

Polygiene AB (publ.)

Annual report 2015



polygiene.com/ir



Polygiene®
STAY FRESH

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POLYGIENE
ODOR
FREE

Business description



What Polygiene does and its historical milestones

Polygiene is, step by step, building an increasingly stronger brand based on odor control and Polygiene STAY FRESH solutions for consumers. The Company provides its customers (premium brands), retailers and consumers with a safe and effective solution, making it easy to understand why, for example, garments treated with Polygiene will not smell bad, and why they will stay fresh longer. As a result of treatment with Polygiene, clothing can be worn longer and stay fresh. This means that clothing and gear can be washed less and last longer. Overall, the positive environmental effect is significant.

Polygiene was established in 2006 through a spin-off from the Perstorp Group. Some important milestones to date are shown below.

2006

Polygiene is established.

2006

Initially, the focus is on hard surfaces and materials for hospital environments. The Company learns to effectively prevent growth of bacteria and viruses.

2007/08

Scandinavian Sport & Outdoor brands approach Polygiene to find a solution to the odor problem.

2009

Consumer research is conducted. The Company adjusts its business model in order to better fulfill consumer requirements and trends.

2012

Breakthrough in the U.S. Sport & Outdoor segment due to cooperation with Patagonia.

2013/14

Breakthrough in the global sportswear market due to cooperation with Adidas.

2015/16

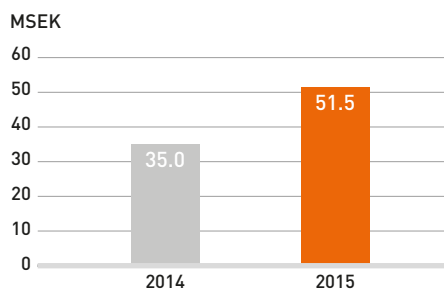
Further consumer studies within the Lifestyle segment. Initiatives are taken to establish leadership within the odor control/ Polygiene STAY FRESH category in this segment.

patagonia® adidas®

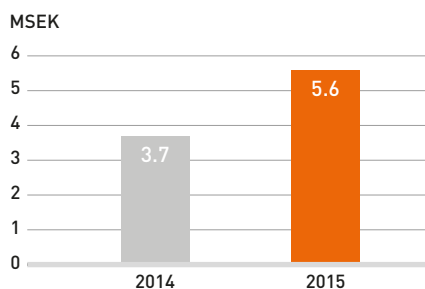
2015 in brief

- Net sales in 2015 increased by 47 percent to MSEK 51.5 (35.0).
- Operating profit (EBIT) for 2015 was MSEK 5.6 (3.7).
- Profit after tax in 2015 was MSEK 9.2 (5.4).
- Cash flow for 2015 was MSEK 21.5 (2.2).
- Polygiene is continuously working to increase the number of partners and in 2015 new additions included CCM, Delsey, Eddie Bauer, Musto and Sitka.
- In order to achieve a good delivery process, agreements were established with distributors in markets where textiles and other equipment are processed. In 2015, a new distributor in Vietnam was added.
- The USA is one of Polygiene’s largest and most important markets. In order to better address this market, Colleen Nipkow was appointed Marketing Manager for the USA.
- A directed share issue amounted to MSEK 22.5, equivalent to 3,000,000 new shares.

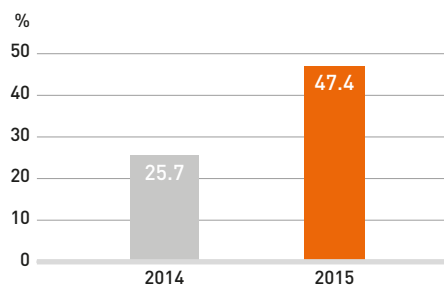
Net sales



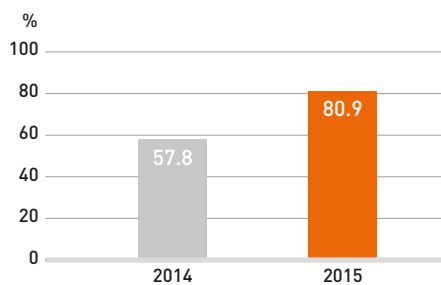
Result (EBIT)



Net sales, growth



Equity/assets ratio



Message from the CEO

I would argue that Polygiene is essentially about helping people feel better and use their resources more effectively. Allow me to explain why.

Ask anybody about what's important in life. I'm sure that relationships with other people rank very high on, if not at the top of anybody's list. Relationships are built on mutual contacts where it is important that we feel secure and attractive – we want to be seen in a positive light when we meet other people. We generally react negatively when other people smell bad, and find the odor unpleasant. Likewise, we all worry that we may smell bad. Smelling bad lowers our self-confidence.

Concern about smelling bad is the reason that we change our clothing often; many of us do every day. The obvious source of odor is our clothing, sports equipment or the like, which after having been used a while smells increasingly bad. There will be many loads of laundry to do, and every load uses 50 liters of water in a modern washing machine. Moreover, doing laundry requires energy to heat the water and detergent to remove the dirt. Washing also wears clothing, shortening its lifetime. Wear and tear is not good for the environment.

For me, working for Polygiene is very exciting as we can offer a fantastic solution that is both safe and proven to be effective – Polygiene ensures you stay fresh by preventing odor. You don't need to wash your clothes every time you use them; they stay fresh. Since you can spend less time doing laundry, you have more time to do other things. At the same time, you reduce the burden on the environment when you wash less. What's more, Polygiene is based on recycled raw materials.

To me, Polygiene is one of the absolute best products on the market. For you as a consumer, it means when you wear clothing that contains our products, you can stay fresh and confident. Increasingly more consumers are discovering the benefits of Polygiene, something that we notice from the increased demand for Polygiene-treated garments.

We started the company about 10 years ago. It has been a long journey that required both foresight and endurance. Over the years, we have never compromised our convictions to focus on strong brands as customers and to build Polygiene to a strong co-brand. Long term, this meant that we have stood by our convictions that Polygiene has some-



thing valuable to offer. We have avoided abrupt changes and drastic shifts in strategy even when it meant that profitability was not immediate.

We are very satisfied with the results for 2015. Our net sales continued to show strong growth, with a stable result. Net sales increased by 47 per cent to MSEK 51.5 and our profit before tax was MSEK 5.6, with a profit margin of 11.0 percent.

We continue to gain new customers with strong brands for our customer portfolio, while we achieved growth for several of our existing customers. In geographical terms, our major markets in the USA and Asia achieved strong growth.

After a capital injection of MSEK 22.5 from a new share issue which took place towards the end of 2015, we now have the financial strength to continue our expansion in the coming years.

Christian von Uthmann, CEO

Market overview

Market drivers and needs

Global macrotrends: A growing middle class that has increasingly more leisure time and an increased awareness about health and wellbeing means that more people are spending more time and money on appearance, fashion, sports, fitness and wellness.

Consumer drivers: People are increasingly concerned about how they are perceived by others. They do not want to smell bad, and they want to feel confident on a daily basis and while exercising. Increasingly more consumers are asking for easy-care clothing that does not smell bad after use.

Polygiene has conducted market research, across many markets and consumer categories that clearly demonstrates the perceived needs of consumers:

- 90 percent say that odor negatively affects self-confidence.
- 30 percent have thrown away a newly laundered garment due to odor.
- 60 percent are willing to pay more for a garment that stays odor free.
- 63 percent would choose a base layer that has been treated with Polygiene for £70 over a non-Polygiene-treated base layer that costs £15. In other words, they value Polygiene's functionality and are willing to pay a significantly higher price to assure the odor-free functionality of the garment.

Furthermore, consumers want to be environmentally friendly and, at the same time, save time and money by washing their clothing less frequently. There is a clear trend that consumers are becoming more environmentally aware and are making climate-smart choices, which is well in line with Polygiene's concept, "Wear More. Wash Less."

Brand drivers: There is a polarization in the Sport & Outdoor segment. Companies either have a value brand, a brand that offers a product at a low price, or a premium or specialty brand that delivers the best functionality, the latest innovation, the best design and the best possible differentiation among other things, at a higher price. Polygiene focuses solely on reaching the premium and specialty brands. To justify a higher product price, these brands must be able to offer consumers both the best functionality and a clear, marketable product description, which Polygiene also does.

Societal drivers: There are more than seven billion people in the world, and all of them need clothing. In the U.S. and Europe, people use an estimated 30 kilograms (66 lbs.) of textiles per person per year. In India, which in 12 years is expected to surpass China in terms of population, this figure is 5 kilos (11 lbs.). In China, it is 14 kilos (30 lbs.) of textiles per person per year.* To keep pace with the world's growing

2/3 2/3 OF THE ENVIRONMENTAL IMPACT OF APPAREL OCCURS DURING CONSUMER USE



Source: Cambridge University study, "Well dressed?," 2006.

population and rising standard of living, increasingly more textiles are being used and washed, which means that water consumption is also rapidly rising. Fresh water is a scarce resource in more and more places around the world. For example, water shortages, especially in major metropolitan areas, frequently occur in parts of the U.S., Europe and Asia. Groundwater levels are reaching record lows, and many major rivers are experiencing very low water levels and high levels of pollution. Polygiene's concept, "Wear More. Wash Less.", contributes to easing water scarcity by increasing the useful life of clothing while reducing the need to wash it frequently. This not only helps reduce the consumption of water, but also the consumption of the world's resources.

Regulatory and governmental approvals – Polygiene is in good standing

Polygiene fulfills the requirements of chemicals legislation in the EU. The Company and its products are also approved by the U.S. Environmental Protection Agency (EPA) and the EU's Biocidal Products Regulation (BPR). The latter two approvals are also important for Polygiene to be able to sell in the Asian markets. There are also product certifications specific to the textile industry that are of utmost importance; Polygiene holds all these. These include OEKO-TEX® and bluesign®, which are important for environmentally conscious companies. In Great Britain, products containing Polygiene have received a Medical Class 1** approval, which is proof of how safe it is to use Polygiene.

