.R. Bard concluded that the safety stock order was incorrect and that an order worth approximately SEK 20 million would have been sufficient. Part of the additional order, corresponding to a value of approximately SEK 8 million, will therefore be used in C.R. Bard's regular production. This meant lower revenues than expected in the fourth quarter but will also have an impact in early 2016.

The bulk of revenues during the fourth quarter (77.4 %) came even so from License revenues. These amounted to SEK 15.9 (20.2) million, including a positive currency effect of SEK 1.2 (3.4) million. A smaller part of License revenues consisted of an initial payment from the new license partner in Malaysia, Vigilenz Medical Devices.

Sales of BIP products amounted to 11.9 % of revenues or approx. SEK 2.4 (0.3) million in the fourth quarter, with sales primarily to the Middle East, India and Sweden. During the quarter, a new distributor agreement for India was signed. A smaller part delivery to India of an order of about 50,000 catheters took place at the end of the fourth quarter where the majority will be delivered during the first quarter of 2016.

Other revenues during the quarter amounted to 10.7 % or approx. SEK 2.2 (4.2) million and are attributable to exchange rate differences and EU grants for development projects.



### Full year (Januari-December)

Consolidated revenues for the full year 2015 amounted to SEK 138.5 (98.3) million, an increase by approx. 41 % compared to full year 2014.

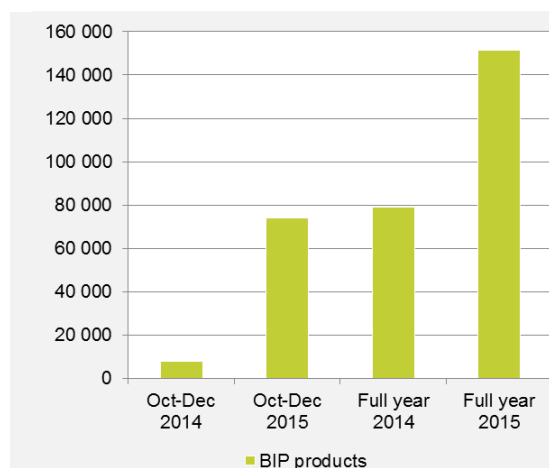
The bulk of the revenue, 90.5 % (91.3 %), was attributable to License revenues. The total volume of the underlying license flow from C.R. Bard (ie excluding the additional order) was slightly lower than previous year but a positive currency effect for the full year of approximately SEK 19.6 (4.6) million meant that License Revenue also on the underlying volume increased by about 17 %. Total license revenue for the full year 2015 increased by 40 % to SEK 125.3 million from SEK 89.8 million full year 2014, including a positive currency effect of approximately SEK 23.3 million.

New distributor agreements regarding Switzerland, Israel, Colombia and India were signed during the year. Sales of BIP products for the year accounted for 4.4 % (3.8 %) of revenues, totalling 6.1 (3.7) million.

Other revenues during the full year amounted to 7.0 (4.8) million or approx. 5.1 % (4.8 %) and are attributable to exchange rate differences and EU grants for development projects.

	Oct-Dec 2015	Oct-Dec 2014	Full year 2015	Full year 2014
License revenues	77,4%	81,8%	90,5%	91,3%
Sales of BIP products	11,9%	1,4%	4,4%	3,8%
Other revenue	10,7%	16,9%	5,1%	4,8%

### Product deliveries



During the fourth quarter of 2015, a total of approx. 74,000 BIP products were delivered compared to approx. 8.000 in the corresponding period of 2014.

During the full year 2015, a total of approx. 152,000 products were delivered, compared to approx. 79.000 during the full year 2014, an increase of approx. 92 %.

## Financial results

### Fourth quarter (October-December)

EBITDA for the fourth quarter amounted to SEK -6.1 (-3.6) million. Provisions have negatively affected EBITDA during the quarter by SEK -1.3 million. Adjusted for these items, EBITDA amounted to SEK -4.8 million. The negative change compared with the corresponding period last year is, as mentioned earlier, a result of lower revenues from C.R. Bard due to C.R. Bard's downward adjustment of the extent of the safety stock which formed the basis for the additional order during the third quarter.

Consolidated operating profit for the fourth quarter of 2015 amounted to SEK -14.4 (-11.3) million. In Other external expenses include a provision for doubtful accounts receivable of net 1.3 million.

