Polygiene AB (publ.)

Annual Report 2018

polygiene.com/ir

Polygiene®
STAYS FRESH

Contents

This is Polygiene

Polygiene believes we can wash our clothes half as much and keep our clothes alive twice as long. To do that, consumers need the assurances that clothes and other gear will stay fresh, with no bad odors. This conviction has led us to become the leading global brand in odor control, with an impresseive aided brand awareness among the general public.

We help our partners provide our branded treatment to clothing, equipment, textiles and other materials. Polygiene has more than 140 partners around the globe in various segments, such as Sport & Outdoor, Lifestyle, Home Design, Footwear, Workwear and Protective Surfaces. Polygiene treatment provides natural odor control that lasts the lifetime of the material. As the leading brand, Polygiene adds value to the individual who gets an odor free garment that lasts longer through less washing, but also aims to drive change in consumer behavior and encourage water saving, second hand selling, and recycling.

The Polygiene brand is built by actively working with the entire value chain – from development and manufacturing to marketing, distribution and customer support.

Polygiene is not only a chemical treatment or a function – it is also a Brand.

Polygiene Timeline

2006
Polygiene is established.

Initial focus on effectively preventing growth of bacteria and viruses on hard surfaces and materials, especially in hospitals and public environments.

2007/08
Sport & Outdoor brands approach Polygiene to find a solution to the odor problem.

2009
Results from consumer research prompts the Company to adapt its business model to better meet the forces driving the market and consumer demand.

2012
Breakthrough in the Sport & Outdoor and Lifestyle segments in the US due to collaboration with Patagonia.

2013/14
Breakthrough in the global sportswear market due to collaboration with adidas.

2015/16
Further consumer research helps Polygiene define initiatives to establish leadership within the odor control ands stays fresh category for the Lifestyle segment.

2016
Listed on Nasdaq First North.

Breakthrough in the Footwear segment with Converse in Japan and in the Home Design segment with Evezary and Fogni in South Korea.

2017
Polygiene Stays Fresh Technology first in Italian Sinterama Newlife yarn made of 100% recycled polyester. Home Design segment expands with Chinese e-tailers, such as 8H and ZSH.

2018
With a revised sales and market strategy, Polygiene expands its capabilities worldwide.

Polygiene Odor Crunch technology is launched as a complimentary solution.

Increasing interest for Polygiene not just as a consumer benefit but also a water shortage and other sustainability challenges.

2018 in brief

Net sales amounted to MSEK 69.0 (66.2), which corresponds to an increase of 4.2 percent (23.0). The divestment of the Protective segment as part of efforts to consolidate operations generated a further MSEK 10.6 in other operating income. Profit after tax totaled MSEK 5.9 (loss: 5.4). The year featured major structural changes within the Company. Cash flow from operating activities was MSEK -4.2 (-6.3).

Market events during the year

The Sport & Outdoor segment continues to hold a leading position, while Lifestyle is growing and Home Design and Protective show a small decrease. The Footwear segment is still in the development phase, as the sales process has proven to be more complex in this area. However, the shoe market remains a high priority. We were delighted that adidas launched Polygiene in its Terrex CC Voyager shoe. Polygiene expanded into the home textiles market in US with new partner Sunham Home Fashions, which is one of the largest importers of home textile products in the US. Denim was treated with Polygiene for the first time in a collaboration with World Group, which is one of the dominant Asian brand houses, with large-scale production capacity and thousands of stores in Asia and global online stores. Polygiene entered the Brazilian market, which is the fifth largest textile producer in the world, with the help of two representatives from Sao Paolo who will be launching the world-leading Polygiene Stays Fresh Technology. Yonex co. Ltd, world-leading manufacturer of golf, tennis and badminton equipment and sportswear, entered into an agreement with Polygiene to use Polygiene Stays Fresh Technology in its products.

Key appointments during the year

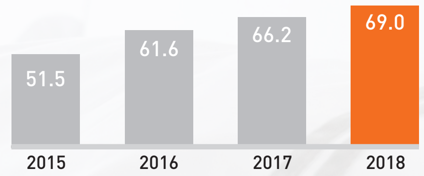
Polygiene appointed three new Commercial Directors – Chiara Galimberti in Southern Europe, and Hans Bergman and Bobby Howell in North America – to step up the sales activities required on these two key markets.

Mats Georgson, former Board member, stepped down from the Board and took on an operative role in the Company as Chief Marketing Officer. Rebecka Harvyl was recruited as Marketing Manager at the Company's headquarters in Malmö, and the marketing team received a boost with the addition of expertise within project management, graphic production and social media.