Why clothing stinks and what you can do about it

"Stinky polyester" is a well-known phenomenon that occurs when bacteria grow on textiles. There are several fundamentally different approaches to avoiding the problem:

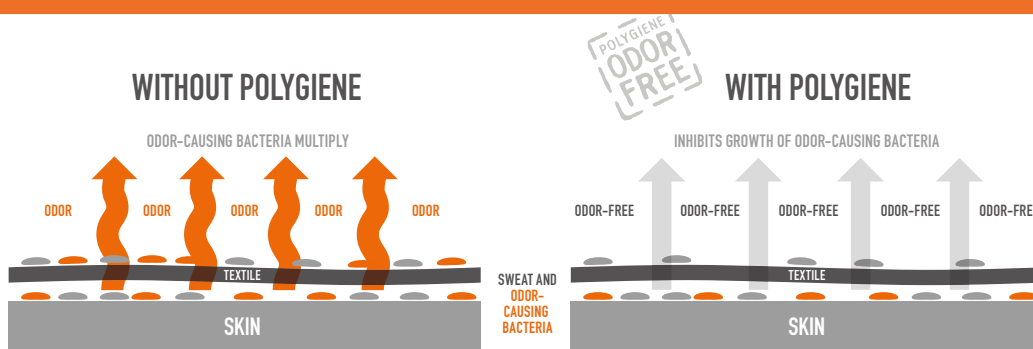
- Wash clothing more frequently – but even after laundering clothing can still smell bad, which means it does not solve the whole problem
- Reduce the conditions for bacterial growth by choosing a material, for instance wool, which does not promote the growth of bacteria
- Treat the material with a solution like Polygiene that reduces bacterial growth in a skin-friendly and environmentally friendly way
- Encapsulate odor that arises

Polygiene works with the best solutions for any given application and user segment. Capable of being applied to thread as well as fabric, the Company's solutions are so effective that the application of only a small amount of solution is sufficient to provide long-lasting odor control that remains effective throughout the lifetime of the garment.

To a great extent, the Company's solutions are based on naturally occurring silver salt made from recycled silver. The silver salts effectively inhibit bacterial growth, thereby reducing odor as well as the need to frequently wash the treated garments.

* <http://www.textileworld.com/textile-world/fiber-world/2015/02/man-made-fibers-continue-to-grow/>

** Medical Class 1 approval in the UK means that a product (such as a bandage) treated with Polygiene may be used on wounds.



Polygiene’s textiles and applications expertise

Polygiene has developed and offers products and treatment methods, with the minimal application of Polygiene’s products, that ensure permanent odor control from the first use and throughout the product’s lifetime.

One of Polygiene’s strengths is the Company’s unique textile and applications expertise, which means that the Company can offer the best solution for each manufacturing process and area of use.

How does Polygiene stack up against competitors?

Today Polygiene is the market leader in the odor control segment, with regard to technology leadership as well as brand recognition. The Company has taken on the task of establishing and developing the odor control/Polygiene STAY FRESH® category for textiles in various segments.

Polygiene is the global category leader within the Sport & Outdoor segment and has taken advantage of this position in order to expand its category leadership to other segments.

The Company has demonstrated it can deliver a safe comprehensive solution to the apparel and premium brands that contain Polygiene, something that no competitor has yet been able to duplicate. However, there are other chemical suppliers who, purely on a technical level, can deliver viable preparations, but so far no competitor has succeeded in building a comprehensive concept. The Polygiene concept is based on careful testing throughout the entire value chain as well as quality assurance of all the various applications. In the odor control segment, Polygiene is considered by its

partners – both upstream and downstream – as the market leader both in terms of its odor control technology and its co-branding appeal.

In addition, Polygiene is safe to use next to the skin. Treated garments do not cause any skin irritation and do not interfere with the skin’s natural bacteria. No competitor in the industry has succeeded in building a co-brand in the odor control category like Polygiene has. The Company’s consistent and systematic approach in offering its customers value-added co-branding is also unique. Significant resources are invested in training customer employees and in marketing in order to continually increase the value of the Polygiene brand as well as the value of partner brands that use Polygiene in their products. Through co-branding, Polygiene helps both its partners’ brands and its partners’ retailers with marketing and with communicating a clear customer benefit to consumers. Polygiene provides its partner brands with peace of mind and added value.

Market potential

Synthetic materials – especially polyester – represent a growing proportion of global textile production.* Polyester is used to manufacture sportswear, lifestyle and functional clothing, shoes, accessories, protective gear and home textiles.

Textile materials based on polyester fibers have many advantages in terms of good, flexible characteristics as well as cost and resource efficiency. Polyester and other synthetic fibers can also be recycled, which holds true even if they are treated with Polygiene. However, a well-known

* <http://www.textileworld.com/textile-world/fiber-world/2015/02/man-made-fibers-continue-to-grow/>

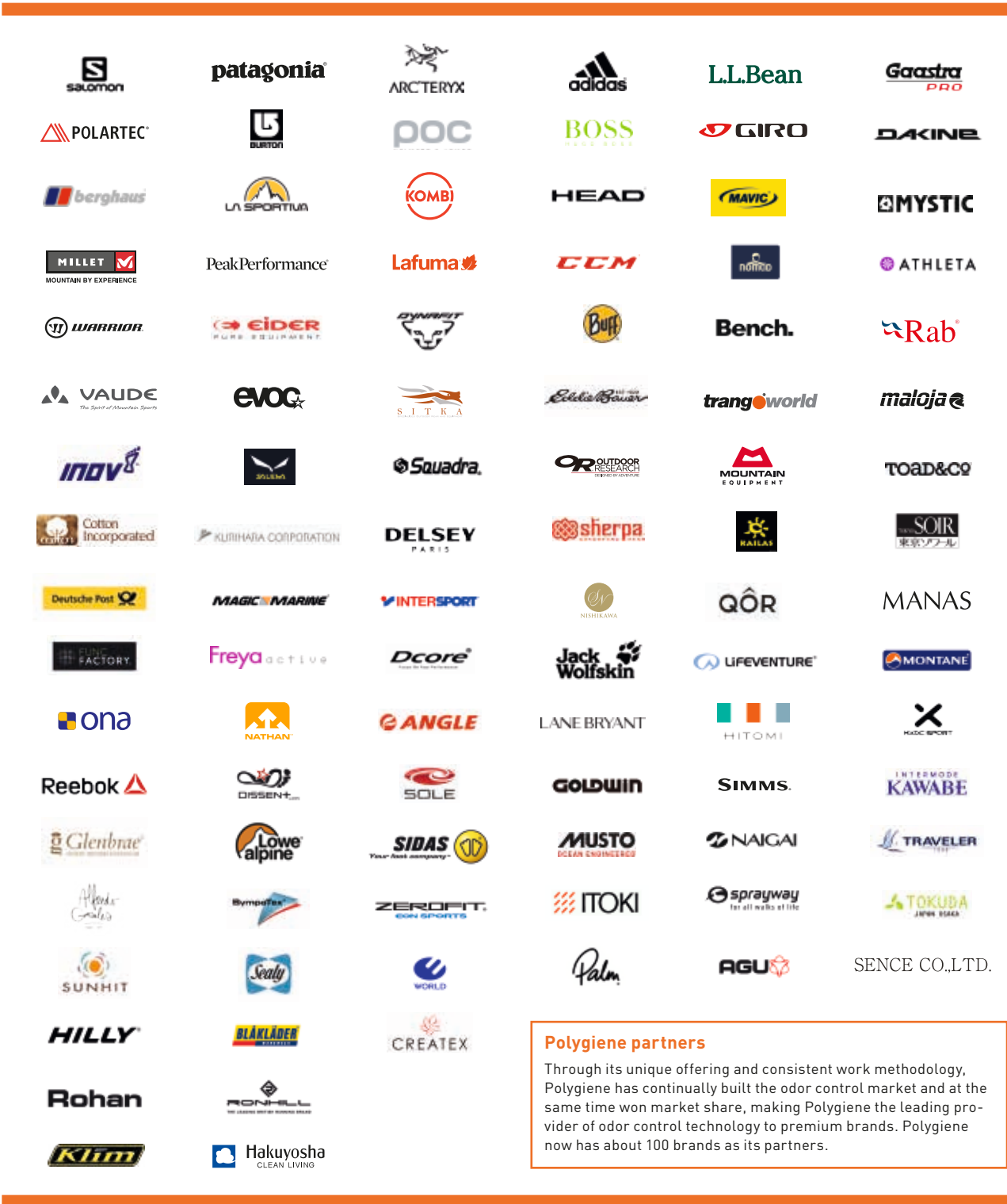


Polygiene delivers a comprehensive and proven solution

Polygiene supplies the additive as well as:

- Training with customized applications as well as sustainability and performance testing
- Brand development for product and functionality: hangtags, sew-in labels, care labels
- Workshops about Polygiene for the sales force, launch support
- Training and “seeding” for retail – “seeing is believing”
- Customer testimonials, PR/media, internet and support for social media

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Polygiene partners
Through its unique offering and consistent work methodology, Polygiene has continually built the odor control market and at the same time won market share, making Polygiene the leading provider of odor control technology to premium brands. Polygiene now has about 100 brands as its partners.

disadvantage of polyester-based fabrics is that they provide excellent breeding grounds for odor-causing bacteria. "Stinky polyester" is well-known phenomenon, and Polygiene offers an effective, environmentally friendly solution that keeps clothing, shoes, protective gear such as helmets and knee pads, and other garments and articles odor free.

Polygiene now operates globally in the premium brand segment, and sales for 2015 amount to just over MSEK 50 across four segments, with the Sport & Outdoor segment being the largest.

- *Sport & Outdoor* (sportswear, protective gear, outdoor, hunting, fishing and more): approximately MSEK 30
- *Lifestyle* (shirts, blouses, trousers, suits, undergarments, socks, shoes and more): approximately MSEK 5
- *Home Textiles* (towels, bedsheets, pillowcases, mattresses, pillows and more): approximately MSEK 10
- *Other* (paint, flooring, sanitary equipment and more): approximately MSEK 5



In 2015, over 15 million meters of fabric were treated with Polygiene products. This represents less than five percent of the long-term global sales potential of the Company, according to Polygiene's own assessment of the relevant market potential.