Financial items for the quarter amounted to SEK -5.9 (-5.4) 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 2015, the market valuation of the bond affected financial items negatively by SEK -2.8 (-1.1) million. Interest expense related to the bond amounted to SEK -3.8 (-5.2) million in the fourth quarter.

Tax for the period amounted to SEK 1.0 (1.3) 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 -19.3 (-15.3) million where lower ordered volume than expected from C.R. Bard was the main reason behind the negative change in net profit.

### Full year (January-December)

EBITDA for the full year amounted to SEK 20.2 (-5.4) million. Provisions and non-recurring costs have negatively affected EBITDA during the period by SEK -11.2 (-4.3) million. Adjusted for these items, EBITDA amounted to SEK 31.4 (-1.0) million or 23.0 % (-1.0 %). Non-recurring items consist of provisions for doubtful accounts receivable, with no effect on the cash flow, costs attributable to consultancy support for a strategic marketing project as well as severance pay for the former CEO. These were offset positively by the additional order from C.R. Bard.

Consolidated operating profit for the full year amounted to SEK -12.7 (-35.5) million including operational costs of SEK 151.1 million. Excluding provisions and non-recurring costs as above, total operating costs amounted to SEK 139.9 million, which is SEK 10.4 million higher than comparable adjusted operating costs for the full year 2014 (adjusted for non-recurring costs of about SEK 4.3 million). The increase is attributable to Raw materials and consumables SEK 1.4 million, Personnel costs SEK 3.4 million, Depreciation SEK 2.7 million and Other external expenses SEK 5.1 million while Other operating expenses have decreased SEK -2.2 million. Regarding the increase in personnel costs, the organization has grown according to plan by 7 people (average number of employees) in 2015, mainly in sales and marketing.

Tax for the full year amounted to 4.5 (5.1) 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 -26.5 (-110.7) million. Net profit is, in addition to the above mentioned additional order, provisions and non-recurring items, also impacted by the effects of the market valuation of the bond loan of SEK 2.6 (-32.2) million.

## Cash flow

### Fourth quarter (October-December)

Operating cash flow (cash flow from operating activities after investments and changes in working capital) for the fourth quarter amounted to SEK -25.6 (-27.6) million. Cash flow from operating activities contributed negatively by SEK -22.6 (-27.6) million while Cash flow from changes in working capital was unchanged SEK 0.0 (9.6) million.

Total cash flow for the fourth quarter amounted to SEK -26.6 (-49.7) million. Of this, repurchase of bonds amounted to SEK -1.0 million (corresponding to a nominal value of SEK 1 million).



### Full year (January-December)

Operating cash flow for the full year 2015 amounted to SEK -32.5 (-54.0) million. Interest payments on bond loan amounted to SEK 15.2 (20.7) million.

Total cash flow for the full year was SEK -83.3 (98.0) million. Of this, repurchase of bonds amounted to SEK 50.8 million (corresponding to a nominal value of SEK 50.5 million).

## Investments

Investments in property, plant and equipment during the fourth quarter amounted to SEK 0.7 (9.1) million, mainly related to the new integrated headquarters and production facility. Investment in intangible assets, mainly related to capitalised development expenditures, amounted to 2.3 (0.3) million. No investments were made in financial non-current assets during the period SEK 0.0 (0.1) million.

For the full year 2015, total investments were SEK 11.7 (18.2) million, of which tangible fixed assets, mainly related to the new headquarters, accounted for SEK 5.7 (15.7) million and intangible assets, mainly related to capitalised development expenditures, amounted to SEK 5.9 (2.4) million.

## Financial position

The consolidated equity ratio was 62 % at 31 December 2015 (55 % at 31 December 2014) and equity amounted to SEK 417.4 million (SEK 442.8 million at 31 December 2014).

Bactiguard has a bond loan that matures on 12 December 2016, with an annual coupon of 11 %, payable in December each year. After completion of the set-off issue in connection with the listing of the company's shares on Nasdaq Stockholm in 2014, when holders of bonds with a total nominal value of SEK 222.5 million chose to offset bonds against shares, the nominal value of the outstanding bond loan was SEK 227.5 million. Subsequently, bonds have been repurchased in the market, which further has reduced the outstanding nominal value.