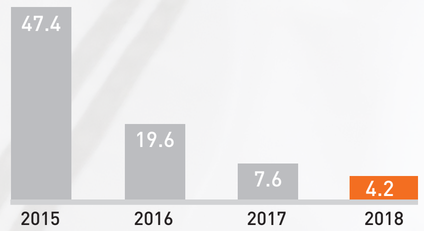
Other significant events during the year

Martin Kössler and Daniel Röme were elected to the Board at the AGM in May. Jonas Wollin took over the role of Chairman from Richard Tooby, who has left the Company. Polygiene signed an exclusive distribution agreement with Swedish cleantech material provider Prebona. The agreement grants Polygiene access to Prebona's patented product, which is being launched under the name Polygiene Odor Crunch. Polygiene reported its former CEO to the police for gross fraud and breach of trust. The Company Polygiene (Hong Kong) Ltd was established to strengthen Polygiene on the important Asian market and is part of a major strategy going forward. The Protective segment was divested at the end of the year to consolidate operations and focus exclusively on our core textiles business.

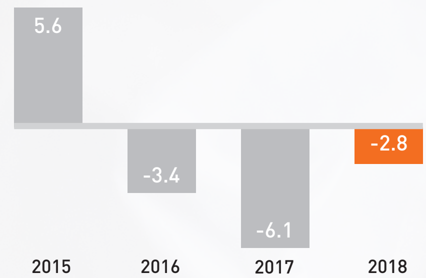
Net sales, MSEK



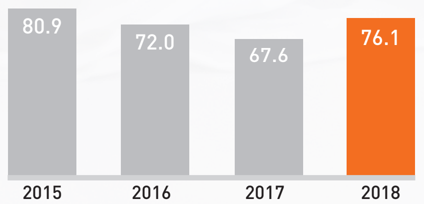
Net sales, growth (%)



Operating profit (EBIT), MSEK



Equity/assets ratio (%)



Message from the CEO

2018: A year of change and a new strategic direction

Total operating income for 2018 amounted to MSEK 69.0 (66.2), which corresponds to an increase of 4.2%. Operating profit, excluding the sale of the Protective Surfaces business area, was MSEK -2.8 (-6.1), with a negative cash flow of MSEK -7.2 (-9.1), an improvement over the previous year. The sale of Protective Surfaces generated an other income of MSEK 10.6.

Streamlining the business and reworking our sales and market strategies has been a major focus during 2018. We have not yet been able to achieve a satisfactory growth rate within our existing customer base; however, we have been very successful in selling to new customers. To achieve a strong growth overall, we must be able to increase sales from new and existing customers. This means that we must become even better at both communicating and demonstrating the added value that Polygiene provides our brand partners through our strong brand. In practice, this means deepening the relationships with our brand partners, strengthening their brands and their market share, and use our unique offering as the focal point of effective marketing and sales promotion activities. In 2018, we put much effort into developing a new strategy with clearer customer segmentation. This will result in fewer, yet more dedicated partners that will create value. I am convinced that we will be able to increase sales for each customer and allocate resources more efficiently at every customer touchpoint.

As a natural step in the streamlining process, we decided to divest the Company of our Protective Surfaces business area because this market segment lies outside of our core business. The purchase price amounted to MSEK 10.6 which, going forward, will be invested exclusively in strategic projects that support our growth agenda.

Sport & Outdoor

As in previous years, the Sport & Outdoor segment remains strong, representing about 63 percent of total sales. Our largest sales regions are the US and Europe, but Asia is also strong. The latest brand partner to join the Polygiene fold is Yonex from Japan. The Yonex brand is strong and holds great potential in terms of sales volume. We will continue to cultivate our current brand partners within the Sport & Outdoor segment. We have also identified several companies that are suitable brand partners. These companies not only share the same vision and values as Polygiene with regard to environmental care and sustainability, but also plan to invest in and communicate these values to their end customers.

Lifestyle

There is a subtle distinction between the Sport & Outdoor and Lifestyle segments as the boundaries between them blur. That said, we are welcoming more and more brand partners known as fashion brands. Brands in this segment may be stylish and comfortable, conveying values, interests and attitudes – a way of life – but do not focus on performance for physical activities. Most clothing produced today belongs in this category, making the growth potential here substantial. It is also important to note the role that environmental profit plays here. Consumers are using and washing their clothing more frequently than before. Treating clothing with Polygiene makes it last longer because it does not require frequent washing, which minimizes wear and tear. This saves consumers time and money as well as makes the best use of finite resources while reducing environmental impact of clothing. Sales here continue to be strong. Growth in 2018 was 35 percent higher than the previous year. What's more, the most interesting customer projects are now underway in this market segment. The share of total sales has increased from about 11 percent in 2017 to 15 percent in 2018.

Home Design

Polygiene has demonstrated success in this segment in Asia, but this year we made a major breakthrough in North America. In December, we signed a partnership deal with Sunham Home Fashions, one of the largest importers of home textiles in the US. Moreover, interest in home textiles treated with Polygiene in Europe increased in 2018, and I am convinced that sales volumes will grow here as well. Home Textiles accounted in 2018 for 17 (20) percent of the total sales. The majority of all textile production for this market segment takes place in India and South Asia. In early

2019, we hired a technical director in India to help Polygiene meet the increased demand for textile production in this region.