A notable trend that can be discerned is the convergence of various market segments, for instance Sport and Lifestyle, where fitness and fashion are merging. This development is advantageous to Polygiene.

Polygiene well positioned to become the global leader in the odor control category in segments other than Sport & Outdoor

The most successful brand leaders in the textile industry within the ingredient brand category, such as Gore-Tex and Lycra, are characterized by distinct functionality. These brands address a clear and perceived consumer need, thereby creating significant customer value. This customer value can be communicated through co-branding in a simple and consistent manner by marketing consumer products that offer functionality, such as waterproof shoes or jackets with Gore-Tex membranes.

Successful ingredient brands can co-brand with premium brand partners, which strengthens the consumer appeal and value of both brands.

Polygiene's premium brand partners to a great extent use Polygiene co-branding in their marketing communications to describe the odor control functionality or Polygiene STAY FRESH®. This increases the consumer appeal and value of their products.

Experience from other types of ingredient brands indicates that the leader in each respective category (in terms of functionality) can become a strong market leader by setting a standard that other actors then may try to emulate. Polygiene has managed to take the leadership position in the odor control category and has very good prospects to further consolidate and strengthen this position within the Sport & Outdoor segment. Polygiene is also now well on its way to establishing a leadership position in the Lifestyle and Home Textiles segments.

Strategy, business model and offer

Vision, goals and strategy

VISION Polygiene shall be the leading global brand for odor control, making it possible for consumers to stay fresh in an effective and environmentally sustainable way.

GOALS Market-leading ingredient brand (within the Sport & Outdoor, Lifestyle, Home Textiles and other segments) that, in partnership with the premium brands and retailers, delivers the market's best solution for odor control that is effective, permanent and safe to use and contributes to a more sustainable world.

STRATEGY To develop and deliver the Polygiene brand and comprehensive solutions within the functional area of odor control by conducting business in a focused, creative and professional manner in close cooperation with our premium brand partners (customers), agents, distributors and suppliers. This contributes not only to the growth of the market but also to that of Polygiene and its partners – a winning formula for the entire value chain.

Polygiene's preferred growth strategy is organic growth, not acquisition-driven growth.

VISION

Polygiene shall be the leading global brand for odor control, making it possible for consumers to stay fresh in an effective and environmentally sustainable way.

Organization, agents and distributors

At year-end 2015, Polygiene's operational organization consisted of ten people, of whom seven were employees and three were contracted consultants. At the beginning of 2016, the organization was expanded by the appointment of two persons: a CFO and a Technical Manager, Asia Pacific. Polygiene's employees are based in Sweden (Malmö and Stockholm), the UK (Nottinghamshire), the USA (Salt Lake City) and China (Hong Kong).

In addition, Polygiene has several agents and distributors covering a variety of countries and regions, including China, Japan, Thailand, South Korea, Vietnam, Benelux, Czech Republic, France, Germany, Austria, Switzerland, Italy, Poland, Turkey, Scandinavia, the United Kingdom, North America, Ecuador, Israel and Australia. The Company's agent and distributor network enables Polygiene to reach more customers as well as extend its geographic coverage.

The Company also has an Advisory Board consisting of branding expert Mats Georgson, communication expert Jenny Öijermark, and environmental expert and former Director General of the Swedish Chemicals Agency Gunnar Bengtsson. The Advisory Board consists of people with expertise that the Company values. This committee has been appointed by the Company together with the members themselves. Compensation is paid as consulting fees to Advisory Board members.

The way forward

The Company is experiencing strong growth, and the intent is to increase the number of employees in 2016 and beyond, as well as to expand the number of agents and distributors on a selective basis.

Business model and value chain

Polygiene has a unique value chain and business model closely linked to the Company's main customers – that is, companies that represent major clothing and equipment brands. The business model is based on both the sale of odor control functionality to customers and a comprehensive solution that includes a communication and information package for retail stores and consumers, training of customer salespeople, continuous customer support, management of hardware in the form of application of the odor control solution at the respective customer's textile supplier, all the administration involved in these services, including quality assurance, quality control and follow-up. This business model, which involves close cooperation among Polygiene, Company agents, distributors, and brand partners and their suppliers, has been carefully established, tested and developed over the years. It therefore is, and will be, difficult for competitors to copy. Polygiene supplies high value to its brand partners, which enables the Company to secure good margins.

Examples of Polygiene's success in various segments

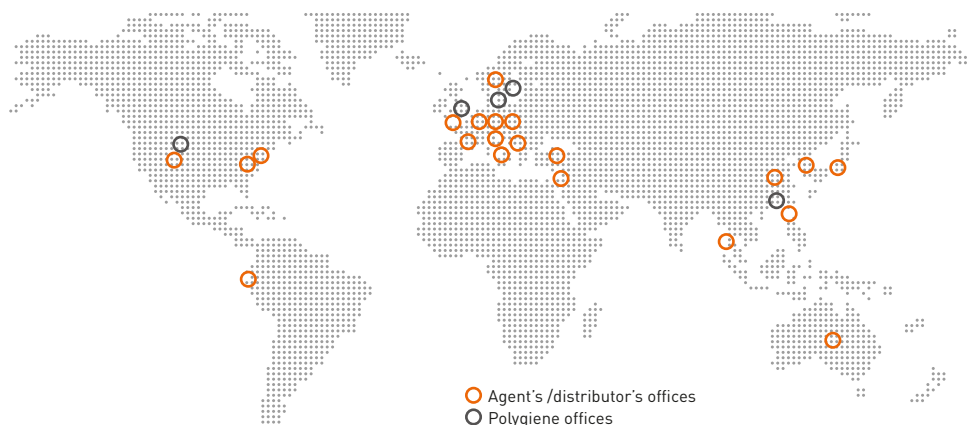
Sport & Outdoor

Polygiene is the market leader in this segment. The following are good examples of the Company's success in the Sport & Outdoor segment.

PATAGONIA A well-known and prestigious brand in the Outdoor industry. Patagonia has been very successful in demonstrating the added value of co-branding with Polygiene. See the video at www.polygiene.com.

Within the Sport & Outdoor segment, Patagonia is considered by many as the most reputable company in terms of environmental care, health and safety, functionality, design

Polygiene in the world



and quality. They have a very strict selection process for their suppliers. The importance of Patagonia becoming a brand partner back in 2012 cannot be stressed enough. This event paved the way for Polygiene partnerships with other U.S. brands.

ADIDAS Probably Europe's most well-known sports brand and one of the world's largest sportswear companies. Adidas enjoys impressive brand credentials within sports. This, no doubt, gave Polygiene a stamp of quality when the Company successfully established itself as a supplier to Adidas. Polygiene is now being introduced to increasingly more Adidas products, making Adidas one of the Company's fastest growing accounts. As in the case of Patagonia, the collaboration with Adidas has opened doors for Polygiene.

ATHLETA The leading brand and the largest producer of fashionable women's activewear, including yoga wear, in the U.S. Athleta is also one of Polygiene's fastest growing accounts.

LA SPORTIVA A major Italian outdoor footwear manufacturer that just a few years ago expanded into sportswear and accessories.

La Sportiva has established close cooperation with Polygiene to the mutual satisfaction of both companies.

La Sportiva includes Polygiene in all of its product launches for its base- and mid-layer apparel, and is happy to share the benefits of Polygiene with its retail staff and customers.

SITKA One of the hunting and fishing industry's leading brands of performance apparel in the U.S. This market segment appreciates the benefits of Polygiene odor control technology, and Sitka is very satisfied with its cooperation with Polygiene. This is the first major hunting and fishing

brand to join Polygiene as a brand partner, and a solid partnership with Sitka promises future growth opportunities.

POC A leading Swedish premium brand of protective gear (helmets, gloves, body armor and knee pads) and clothing. POC has consistently and successfully introduced Polygiene into its products, and it now uses Polygiene in bicycle and ski helmets, gloves and increasingly more product lines.

Home textiles

SHOWA NISHIKAWA A major Japanese home textiles brand. The company sells bed linens and other home textiles. Polygiene's experience is that Japanese consumers are very particular about hygiene and odor, which is why Polygiene has been well received in this market.

SEALY A major Japanese bed and mattress manufacturer that has strengthened its product offering by including Polygiene in for example its beds and mattresses.

Other application areas

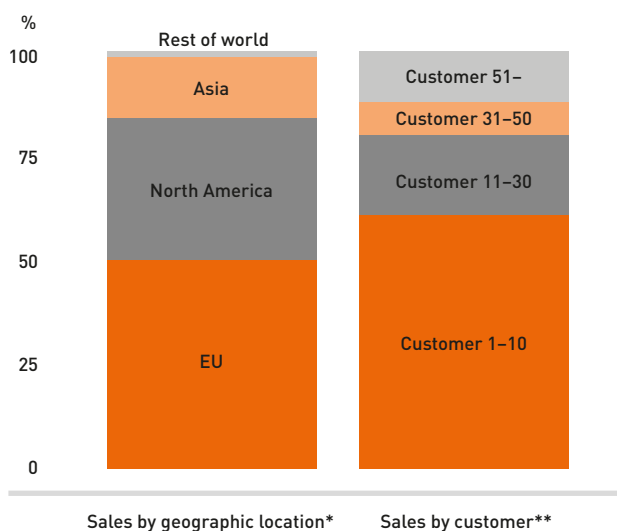
FLOWCRETE International flooring company specializing in commercial flooring products for use in environments such as hospitals, cleanroom manufacturing facilities and other public spaces. Flowcrete has been working with Polygiene from the start and developed much of its unique product offering in close collaboration with Polygiene.