The bond is listed on Nasdaq Stockholm. During the fourth quarter, Bactiguard repurchased bonds with a total nominal value of SEK 1.0 million. During the full year, repurchases have been conducted totalling a nominal value of SEK 50.5 million and in total, the nominal value of the repurchased bonds since the third quarter of 2014 amounts to SEK 89.5 million. The nominal value of the outstanding bond loan after completed repurchases is thereby SEK 138 million.

The bond is valued at market value and on 31 December 2015, net outstanding bond (nominal value SEK 138 million) was valued at SEK 142.1 million (price 103.0, which is an increase from 101.0 at the end of the third quarter 2015).

Consolidated cash position at 31 December 2015 amounted to SEK 22.1 million (SEK 105.1 million at 31 December 2014). Net debt amounted to SEK 120 million (SEK 90.4 million at 31 December 2014).

The total assets of the Group at 31 December 2015 amounted to SEK 676.2 million (SEK 811.1 million at 31 December 2014). The largest asset item in the balance sheet is technology related to Bactiguard's product portfolio, which at 31 December amounted to SEK 260.4 million (SEK 284.2 million at 31 December 2014).

Accounts receivable (short- and long term) amounted to SEK 57.6 million at 31 December 2015, which is a decrease of SEK 33.5 million since 31 December 2014.



## 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 2015 was SEK 11.20, and the market capitalization amounted to SEK 373 million.

The share capital of Bactiguard at 31 December 2015 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 2015 amounted to 33,302,373 shares and 69,302,373 votes.

### Ownership

At 31 December 2015, Bactiguard had 2.593 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	8 160 484	10 160 484	30,5%	40,6%
THOMAS VON KOCH WITH COMPANY	2 000 000	8 160 384	10 160 384	30,5%	40,6%
HANDELSBANKEN FONDER AB		858 586	858 586	2,6%	1,2%
ROBUR FÖRSÄKRING		831 448	831 448	2,5%	1,2%
STÅHLBERG, JAN		582 544	582 544	1,8%	0,8%
NORDNET PENSIONS FÖRSÄKRING AB		523 105	523 105	1,6%	0,8%
FRÖAFALL INVEST AB		516 000	516 000	1,6%	0,7%
SARGAS EQUITY AB		364 090	364 090	1,1%	0,5%
CANCERFONDEN		346 297	346 297	1,0%	0,5%
AVANZA PENSION		320 219	320 219	1,0%	0,5%
<b>Total, major shareholders</b>	<b>4 000 000</b>	<b>20 663 157</b>	<b>24 663 157</b>	<b>74,1%</b>	<b>87,5%</b>
Total, others	0	8 639 216	8 639 216	25,9%	12,5%
<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 2015 amounted to 65 (58), of which 36 (31) 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. 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 2014 except for accounting of revenues relating to territorial fees. 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 deliveries. 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 17.

New standards effective from 1 January 2015 have had no material impact on the Group. The new and amended standards and interpretations that have been issued but are effective for fiscal years beginning after 1 January, 2016 have not yet been applied by the Group.

Financial assets and financial liabilities measured at fair value in the balance sheet are classified into one of three levels based on the information used to determine fair value. Bactiguard bond loan is valued using level 1, is listed on Nasdaq Stockholm and is valued at quoted price.

## **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 received a loan commitment of SEK 100 million. If the loan commitment is utilized, the board member - who is also the CEO and major shareholder - Christian Kinch and major shareholder Thomas von Koch have agreed, without remuneration, to enter into guarantee commitments for Bactiguard Holding AB's obligations under the loan agreement.

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 (which are still valid) can be found on page 21 and 38-40 of the Annual Report for 2014.

## Financial targets

Bactiguard's goal is to create value and generate good returns for the shareholders. Past targets have been based on an average growth of 30 % per year over a five-year period starting from 2013. The Board has decided to revise the financial targets as follows:

An average growth of 20 % per year over a five year period, with 2015 (adjusted for the additional order from C.R. Bard) as the base year. Furthermore, 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 new license agreements in new therapeutic areas. Other financial goals 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 before dividends.