Primary growth engines during the next 3-5 years

- Increase penetration rate with current partners. Extend reach into more product lines. Good growth opportunities exist with Polygiene's customers.
- Continue growth within the Sport & Outdoor segment. Establish partnerships with new brands/customers in for example the U.S. and Asia.
- Expand into the Lifestyle segment (including men's and women's suits, shirts, blouses, trousers, socks, undergarments and shoes) and establish market leadership.
- Expanding reach in the Home Textiles segment, especially in Asia, and establish market leadership.
- Promote overall growth in Asia (including South Korea, Japan and China) in all segments.

ABC analysis: Share of total revenues 2015

51.5 MSEK, %



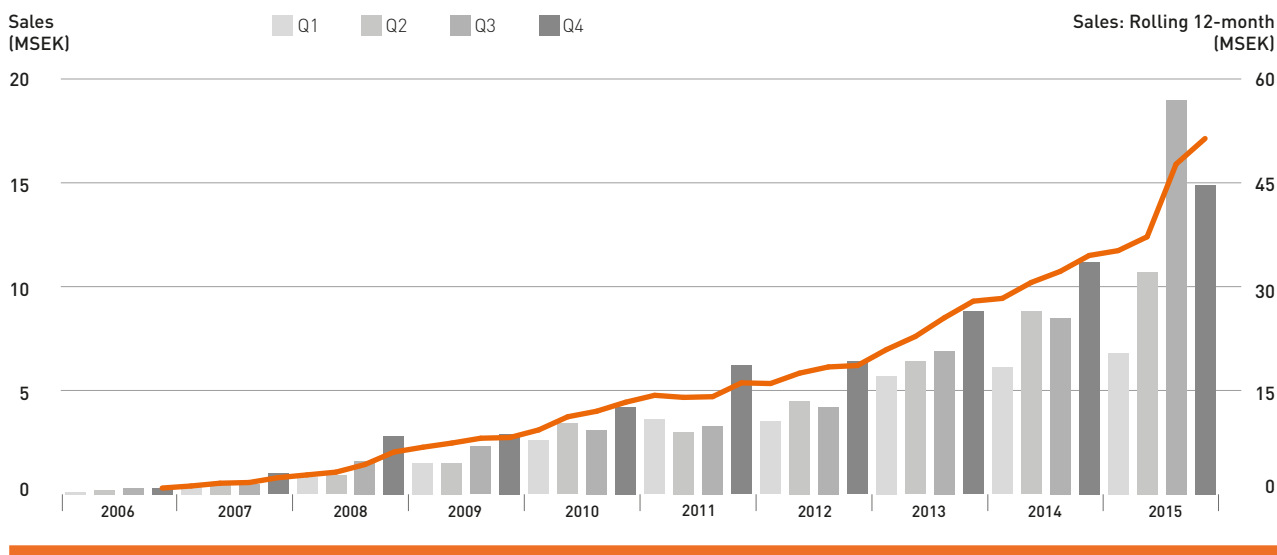
* Based on the location of customer headquarters/purchasing office

** Customer segments ranked by revenues

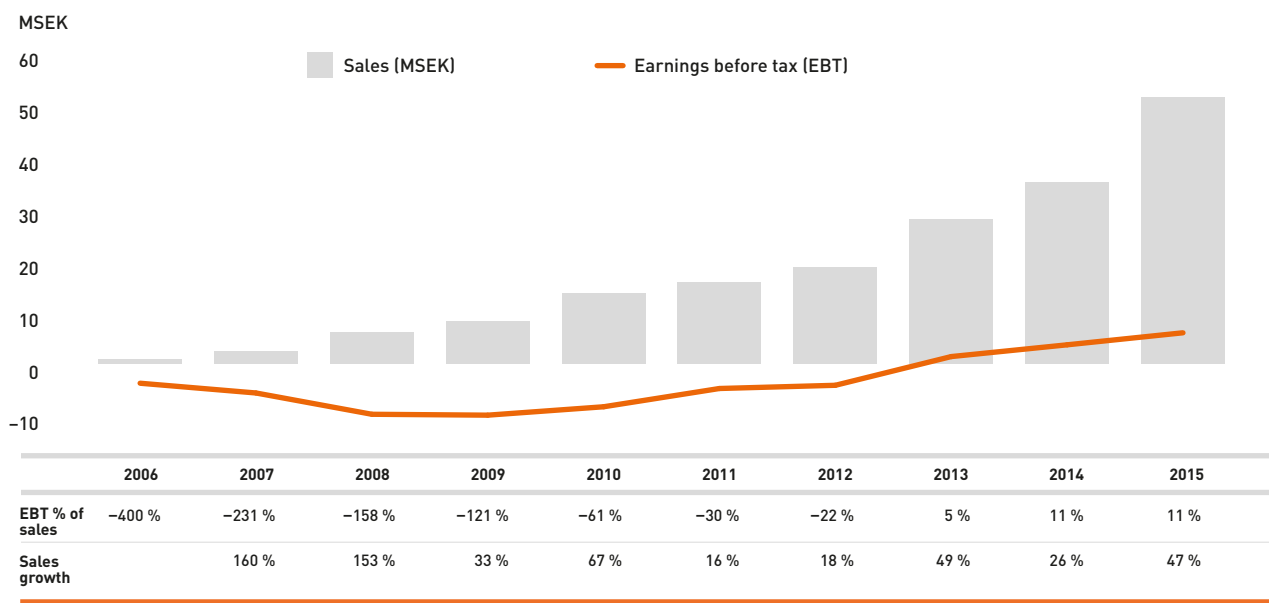
Financial goals

The Board of Directors' target is for average annual organic growth in net revenues to exceed 30 percent over a business cycle. Furthermore, the Board's target is that, in the long term, the earnings before tax or pretax profit margin (EBT%) shall exceed 15 percent over a business cycle.

Quarterly sales 2006–2015



Sales and earnings before tax 2006–2015





Share capital and ownership structure

Share capital

Equity in Polygiene totals SEK 1,931,600 allocated to 19,316,000 outstanding shares. The Polygiene Articles of Association provide that share capital shall be not less than MSEK 1.3 and not exceed MSEK 5.2, and total outstanding shares shall be not less than 13,000,000 and not exceed 52,000,000. Par value for each share is SEK 0.10. The company has a single class of shares, and every share carries equal right to dividend and excess after liquidation, and entitles the holder to one vote per share. Polygiene shares are not, nor have they been, subject to offers based on mandatory bids, right of redemption, or right of sell-out. The shares are also not the subject of a take-over bid. The shares have been issued in compliance with Swedish law and are denominated in Swedish kronor. There are no legal limitations to the right to transfer the shares.

Outstanding warrants

Warrants 2014/2016

In 2014, Polygiene issued 6,000 warrants to staff and members of the Board which, after recalculation based on the share split (200:1 as adopted at the Extraordinary General Meeting held 15 September 2015), entitle holders to subscription of 200 (two hundred) shares per single option at a purchase price of SEK 3 (three) per share. These warrants may be exercised during the period of 1 May to 1 August 2016. In the event that all warrants in this program are exercised to purchase Polygiene shares, the company will issue a total of 1,200,000 new shares. These warrants are subject to standard conversion terms in relation to new share issues and similar.

Warrants 2015/2018

In December 2015, Polygiene issued 250,000 warrants to staff and members of the Board, which entitle holders to an equal number of shares. These warrants may be exercised during the period of 1–31 December 2018 at an exercise price of SEK 15 per share. In the event that all warrants in this program are exercised in the purchase of Polygiene shares, the company will issue a total of 250,000 new shares. These warrants are subject to standard conversion terms in relation to new share issues and similar.

Board authorizations to issue shares and warrants

The Extraordinary General Meeting held 15 September 2015 authorized the Board of Directors to issue at most 3,000,000 new shares in the Company, with or without preferential rights to existing shareholders, on one or more occasions, until the next Annual General Meeting, and with or without rules regarding payment in kind, offset, or other terms. The purpose of the authorization was to improve financial flexibility of the Company and to enable wider ownership distribution prior to the possible listing of Company shares on a stock exchange. In November 2015, the Board of Directors exercised this authorization in full, deciding to conduct a new share issue of 3,000,000 shares.

The Extraordinary General Meeting held 15 September 2015 authorized the Board of Directors to issue 250,000 warrants for shares in the Company for share-related incentive programs, on one or more occasions, until the next Annual General Meeting. In December 2015, the Board of Directors exercised this authorization in full in deciding to issue warrants in the share-related incentive program outlined above.

As the authorizations adopted at the Extraordinary General Meeting held 15 September 2015 have been fully exercised, the Board has no authorization for further new share issues, issuing warrants, or convertible debentures.

Equity

Since the establishment of the Company in November 2015, Polygiene's share capital has developed as presented in the table below. Since the establishment of the Company and up to and including 2013 Polygiene has conducted a number of new share issues for a total amount of more than MSEK 40. In order to enable greater investment in marketing and sales activities and to increase the number of shareholders prior to listing Company shares in March 2016, a new share issue directed to approximately 100 selected business angels and private investors was conducted at the end of 2015. This directed new share issue totaled MSEK 22.5 in proceeds with a price per share issued of SEK 7.50, which corresponds to a pre-money valuation of approximately MSEK 122 (and corresponding to a post money valuation of approximately MSEK 145).

Year	Action	Changes to equity (SEK)	Accumulated share capital (SEK)	Total number of shares	Acc. number of shares	Par value (SEK)
2005	Formation of company	100,000	100,000	1,000	1,000	100
2006	New share issue	200,000	300,000	2,000	3,000	100
2006	New share issue	842,500	1,142,500	8,425	11,425	100
2007	New share issue	476,200	1,618,700	4,762	16,187	100
2010	New share issue	1,060,700	2,679,400	10,607	26,794	100
2011	New share issue	753,900	3,433,300	7,539	34,333	100
2011	New share issue	1,512,900	4,946,200	15,129	49,462	100
2011	New share issue	1,206,500	6,152,700	12,065	61,527	100
2012	New share issue	468,000	6,620,700	4,680	66,207	100
2012	Capital reduction	-3,575,178	3,045,522	0	66,207	46
2012	Capital reduction	-1,721,382	1,324,140	0	66,207	20
2012	New share issue	287,460	1,611,600	14,373	80,580	20
2013	New share issue	20,000	1,631,600	1,000	81,580	20
2015	Share split 200:1	—	1,631,600	16,234,420	16,316,000	0.10
2015	New share issue	300,000	1,931,600	3,000,000	19,316,000	0.10

Shareholders in Polygiene

As of 26 February 2016 Polygiene had approximately 160 shareholders.

The table below has the 10 largest shareholders as of 26 February 2016.

Shareholders	Shares	Percent
JP Morgan Bank Luxembourg	3,189,600	16.5
Remium AB (Emission VPC)*	2,595,150	13.4
Richard Tooby**	1,420,400	7.4
Roosgruppen AB	1,377,200	7.1
Erik A i Malmö AB	1,348,800	7.0
Lennart Holm**	762,720	3.9
Jonas Wollin**	752,000	3.9
Mats Georgson**	677,000	3.5
Per Palmqvist Morin**	653,600	3.4
Jan-Erik Rosenberg	604,600	3.1
Other	5,935,130	30.7
Total	19,316,000	100.0

* As of 26 February 2016, Remium holds 2,595,150 shares in Polygiene via a transport account at Euroclear. These shares are owned by about 10 non-Swedish shareholders. Shortly after the first trading date for Polygiene shares on Nasdaq First North, these shares will be transferred to regular ownership accounts of these shareholders.

** Refers to personal holdings and those of associated natural persons and legal entities.

Source: Public share register and Nominee list of owners from Euroclear Sweden AB

Marketplace

Polygiene AB was listed on Nasdaq First North in Stockholm on 14 March 2016. The share is listed under the POLYG ticker.

Dividend policy

Dividend policy is determined by the Annual General Meeting based on proposal from the Board of Directors, and distribution of dividends is processed by Euroclear. The right to

receive dividends flows to the shareholder registered in the Company stock register maintained by Euroclear as of the record date for the issue of the dividend as determined by the Annual General Meeting. Dividends are normally paid in a cash amount per share through Euroclear, but may also be paid as other than cash, as through a distribution in kind. In the event a shareholder cannot be contacted for payment of a dividend, the shareholder's receivable shall remain against the Company, and is limited only by general statutory limitations law. In the event the statutory limitation is passed, the entire amount reverts to the company. Polygiene does not apply any restrictions or special procedures in regard to issuing cash dividends to shareholders domiciled outside Sweden. Except for possible limits imposed by the banking and clearing systems, payment is made in the same way as for shareholders domiciled in Sweden. Normally, withholding tax is deducted from dividend payments to shareholders who are not tax residents of Sweden.

The amounts of possible future dividends issued to shareholders in Polygiene will depend upon several factors including profits, financial position, cash flow, and requirements for operating capital. Dividends to shareholders will not be issued until the long-term profitability of the Company can be determined. In the coming years, the company does not anticipate issuing any dividends, as all available assets will be used for continued expansion.

Shareholder agreements

To the extent of the Board of Director's knowledge, no shareholder agreements are concluded among shareholders in Polygiene.

Board of Directors, senior management and auditors

The Board of Directors of Polygiene currently consists of six members elected for the period to the end of the next Annual General Meeting. As from 1 January 2016 the Company's senior management comprises Christian von Uthmann (CEO), Jan Bertilsson (CFO) and Peter Sjösten (CCO).

Board of Directors

According to Polygiene's Articles of Association, adopted at the extraordinary general meeting on 14 January 2016, the Board of Directors must have less than three and no more than ten members, with a maximum of ten deputies. The current Board of Directors was elected for the period until the end of the next Annual General Meeting, which will take place on 11 May 2016. All members of the Board are, in their opinion, independent in relation to the larger shareholders (which refers to shareholders that directly or indirectly own 10 percent of company shares or votes). Richard Tooby, Jonas Wollin and Mikael Bluhme are, in the Board's opinion

independent in relation to the Company while Lennart Holm, Mats Georgson and Per Palmqvist Morin cannot be considered independent of the Company due to their consulting assignments from the Company. However, Per Palmqvist Morin's consulting assignment was limited to the period from Q4 2015 to Q1 2016 and consisted of assisting the Company with raising new capital and with the First North listing. Per Palmqvist Morin will thereafter have no assignments for the Company. Via his wholly-owned company Rudholm & Haak (HK) Ltd, Jonas Wollin is a supplier to Polygiene. Rudholm & Haak (HK) Ltd supplies products to Polygiene for a value of approximately SEK 1,500,000 excluding VAT per annum. However, the value of the products that Rudholm & Haak (HK) Ltd supplies to Polygiene in relation to total company sales for Rudholm & Haak (HK) Ltd is relatively small. Therefore, despite the actual relationship of Jonas Wollin's company to Polygiene, he is still considered independent in relation to the Company.

Board of Directors				
Name	Position	Born	Elected	Holdings*
Lennart Holm	Chairman	1960	2015	762,720 shares, 150 TO 2014/2016, 80,000 TO 2015/2018
Mikael Bluhme	Member	1966	2015	10,000 shares
Mats Georgson	Member	1968	2008	677,000 shares and 150 TO 2014/2016.
Per Palmqvist Morin	Member	1966	2015	653,600 shares
Richard Tooby	Member	1969	2015	1,420,400 shares
Jonas Wollin	Member	1964	2011	752,000 shares and 150 TO 2014/2016.

* Refers to personal holdings and those of associated natural persons and legal entities as of 26 February 2016. TO 2014/2016 represents the share option series 2014/2016 where each option entitles to subscription of 200 shares, and TO 2015/2018 represents warrants series 2015/2018 where each option entitles the subscription of 1 share.

Board of Directors



Lennart Holm
Chairman of the Board

Born 1960, Chairman of the Board since October 2015 – has long experience with working in senior management positions for technology businesses. Lennart Holm also has international business experience.

Education: M. Sc. Chemical Engineering, Chalmers University of Technology, Gothenburg.

Primary occupation: Entrepreneur.

Other current assignments: Chairman of the Board of BillerudKorsnäs AB (publ.), Vida AB, Hamnkrogen vid sundets pärla AB, Nexam Chemical AB, Tuve Holding AB, Chamber Tech AB, Vigmed Holding AB (publ.), Hamnkrogen i Helsingborg Holding AB, Nexam Chemical Holding AB (publ.), Brunkeberg Systems AB, CBS Chamber Bygg Sweden AB, Axolot Solutions AB, MLH Management AB; Board Member and CEO of Lennart Holm Development AB, Dermazip AB, Board Member of Tuve Bygg AB, Vigmed AB, Assistansbolaget Försäkring Sverige AB, Preventic Försäkring AB, Preventic Services AB, Holm Investment AB, Holm & Gross Holding AB and Hempel A/S.

Previous assignments (last five years): Chairman of the Board of Perstorp Holding AB, Croviva Invest AB, SI Technology Investments AB, Yellow Bridge Management AB, Board Member of Industrifonden, Lahega Kemi AB, Zenterio AB (publ.), BioMass C Holding AB, SOS Barnbyar Sverige, Nattaro Labs AB, Neco Norden AB and CBS Chamber Bygg Sweden AB.

Bankruptcy, compulsory liquidation, or similar: –
Holding in Polygiene: 762,720 shares, 150 warrants 2014/2016 and 80,000 warrants 2015/2018.

Independent in relation to larger shareholders, but not in relation to the Company.



Jonas Wollin
Member

Born 1964, Board Member since July 2011 – has long experience as entrepreneur in the textile industry.

Education: Business studies at Hvitfeldtska Upper Secondary School.

Primary occupation: Entrepreneur.

Other current assignments: Chairman of the Board of Rudholm Group Holding AB Chairman of the Board of Rudholm & H.K AB, Bamatex AB, Simplicity AB, Print & Profile i Borås AB, IBD Sweden AB and Svensk Knalle Handel AB, Board Member and CEO of Craftsson AB, and Board Member of Borås Ridhus AB, Rudholm Group Property AB, Borås Stad Textile Fashion Center AB, Etikettgruppen Svenska AB, MUJ Invest AB, Portas AB, R. Scandinavia AB, Inkubatorn i Borås AB, Kaponjärren 1 AB, WooCode AB, InkInvest AB, Golf Factory i Borås AB and MarketplaceBorås Economic association.

Previous assignments (last five years):

Chairman of the Board of MUJ Invest AB, Portas AB, R. Scandinavia AB, Board Member of Borås Näringsliv AB, MySoul i Borås AB, Simplicity Holding AB, Scandinavian Safety Restaurang AB, Mickson Fastighets AB, BoråsNäringslivs Economic Association, and Board deputy of Kaponjärren 1 AB.

Bankruptcy, compulsory liquidation, or similar: –
Holding in Polygiene: 752,000 shares and 150 warrants 2014/2016.

Independent in relation to larger shareholders, and in relation to the Company.



Mats Georgson
Member

Born 1968, Board Member since January 2008 – has long experience as a business consultant entrepreneur.

Education: Ph.D., Marketing and Communication Science, University of Connecticut, USA, and B.A., Communication and Media Studies, Stockholm University. 10 years as academic lecturer at Stockholm University in Marketing and Trademark subjects.

Primary occupation: Business consultant. His customers over the last five years include Electrolux, Zound Industries (Marshall Headphones, Urbanears), Handelsbanken, Svenska Postkodlotteriet, Smart Media Solutions AB, Evoko AB, Adlibris, SSAB, Veolia, Casall, Outnorth, Gant, FOI, Unionen, Jernhusen, Hyundai, Flygbussarna, Dina Föräkringar, Movestic, CMore, Proffice, Unibet, Nordens Ark, Nynas, SF Bio, Boxer, Försvarmakten, Tetra Pak and more.

Other current assignments: Board Member of Anell Holding AB, Moretime Professional Services AB (publ.), Svettor AB, Evoko Unlimited AB, Pike Solution AB, Moretime Financial Services AB, Georgson Ventures AB, Board Member and CEO Georgson Strategy AB, and Board deputy of Brinning Konsult AB.