## Condensed consolidated income statement

Amounts in TSEK	Oct-Dec 2015	Oct-Dec 2014	Full year 2015	Full year 2014
<i>Revenues</i>				
License revenues	15 899	20 157	125 292	89 779
Sales of BIP products	2 447	338	6 128	3 749
Other revenue	2 207	4 155	7 043	4 766
	20 553	24 650	138 463	98 294
Raw materials and consumables	-1 127	32	-7 902	-6 499
Other external expenses	-13 386	-14 576	-56 287	-48 921
Personnel costs	-12 080	-12 003	-52 942	-44 996
Depreciation and amortisation	-8 307	-7 742	-32 850	-30 131
Other operating expenses	-70	-1 689	-1 145	-3 229
	-34 970	-35 978	-151 126	-133 777
<b>Operating profit</b>	<b>-14 417</b>	<b>-11 328</b>	<b>-12 663</b>	<b>-35 483</b>
<i>Financial items</i>				
Financial income	1 058	1 072	2 659	3 641
Financial expenses	-6 909	-6 432	-20 961	-83 999
	-5 851	-5 360	-18 302	-80 358
<b>Profit before tax</b>	<b>-20 268</b>	<b>-16 687</b>	<b>-30 965</b>	<b>-115 841</b>
Tax for the period	969	1 339	4 469	5 104
<b>Net profit/loss for the period</b>	<b>-19 298</b>	<b>-15 348</b>	<b>-26 496</b>	<b>-110 737</b>
<b>Attributable to:</b>				
Shareholders of the parent	-19 298	-15 348	-26 496	-110 737
Earnings per share, SEK*	-0,58	-0,46	-0,80	-4,43

## Condensed consolidated statement of comprehensive income

Amounts in TSEK	Oct-Dec 2015	Oct-Dec 2014	Full year 2015	Full year 2014
Net profit/loss for the period	-19 298	-15 348	-26 496	-110 737
<i>Other comprehensive income:</i>				
<u>Items that will not be reclassified to profit or loss for the year</u>	-	-	-	-
<u>Items that will be reclassified to profit or loss for the year</u>				
Translation differences	-887	-238	1 144	-655
Other comprehensive income, after tax	-887	-238	1 144	-655
<b>Total comprehensive income for the period</b>	<b>-20 185</b>	<b>-15 586</b>	<b>-25 352</b>	<b>-111 392</b>
<b>Attributable to:</b>				
Shareholders of the parent	-20 185	-15 586	-25 352	-111 392
Total earnings per share, SEK*	-0,61	-0,47	-0,76	-4,45
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	25 007

\* no dilution effect

## Condensed consolidated statement of financial position

Amounts in TSEK	2015-12-31	2014-12-31
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	226 292	226 292
Technology	260 418	284 225
Brands	25 572	25 572
Customer relationships	12 908	14 088
Capitalised development expenditure	12 062	7 772
Patents	1 272	1 454
<b>Intangible assets</b>	<b>538 524</b>	<b>559 402</b>
Improvements, leasehold	17 917	15 812
Machinery and other technical plant	7 412	9 763
Equipment, tools and installations	5 432	6 204
<b>Property, plant and equipment</b>	<b>30 761</b>	<b>31 779</b>
Accounts receivable	6 012	9 531
Investments in associates	1 298	1 368
<b>Financial assets</b>	<b>7 310</b>	<b>10 899</b>
<b>Total non-current assets</b>	<b>576 595</b>	<b>602 080</b>
<b>Current assets</b>		
Inventory	11 687	8 974
Accounts receivable	51 634	81 625
Other current receivables	14 210	13 303
Cash and cash equivalents	22 119	105 147
<b>Total current assets</b>	<b>99 650</b>	<b>209 049</b>
<b>TOTAL ASSETS</b>	<b>676 246</b>	<b>811 128</b>
<b>Equity attributable to shareholders of the parent</b>		
Share capital	833	833
Other equity	416 613	441 965
<b>Total equity</b>	<b>417 446</b>	<b>442 798</b>
<b>Non-current liabilities</b>		
Bonds	142 140	195 569
Deferred tax liability	34 767	39 237
	<b>176 907</b>	<b>234 806</b>
<b>Current liabilities</b>		
Accounts payable	4 017	10 995
Other current liabilities	3 996	3 938
Accrued expenses and deferred income	73 880	118 591
	<b>81 893</b>	<b>133 525</b>
<b>Total liabilities</b>	<b>258 800</b>	<b>368 330</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>676 246</b>	<b>811 128</b>