Previous assignments (last five years): Chairman of the Board of Georgson Strategy, Lantliv & Trädgård Bromma AB, Board Member of Anell Ljus och Form AB, Board deputy of Sista Versen 7724 AB, and owner of Georgson Konsult.

Bankruptcy, compulsory liquidation, or similar: –
Mats Georgson is Board Member in Moretime Professional Services AB (publ.) and Moretime Financial Services AB. These companies initiated business reorganization proceedings under a ruling by the District Court of Stockholm on 26 February 2016.

Holding in Polygiene: 677,000 shares and 150 warrants 2014/2016.

Independent in relation to larger shareholders, but not in relation to the Company.

Board of Directors, cont'd.



Mikael Bluhme
Member

Born 1966, Board Member since October 2015 – has long experience with business consulting and entrepreneurship.

Education: IHM Business School.

Primary occupation: Entrepreneur.

Other current assignments: Chairman of the Board of RYNKAN AB, Envida AB, Board Member and CEO of CLAMO AB, and Board Member of TRAIN ALLIANCE SWEDEN AB (publ.).

Previous assignments (last five years): Chairman of the Board of Adomera AB, New TLD Company AB, CEO, External CEO and Board deputy of CeDel AB, and Board deputy of T.I.M. Consulting AB.

Bankruptcy, compulsory liquidation, or similar: –
Holding in Polygiene: 10,000 shares

Independent in relation to larger shareholders, and in relation to the Company.



Per Palmqvist Morin
Member

Born 1966, Board Member since October 2015 – has vast experience with and worked with leading chemicals sector businesses.

Education: B.Sc. Business Administration and Economics, Uppsala University.

Primary occupation: Consultant.

Other current assignments: Board Member of Per Morin Investment AB, KPM Consulting AB, Erebia AB, Board Member and vice CEO of Yellow Bridge Management AB.

Previous assignments (last five years): Board Member, CEO of Nexam Chemical AB and Nexam Chemical Holding AB (publ.).

Bankruptcy, compulsory liquidation, or similar: –
Holding in Polygiene: 653,600 shares

Independent in relation to larger shareholders, but not in relation to the Company.



Richard Tooby
Member

Born 1969, Board Member since October 2015 – has experience with chemical sector businesses, business consulting and entrepreneurship.

Education: M.Sc. Business Administration and Economics, Stockholm School of Economics.

Primary occupation: Business consulting and investments.

Other current assignments: Board Member of InCoax Networks Europe AB and RT Advisory Services AB.

Previous assignments (last five years): Board Member of Protista Corporation AB, Nexam Chemical AB and Richard Tooby Investment AB.

Bankruptcy, compulsory liquidation, or similar: –
Holding in Polygiene: 1,420,400 shares

Independent in relation to larger shareholders, and in relation to the Company.

Senior Management



Christian von Uthmann
CEO

Born 1963, employed since 2006 – has a Masters in Mechanical Engineering from KTH Royal Institute of Technology in Stockholm. Christian was previously logistics manager at PERGO and manager at Accenture. Christian was CEO of Perstorp Compounds AB for three years.

Other current assignments: Member of Commonhold association Obol på Föreningsgatan.

Previous assignments (last five years): Board Member of Polygiene AB.

Bankruptcy, compulsory liquidation, or similar: –
Holding in Polygiene: 235,000 shares, 2,460 warrants 2014/2016 and 40,000 warrants 2015/2018.



Jan Bertilsson
CFO

Born 1957, employed since 2016 – has a B.Sc. Business and Economics Gothenburg University. Jan was previously CFO at ReadSoft AB, Financial Manager at Comator Process AB and Bergsala AB and Atlas Resor AB and business consultant for Enator Väst AB and Resco AB.

Other current assignments: –

Previous assignments (last five years): Board Member of Lexmark Expert Systems AB, ReadSoft Financial AB, ReadSoft Software Service AB and external authorized signatory for Lexmark Enterprise Software Sverige Services AB.

Bankruptcy, compulsory liquidation, or similar: –
Holding in Polygiene: 15,000 shares and 25,000 warrants 2015/2018.



Peter Sjösten
CCO

Born 1955, employed since 2010 – has an Economics and Teaching Degree from Linköping University. Peter previously worked as General Manager at SpePharm Nordic and International Business Director at Nycomed. He was also previously General Manager at Espri Health.

Other current assignments: Chairman of the Board of Creative Marketing & Communication i Malmö AB.

Previous assignments (last five years): –

Bankruptcy, compulsory liquidation, or similar: –
Holding in Polygiene: 72,000 shares, 1,620 warrants 2014/2016 and 20,000 warrants 2015/2018.

Leading officials

Name	Position	Born	Employed	Holdings*
Christian von Uthmann	CEO	1963	2006	235,000 shares, 2,460 TO 2014/2016, 40,000 TO 2015/2018
Jan Bertilsson	CFO	1957	2016	15,000 shares and 25,000 TO 2015/2018
Peter Sjösten	CCO	1955	2010	72,000 shares, 1,620 TO 2014/2016, 20,000 TO 2015/2018

* Refers to personal holdings and those of associated natural persons and legal entities as of 26 February 2016. TO 2014/2016 represents the share option series 2014/2016 where each option entitles to subscription of 200 shares, and TO 2015/2018 represents warrants series 2015/2018 (where each option entitles the subscription of 1 share).

Auditors

The auditor for Polygiene is Ernst & Young Aktiebolag with Johan Thuresson as Chief Auditor. Johan Thuresson is a Certified Public Accountant and member of FAR, the professional institute for authorized public accountants and advisers, and was elected to serve until the end of the Annual General Meeting which will take place on 11 May 2016.

Directors' Report 2015

The Board of Directors and CEO of Polygiene AB (publ), 556692-4287, domiciled in Malmö, Sweden, hereby present the Annual Report for the 2015 financial year.

The Company

Polygiene is building a brand around odor control functionality and Polygiene STAY FRESH® solutions for consumers. Polygiene is building its brand by actively working with the entire value chain, from development and manufacturing at subcontractor sites, to marketing, distribution and active customer support.

Market/sales

Polygiene's sales are currently within four different segments:

- Sport & Outdoor (sportswear, protective gear, outdoor, hunting, fishing and more).
- Lifestyle (shirts, blouses, trousers, suits, undergarments, socks, shoes and more).
- Home Textiles (towels, bedsheets, pillowcases, mattresses, pillows and more).
- Other (paint, flooring, sanitary equipment and more).

The largest segment during the year was Sport & Outdoor, accounting for approximately 60 percent of net sales. Today, Polygiene works with many leading brands within various segments, with the addition of new brands during the year, and we can see strong growth in several markets, primarily the USA and Asia.

Comments on the financial development in 2015

2015 compared to 2014

Revenue

The Company's net sales in 2015 amounted to MSEK 51.5 (35.0), representing growth of 47 (26) percent. The increase comes from both increased sales to existing customers and sales to several new customers.

Expenses

Operating expenses in 2015 amounted to MSEK 47.4 (32.8), representing an increase of 44 (23) percent. Most of the increase comes from the increased cost of materials, which is directly related to the sales growth. Other increases in expenses consist mainly of investments in marketing, sales-related expenses and personnel expenses.

Profit/loss before tax

The profit before tax in 2015 was MSEK 5.6 (3.7). This is equivalent to an operating margin of 11.0 (10.5) percent. The recognition of a previously unrecognized deferred tax asset had a positive effect on the profit for the year after tax of MSEK 3.5.

Balance sheet

Total assets as at 31 December 2015 amounted to MSEK 50.5 (16.2). The increase is primarily due to increased trade receivables and cash and cash equivalents. Trade receivables amounted to MSEK 14.0 (6.6) as at 31 December 2015, as a consequence of the significant increase in net sales during 2015. Cash and cash equivalents totaled MSEK 27.5 (6.1) as at 31 December 2015, deriving mainly from a new share issue of MSEK 22.5 before issue costs, which took place in December. Together with the positive result for 2015, the new share issue resulted in an increase in equity from MSEK 9.4 to 40.8 at year-end 2015. Polygiene's equity/assets ratio was 80.9 (57.8) percent at year-end 2015.

The Company had a taxable deficit of MSEK 24.1 at the end of the year. It is assessed that this deficit can be utilized in the coming years, so that a deferred tax asset totaling MSEK 5.3 was recognized in 2015.

Cash flows

Cash flows from operating activities were negative at MSEK 0.9, mainly due to the significant increase in trade receivables. The new share issue in December provided additional funds from financing activities of around MSEK 22.3, net of issue costs.

Five-Year Highlights

	2015	2014	2013	2012	2011
Net sales (KSEK)	51,511	34,957	27,804	18,641	15,785
Profit/loss before tax (KSEK)	5,641	3,683	1,418	-4,113	-4,731
Balance sheet (KSEK)	50,468	16,176	9,770	6,556	5,955
Equity/assets ratio (%)	80.9	57.8	40.1	35.1	41.9

Organization/personnel

At year-end 2015, Polygiene's operational organization consisted of ten people, of whom seven were employees and three were contracted consultants. At the beginning of 2016, the organization was expanded by the appointment of two persons: a CFO and a Technical Manager, Asia Pacific.

Share

Polygiene's shares have been listed on Nasdaq First North in Stockholm under the POLYG ticker since the first day of trading, 14 March 2016. The share capital as at 31 December 2015 amounted to MSEK 1,931,600, comprising 19,316,000 outstanding shares in a single class of shares.

In conjunction with a change of ownership in May 2015, which included Perstorp's divestment of its interest in Polygiene, a conditional shareholder contribution of MSEK 5,503,000 was settled. After this there are no conditional shareholder contributions in the Company. At an extraordinary general meeting on 15 September 2015, a 200:1 share split was adopted, which was completely shortly thereafter.

For more information on the share, see Share capital and ownership on pages 14–15.

Other significant events during the financial year

During the year, the Board of Directors conducted a new share issue to increase the share capital by SEK 300,000 through the new issue of 3,000,000 shares. The subscription price per share was SEK 7.50, which contributed SEK 22,500,000 before the costs of the issue. The new share issue was adopted at the meeting of the Board of Directors on 26 November 2015 after authorization by the extraordinary general meeting on 15 September 2015.

During the year, the Board of Directors completed a share option program for key employees and the members of the Board of Directors. In total, the program comprises 250,000 warrants which entitle holders to subscribe for an equivalent number of shares. All warrants have been exercised. The option program was adopted at the meeting of the Board of Directors on 17 December 2015 after authorization by the extraordinary general meeting on 15 September 2015.

Significant events after the close of the financial year

The following significant events have occurred after 31 December 2015.

- On an extraordinary general meeting on 14 January 2016, it was decided to change the Company's legal structure from a private limited liability company, Polygiene AB, to a public limited liability company, Polygiene AB (publ).

- The Company was listed on Nasdaq First North on 14 March 2016.

Risk and uncertainty factors

The Company has identified the following current risk and uncertainty factors:

- Market growth
- Competition
- Product liability
- Reliance on suppliers
- Dependence on key persons and employees
- Financing and future capital requirements
- Currency risk

The Company is continuously focused on preventive measures to minimize these risk and uncertainty factors as far as possible and currently sees no risks that are expected to have a significant impact on its activities in the immediate future.

Reporting currency

The Company's reporting currency is Swedish kronor (SEK).

Future outlook

The Board of Directors of Polygiene has the objective for average annual organic growth in net revenues to exceed 30 percent over a business cycle. Furthermore, the Board of Directors has the objective that, in the long term, the pretax profit margin must exceed 15 percent over a business cycle.

Allocation of profit

Proposed allocation of profit

Available for distribution by the Annual General Meeting

Retained losses	-21,527,095
Share premium reserve	51,267,363
Profit for the year	9,171,445
	38,911,713

The Board of Directors proposes that

the following amount be carried forward	38,911,713
	38,911,713

Concerning the Company's results and financial position, reference is made to the following income statement and balance sheet with supplementary information.

Income Statement

SEK	Note	2015-01-01- 2015-12-31	2014-01-01- 2014-12-31
Operating income, etc.			
Net sales	1	51,510,701	34,957,302
Other operating income	2	1,486,971	1,521,424
		52,997,672	36,478,726
Operating expenses			
Cost of goods sold		-21,981,406	-13,496,436
Other external expenses	3, 4	-15,757,472	-12,364,648
Personnel expenses	5	-7,627,330	-6,100,552
Other operating expenses	6	-2,032,630	-841,926
		-47,398,838	-32,803,562
Operating profit/loss		5,598,834	3,675,164
Profit/loss from financial items			
Interest income and similar items		42,911	8,483
Interest expenses and similar items		-300	-228
		42,611	8,255
Profit/loss before tax		5,641,445	3,683,419
Tax on the profit for the year	7	3,530,000	1,760,000
Profit for the year		9,171,445	5,443,419
Profit after tax per share, SEK		0.55	0.33
Profit after tax per share after dilution, SEK		0.52	0.32
Average number of outstanding shares		16,566,000	16,316,000
Average number of outstanding shares after dilution		17,786,833	16,916,000

The profit after tax per share is calculated as the profit for the year after tax divided by the year's average number of outstanding shares.

The profit after tax per share after dilution is calculated as the profit for the year after tax divided by the year's average number of outstanding shares and after dilution via the current option program.

A share split in the ratio of 200:1 took place during 2015, so that the number of shares for 2014 has been adjusted accordingly.

Balance Sheet

SEK	Note	2015-12-31	2014-12-31
ASSETS			
Fixed assets			
Intangible assets			
Other intangible assets	8	0	0
Total intangible assets		0	0
Tangible assets			
Inventories, tools and installations	9	0	0
Total tangible assets		0	0
Financial assets			
Holdings in affiliated companies	10	0	0
Deferred tax asset	11	5,290,000	1,760,000
Other non-current receivables	12	14,300	14,300
Total financial assets		5,304,300	1,774,300
Total fixed assets		5,304,300	1,774,300
Current assets			
Inventories			
Inventories		224,988	160,125
Total inventories		224,988	160,125
Current receivables			
Trade receivables		13,967,537	6,649,191
Current tax assets		189,805	189,805
Other receivables		544,712	222,601
Prepaid expenses and accrued income		2,692,297	1,106,959
Total current receivables		17,394,351	8,168,556
Cash and cash equivalents			
Cash and cash equivalents	13	27,544,725	6,073,412
Total cash and cash equivalents		27,544,725	6,073,412
Total current assets		45,164,064	14,402,093
TOTAL ASSETS		50,468,364	16,176,393

Balance Sheet, continued

SEK	Note	2015-12-31	2014-12-31
EQUITY AND LIABILITIES			
Equity	14		
Restricted equity			
Share capital (19,316,000 shares)	15	1,931,600	1,631,600
Total restricted equity		1,931,600	1,631,600
Unrestricted equity			
Share premium reserve		51,267,363	29,246,738
Retained earnings		-21,527,095	-26,970,515
Profit for the year		9,171,445	5,443,419
Total unrestricted equity		38,911,713	7,719,642
Total equity		40,843,313	9,351,242
Current liabilities			
Advance payments from customers		263,093	0
Accounts payable		5,242,446	3,250,245
Other liabilities		345,266	220,065
Accrued expenses and prepaid income	16	3,774,246	3,354,841
Total current liabilities		9,625,051	6,825,151
TOTAL EQUITY AND LIABILITIES		50,468,364	16,176,393
Pledged assets		None	None
Contingent liabilities		None	None

Cash Flow Statement

SEK	2015	2014
Profit/loss before financial items	5,598,834	3,675,164
Depreciation and amortization		
Other non-cash items		
Interest received	42,911	8,483
Interest paid	-300	-228
Income tax paid/refunded		-10,479
Cash flow from operating activities before changes in operating capital	5,641,445	3,672,940
Increase/decrease in inventory	-64,863	135,159
Increase/decrease in current receivables	-9,225,795	-2,616,105
Increase/decrease in current liabilities	2,799,901	973,132
Cash flow from operating activities	-849,312	2,164,626
Cash flow from investing activities	0	0
Financing activities		
New issue	22,276,925	-46,900
Option premiums	43,700	37,200
Cash flow from financing activities	22,320,625	-9,700
Change in cash and cash equivalents	21,471,313	2,154,926
Cash and cash equivalents at the beginning of the year	6,073,412	3,918,486
Cash and cash equivalents at the end of the year	27,544,725	6,073,412

Supplementary Information and Notes

GENERAL INFORMATION

Accounting policies

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board General Recommendations BFNAR 2012:1 Annual Report and Consolidated Financial Statements (K3). The accounting policies applied are unchanged from the previous year.

Valuation principles

Receivables

Receivable are recognized at the amounts at which they are calculated to accrue.

Other assets, provisions and liabilities

Other assets, provisions and liabilities are recognized at acquisition value, unless specified otherwise below.

Revenue recognition

Income is recognized at the actual value received or which will be received. The Company therefore reports revenue at nominal value, i.e. the sales price after deduction of any discounts.

The Company's business model includes two sources of revenue: income from goods delivered; and royalty based on the volumes of textiles or equipment processed. Revenue from goods delivered is recognized when delivery and invoicing have taken place. Royalty is recognized as income when the volumes of processed textiles or equipment have been reported.

Tangible assets

Tangible assets are recognized at cost less accumulated depreciation and any write-downs for impairment. Assets are depreciated on a straight-line basis over the assets' estimated useful life. The useful life is re-assessed as at each balance sheet date.

The following useful lives are applied:

Inventories, tools and machines	5 years
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Intangible assets

Intangible assets are recognized at cost less accumulated amortization and any write-downs for impairment. Assets are depreciated on a straight-line basis over the assets' estimated useful life. The useful life is re-assessed as at each balance sheet date. Projects in progress are not amortized, but the impairment requirement is assessed on an annual basis.

The following useful lives are applied:

Concessions, patents, licenses, trademarks and similar rights	5 years
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Affiliated companies

The Company has a 49 percent interest in Polygiene Ltd, UK. This holding is not consolidated as the Company's interest is below 50 percent, and there is no controlling influence.

Leasing

The Company reports all leasing agreements, both financial and operational, as operational leasing agreements. These are reported as costs on a straight-line basis over the leasing period.

Inventories

Inventories are recognized at the lower of acquisition value, calculated according to the FIFO principle, and net sales value. Net sales value is calculated as the sales value after deductions for estimated sales costs, to take account of obsolescent items.

Income tax

Current tax is the income tax for the current financial year, which concerns the taxable profit for the year and the element of income tax for previous financial years that has not yet been reported.

Current tax is assessed as the probable amount according to the tax rates and tax rules applying as at the balance sheet date.

Deferred tax is the income tax on the taxable results concerning future financial years, as a consequence of previous transactions or events.

Deferred tax is calculated on any temporary differences. A temporary difference exists when the reported value of an asset or liability deviates from the taxable value. Temporary differences are not considered with regard to differences attributable to investments in subsidiaries, branches, affiliated companies or joint ventures, if the Company can control the time of reversal of the temporary differences and it is not obvious that the temporary difference will be reversed within the foreseeable future. Differences originating from the initial reporting of goodwill, or on the initial reporting of an asset or liability, will not constitute temporary differences either, provided that the relevant transaction is not a business acquisition and does not affect tax or the recognized result.

Receivables and liabilities in foreign currency

Monetary receivables and liabilities in foreign currency are translated at the exchange rate on the balance sheet date. Exchange rate differences arising on the adjustment or translation of monetary items are reported in the income statement for the financial year in which they arise, either as an operating item or as a financial item, based on the underlying transaction.

Assessments and estimates

Assessments and estimates are made on an ongoing basis according to historical outcomes and expectations of future development that can be considered reasonable in the prevailing conditions.

The Company had a taxable deficit of MSEK 24.1 at the end of the year. Since it is assessed that this deficit can be utilized in the coming years, a deferred tax asset totaling MSEK 5.3 was recognized in 2015.