## Condensed consolidated statement of changes in equity

Amounts in TSEK	Equity attributable to shareholders of the parent				
	Share capital	Other capital contributions	Translation reserve	Retained earnings including net profit for the period	Total equity
<b>Closing balance, 31 December 2013</b>	500	202 673	-139	-62 082	140 953
Effect of change in accounting principle	-	-	-	-60 217	-60 217
<b>Adjusted opening balance, 1 January 2014</b>	500	202 673	-139	-122 299	80 736
Profit/loss for the period	-	-	-	-110 737	-110 737
<i>Other comprehensive income:</i>					
Translation differences	-	-	-655	-	-655
<b>Total comprehensive income after tax</b>	<b>0</b>	<b>0</b>	<b>-655</b>	<b>-110 737</b>	<b>-111 392</b>
<b>Transactions with shareholders</b>					
Share issue	333	473 017	-	-	473 350
Repurchase of options	-	-	-	105	105
<b>Total transactions with shareholders</b>	<b>333</b>	<b>473 017</b>	<b>0</b>	<b>105</b>	<b>473 455</b>
<b>Closing balance, 30 September 2015</b>	<b>833</b>	<b>675 690</b>	<b>-794</b>	<b>-232 931</b>	<b>442 798</b>
<b>Opening balance, 1 January 2015</b>	833	675 690	-794	-232 931	442 798
Profit/loss for the period	-	-	-	-26 496	-26 496
<i>Other comprehensive income:</i>					
Translation differences	-	-	1 144	-	1 144
<b>Total comprehensive income after tax</b>	<b>0</b>	<b>0</b>	<b>1144</b>	<b>-26 496</b>	<b>-25 352</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>350</b>	<b>-259 427</b>	<b>417 446</b>

## Condensed consolidated statement of cash flows

Amounts in TSEK	Oct-Dec 2015	Oct-Dec 2014	Full year 2015	Full year 2014
<b>Cash flow from operating activities</b>				
Net profit/loss for the period	-19 298	-15 348	-26 496	-110 737
Adjustments for depreciation and amortisation and other non-cash items	-3 265	-12 239	26 590	52 177
	-22 563	-27 587	94	-58 560
<b>Cash flow from changes in working capital</b>				
Increase/decrease inventory	-619	-3 533	-2 628	-5 936
Increase/decrease accounts receivable	4 443	1 685	-4 747	2 982
Increase/decrease other current receivables	-3 042	3 418	141	-2 270
Increase/decrease accounts payable	2 441	5 953	-7 371	3 561
Increase/decrease other current liabilities	-3 207	2 087	-6 280	24 478
	16	9 610	-20 885	22 815
<b>Cash flow from investing activities</b>				
Investments in intangible assets	-2 343	-342	-5 921	-2 397
Investments in property, plant and equipment	-680	-9 104	-5 744	-15 692
Investments in associates	-	-145	-	-145
	-3 023	-9 591	-11 666	-18 233
<b>Operating cash flow</b>	-25 570	-27 568	-32 456	-53 978
<b>Cash flow from financing activities</b>				
Share issue	-	-292	-	473 350
Amortisation of debt	-1 035	-21 833	-50 827	-321 495
Repurchase of options	-	-	-	104
	-1 035	-22 125	-50 827	151 959
<b>Cash flow for the period</b>	<b>-26 605</b>	<b>-49 692</b>	<b>-83 283</b>	<b>97 981</b>
<b>Cash and cash equivalents at start of period</b>	<b>48 803</b>	<b>154 045</b>	<b>105 147</b>	<b>5 417</b>
Exchange difference in cash and cash equivalents	-79	794	255	1 748
<b>Cash and cash equivalents at end of period</b>	<b>22 119</b>	<b>105 147</b>	<b>22 119</b>	<b>105 147</b>



## Condensed parent company income statement

Amounts in TSEK	Oct-Dec 2015	Oct-Dec 2014	Full year 2015	Full year 2014
Revenues	929	3 430	7 037	12 287
Operating expenses	-2 984	-4 675	-15 502	-18 604
<b>Operating profit/loss</b>	-2 055	-1 245	-8 465	-6 317
Net financial items	-5 929	-5 245	-22 400	-46 713
<b>Profit/loss after financial items</b>	-7 984	-6 490	-30 865	-53 030
Tax for the period	-	-	-	-
<b>Net profit/loss for the period</b>	-7 984	-6 490	-30 865	-53 030

## Condensed parent company statement of comprehensive income

The parent company has no items in 2015 or 2014 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	2015-12-31	2014-12-31
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets	699 774	656 574
<b>Total non-current assets</b>	<b>699 774</b>	<b>656 574</b>
<b>Current assets</b>		
Receivables from group companies	14 880	13 407
Prepayments and accrued income	1 456	360
Other current receivables	1	139
Cash and cash equivalents	16 052	87 319
<b>Total current assets</b>	<b>32 389</b>	<b>101 225</b>
<b>TOTAL ASSETS</b>	<b>732 163</b>	<b>757 799</b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Total equity</b>	<b>498 193</b>	<b>529 058</b>
<b>Non-current liabilities</b>		
Liabilities to group companies	1 903	-
Other liabilities	6 808	5 820
<b>Current liabilities</b>	<b>8 711</b>	<b>5 820</b>
<b>Total liabilities</b>	<b>233 970</b>	<b>228 740</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>732 163</b>	<b>757 799</b>

### Note 1: Effects from change of accounting principle

As shown in the description of accounting principles on page 9, Bactiguard has changed its accounting principle for recognizing territorial fees. According to the change in accounting principle, territorial fees are accounted for 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 income until the delivery has been made. Settlement of deferred income is made upon deliveries.

Recognition of deferred income when changing policy generates a negative effect on opening shareholders' equity as of January 1, 2014 of approx. SEK -60 million, as shown in changes in equity on page 14. The revised principle has affected the closing shareholders' equity as of December 31, 2015 by approximately SEK -42 million. The table below shows the impact in the income statement for the years 2014 and 2015. For the fourth quarter 2015, the change had a SEK 4.7 million positive effect on profit and for the fourth quarter 2014, the positive effect was SEK 0.3 million. None of the above changes have had an effect on cash flow.

Other effects	2015			2014		
	before adjustm.	adjustm.	after adjustm.	before adjustm.	adjustm.	after adjustm.
Revenues	135,3	3,2	138,5	118,9	-20,6	98,3
Operating profit	-46,6	33,9	-12,7	-19,8	-15,7	-35,5
Tax for the period	4,5	0	4,5	5,1	0	5,1
Net profit/loss for the period	-60,4	33,9	-26,5	-95,0	-15,7	-110,7
Earnings per share (SEK)	-1,81	1,01	-0,80	-3,80	-0,63	-4,43

## Forthcoming disclosures of information

19 April 2016	Annual report 2015
12 May 2016	Interim report, 1 Jan – 31 Mar 2016
11 August 2016	Interim report, 1 Apr – 30 Jun 2016
10 November 2016	Interim report, 1 Jul – 30 Sep 2016

## Annual General Meeting

The Annual General Meeting in Bactiguard Holding AB (publ) will be held Thursday 19 May 2016.

## Contacts

For additional information, please contact:

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## 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, 18 February 2016

Stanley Brodén

Chairman

Mia Arnhult

Board member

Peter Hentschel

Board member

Christian Kinch

CEO and Board member

This interim report is unaudited

Bactiguard is a Swedish medtech company with a mission of preventing healthcare associated infections, reducing the use of antibiotics and saving lives by developing and supplying infection prevention solutions for the healthcare industry. The company's patented coating prevents healthcare associated infections by reducing bacterial adhesion and growth on medical devices. Bactiguard®-coated urinary catheters are market leading in the US and Japan, and in recent years the company has developed its own product portfolio of urinary catheters, central venous catheters and endotracheal tubes. Bactiguard is currently in a strong expansion phase, focused on key markets in the Europe, Middle East, Asia and Latin America. The company has market presence in some 50 countries and has about 70 employees. Its headquarters are located in Stockholm and production facilities in Sweden and Malaysia. Bactiguard is listed on Nasdaq Stockholm. Read more about Bactiguard at [www.bactiguard.com](http://www.bactiguard.com)

Bactiguard is required to disclose the information in this report under the provisions of the Securities Market Act (SFS 2007:528). The information was submitted for publication on 18 February 2016 at 08.00 CET.