Note 1 Net sales by geographical area and segment

%	Ratio of total sales in 2015
Geographical area	
EU	50
North America	34
Asia	15
Rest of the world	1
Segment	
Sport & Outdoor	58
Lifestyle	10
Home Textiles	22
Other	10

Note 2 Other operating income

SEK	2015	2014
Exchange rate gains	1,340,659	1,290,128
Recovered trade receivables	146,311	0
Insurance claims paid	0	231,295
Total other operating income	1,486,970	1,521,423

Note 3 Leasing agreements – Operational leasing

SEK	2015	2014
The Company's leasing charges during the year amounted to	336,285	199,969
Future minimum leasing charges for non-terminable leasing agreements fall due for payment as follows:		
Within one year	297,120	290,400

The operational leasing agreements concern rental agreements for office premises with an agreement term of 12 months.

Note 4 Audit fees

SEK	2015	2014
Auditing, EY	93,820	92,285
Tax advice, EY	28,900	188,952
Total audit fees	122,720	281,237

Note 5 Personnel and related parties

Average number of employees

The average number of employees is based on the number of working hours paid by the Company in relation to a normal working day.

	2015	2014
The average number of employees was	7	6
– of whom women	4	3
– of whom men	3	3

Salaries, remuneration, etc.

Salaries, remuneration, social security expenses and pension costs have been defrayed at the following amounts:

	2015	2014
Board of Directors		
Lennart Holm, Chairman	114,993	0
Mikael Bluhme	50,000	0
Mats Georgson	65,710	0
Jonas Wollin	65,710	0
Per Palmqvist Morin	50,000	0
CEO		
Salary and remuneration	1,272,832	1,055,856
Pension costs	317,248	321,509
Total for the Board of Directors and CEO	1,936,493	1,377,365
Other employees		
Salaries and remuneration	3,447,284	2,759,263
Pension costs	527,418	476,526
Total other employees	3,974,702	3,235,789
Social security expenses	1,648,551	1,371,910
Total for the Board of Directors, CEO and other employees	7,559,746	5,985,064

Note 5, continued

Gender distribution of the Board of Directors and Senior Management

	2015	2014
Number of members of the Board of Directors	6	5
– of whom women	0	0
Number of other executive positions, including the CEO	1	1
– of whom women	0	0
Pension obligations to the Board of Directors and CEO	0	0

Richard Tooby did not receive any Director's fees in 2015. The remuneration to the CEO includes a bonus of one month's salary for both 2015 and 2014. The CEO has no entitlement to severance payments.

During the year, remuneration in addition to Director's fees was paid to members of the Board of Directors for a total of SEK 182,170, distributed as follows:

Lennart Holm Development AB	SEK 54,000
Per Morin KPM Consulting AB	SEK 128,170

The following transactions with related companies took place during the year

Rudholm & Haak (HK) Ltd	SEK 1,501,208
Polygiene Ltd	SEK 2,417,709
Stellar Strategies	SEK 232,565

Note 6 Other operating expenses

SEK	2015	2014
Foreign withholding tax charged	1,048,371	582,713
Exchange rate losses	984,259	259,213
Total other operating expenses	2,032,630	841,926

Note 7 Tax on the profit for the year

SEK	2015	2014
Current tax	0	0
Deferred tax asset concerning tax losses carried forward	3,530,000	1,760,000
Reconciliation of effective tax		
Profit/loss before tax	5,641,445	3,683,419
Tax cost 22.00% (22.00%)	-1,241,118	-810,352
Tax effect of:		
Non-deductible expenses	-270,051	-47,631
Non-taxable income	48	133
Tax losses carried forward utilized for the year	1,511,121	857,850
Recognition of deferred tax asset not previously recognized	3,530,000	1,760,000
Total tax on the profit for the year	3,530,000	1,760,000

The Company has a taxable deficit amounting to SEK 24,050,349. The booked deferred tax asset for taxable deficits amounts to SEK 5,290,000. The booked amount is estimated to be utilized during the coming years.

Note 8 Other intangible assets

SEK	2015	2014
Opening acquisition value	1,158,000	1,158,000
Closing accumulated acquisition value	1,158,000	1,158,000
Opening amortization	-1,158,000	-1,158,000
Amortization for the year	0	0
Closing accumulated amortization	-1,158,000	-1,158,000
Closing recognized value	0	0

Note 9 Inventories, tools and installations

SEK	2015	2014
Opening acquisition value	24,729	24,729
Sale/disposal	-24,729	0
Closing accumulated acquisition value	0	24,729
Opening depreciation	-24,729	-24,729
Sale/disposal	24,729	0
Closing accumulated depreciation	0	-24,729
Closing recognized value	0	0

Note 10 Holdings in affiliated companies

Company	Reg. no.	Registered office	Ownership interest	Voting share	2015-12-31	2014-12-31
					Recognized value	Recognized value
Polygiene Ltd	06803458	Nottingham, UK	49.0 %	0.0 %	0	0
Details of equity and results (SEK)						
Equity					1,238	1,214
Profit for the year					812,624	675,524

Details of equity and results based on Polygiene Ltd's most recently adopted annual accounts, 2014-12-31. Equity and the profit for the year are stated in full, irrespective of ownership. The profit for the year is the profit after financial items. The Company has no entitlement to distribution from the affiliated company.

Note 11 Deferred tax asset

SEK	2015-12-31	2014-12-31
Opening balance	1,760,000	0
Deferred tax reported in the profit for the year	3,530,000	1,760,000
Closing balance	5,290,000	1,760,000

Note 12 Other non-current receivables

SEK	2015-12-31	2014-12-31
Deposit, office, Sanatus Fastigheter	14,300	14,300
Total other non-current receivables	14,300	14,300

Note 13 Cash and cash equivalents

SEK	2015-12-31	2014-12-31
Available balances	27,544,725	6,073,412
Total cash and cash equivalents	27,544,725	6,073,412

Note 14 Equity

SEK	Share capital	Share premium reserve	Accumulated loss
Amount at the beginning of the year			-21,527,095
New issue	1,631,600	29,246,738	
Option program	300,000	21,976,925	
Profit for the year		43,700	9,171,445
Amount at the end of the year	1,931,600	51,267,363	-12,355,650

Note 15 Share information

	Number of shares	Listed value per share
Number/value at the beginning of the year	81,580	20.00
Share split 200:1	16,234,420	0.10
New issue	3,000,000	0.10
Number/value at the end of the year	19,316,000	0.10

The Company has only one share class and all shares entail the same and rights to dividends and liquidation proceeds, and give entitlement to one vote per share.

In 2014, the Company issued 1,200,000 warrants to staff and the Board of Directors, which entitle holders to subscribe for an equivalent number of shares. The warrants can be exercised during the period from 1 May to 31 August 2016, with a striking price of SEK 3.00 per share.

During 2015, the Company issued 250,000 warrants to staff and the Board of Directors, which entitle holders to subscribe for an equivalent number of shares. The warrants can be exercised during the period from 1 to 31 August 2018, with a striking price of SEK 15.00 per share.

Note 16 Accrued expenses and prepaid income

SEK	2015-12-31	2014-12-31
Accrued salaries	424,402	276,938
Accrued holiday pay	707,864	613,092
Accrued social security expenses	334,467	279,648
Accrued special payroll tax	208,919	183,399
Accrued commission tax	852,333	593,005
Other accrued expenses	1,246,261	1,408,759
Total accrued expenses and prepaid income	3,774,246	3,354,841

Definitions of key ratios

Equity/assets ratio

Equity as a ratio of total assets.

Malmö, 19 april 2016

Christian von Uthmann
CEO

Lennart Holm
Chairman of the Board of Directors

Mats Georgson

Mikael Bluhme

Jonas Wollin

Richard Tooby

Per Palmqvist Morin

Our audit report was submitted on 19 April 2016
Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of Polygiene AB (publ), corporate identity number 556692-4287

Report on the annual accounts

We have audited the annual accounts of Polygiene AB (publ) for the financial year 2015. The annual accounts of the company are included in the printed version of this document on pages 20–31.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Polygiene AB (publ) as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Polygiene AB (publ) for the financial year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

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

Malmö den 19 April 2016
Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

Annual General Meeting and financial calendar

Annual General Meeting

The Annual General Meeting will be held at 4pm on 11 May 2016 at Malmö Börshus, Skeppsbron 2 in Malmö, Sweden.

Right of participation and registration

Shareholders wishing to attend the Annual General Meeting must be registered in the shareholder register held by Euroclear Sweden AB by Wednesday, 4 May 2016; and also registered with the Company by Wednesday, 4 May 2016, in writing to Polygiene AB, Attn. Jan Bertilsson, Stadiongatan 65, SE-217 62 Malmö, or by e-mail: jb@polygiene.com, or by telephone: [+46] (0)725 58 26 69. Registration must include full name, personal or business reg. no., shareholding, address and daytime telephone number, as well as, where relevant, details of any accompanying counsel.

Nominee shares

To be entitled to attend the Annual General Meeting, shareholders whose shares are registered as nominee shares via banks or other portfolio managers must temporarily register the shares in their own name with Euroclear Sweden AB. This re-registration must take place by no later than Wednesday, 4 May 2016, which entails that shareholders requiring this re-registration must notify the portfolio manager in good time before the aforementioned date.

Proxies, etc.

If a shareholder is to be represented by a proxy, the proxy must present a written and dated power of attorney signed by the shareholder at the Annual General Meeting. The power of attorney may not be older than one year, unless a longer term of validity (but no longer than five years) is specified in the power of attorney. If the power of attorney is drawn up by a legal entity, the proxy must also present the current certificate of registration or equivalent document of authorization for the legal entity. To facilitate admission, a copy of the power of attorney and other authorization documents should be attached to the registration for the Annual General Meeting. The power of attorney form is available on the Company's website (www.polygiene.com/ir) and can be sent by post to shareholders who contact the Company and submit their address.

Financial calendar

Interim Report Q1 2016	11 May 2016
Annual General Meeting 2016	11 May 2016
Interim Report Q2 2016	25 August 2016
Interim Report Q3 2016	10 November 2016
Year-End Release 2016	February 2017





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