Footwear

Shoes are an important focus area for Polygiene and our forecast for growth in the segment represents a significant part of our strategy going forward. The potential is staggering; the odor control market for shoes is more than 450 million pairs a year. However, making progress within this market segment is tough due to a much more complex value chain than that of Sport & Outdoor, Lifestyle and Home Design. A shoe consists of various components, all of which require treatment with Polygiene to obtain the maximum odor control effect. This not only drives application costs for our brand partners, but also calls for comprehensive quality control. We are, however, committed to achieving a major breakthrough in the footwear industry and are fine-tuning our go-to-market strategy. Once we succeed, however, the rewards will be great.

Increased focus on sustainability

The environmental debate has become increasingly intense in recent years. Most agree that new environmental solutions, both with regard to advanced technology and changes in consumer behavior, are required to meet the challenges ahead. The textile industry is considered to have a major impact on the environment. Here Polygiene has a unique business opportunity to help textile manufacturers reduce their impact through our Wear More, Wash Less concept. Our product makes it possible to extend the active lifetime of a garment because clothing treated with Polygiene does not need to be washed as often, which minimizes the wear and tear on clothing fibers. Wear More. Wash Less has been Polygiene's key message for years, and it has never been more relevant. We are now intensifying our R&D efforts with an eye on sustainability and are glad to welcome Daniel Röme, who holds a doctoral degree in organic chemistry, to drive our product development and innovation efforts.

Polygiene provides considerable environmental benefits, and the long-term effects of its use are both positive and significant. Our mission is, together with our brand partners, to increase awareness and change consumer behavior in an effort to promote responsible, climate-smart purchasing and use of garments and gear – and thereby minimize the environmental footprint of both the textile industry and consumers.

An exciting future ahead

In December, we established Polygiene (Hong Kong) Ltd, extending our reach into China's fast-growing market. We are building our organization with dedicated resources within sales, marketing and technical support. We expect this expansive region to provide opportunities to grow our business and will be making significant investments in the future to support growth in the region.

At the same time, we are continuing to strengthen our organization in South America, where the Brazilian market is in focus. With new local resources on the technology side, we now have a strong, competent team who are laying the foundation for growth and working to harness the potential in this exciting region.

I am confident that, with a well-anchored strategy and a strong team in place, we are prepared to deliver on our growth strategy. This is why I have a very positive view about the future of Polygiene. The changes and restructuring that we have implemented over the past two years have drawn upon our energy and resources, but after an intensive 2018, we will now begin to see the results of our efforts. I am convinced that 2019, especially the second half of the year, will be a very exciting and positive year.

Finally, I would like to extend my sincere thanks to all Polygiene co-workers and brand partners for their strong efforts in 2018 and express my gratitude to our shareholders for their continued confidence in 2019.

"I am confident that, with a well-anchored strategy and a strong team in place, we are prepared to deliver on our growth strategy"

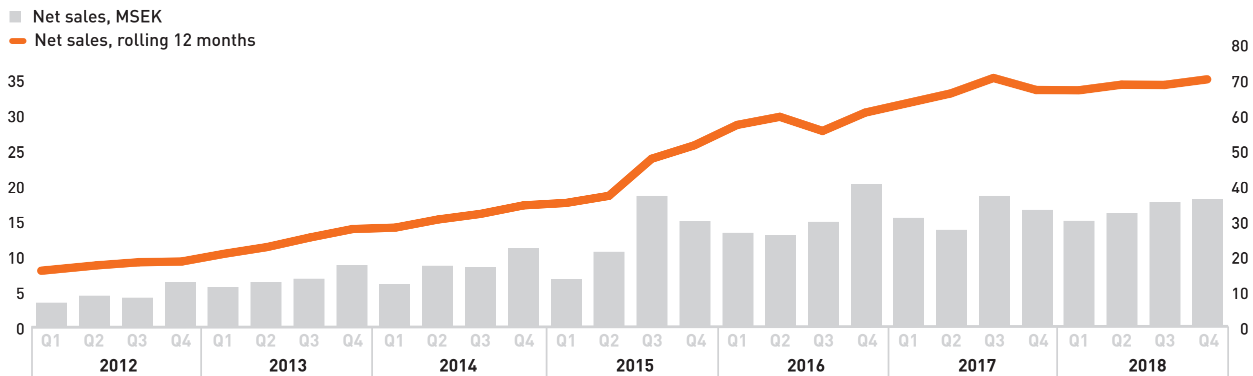
Ulrika Björk
CEO Polygiene AB

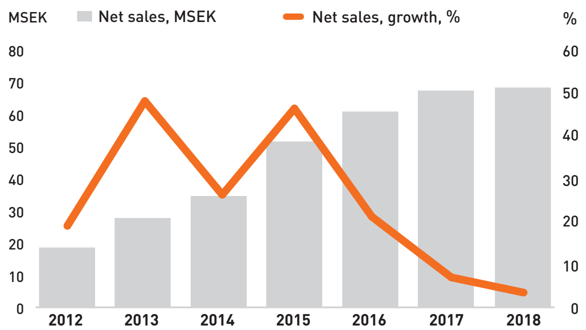
Goals

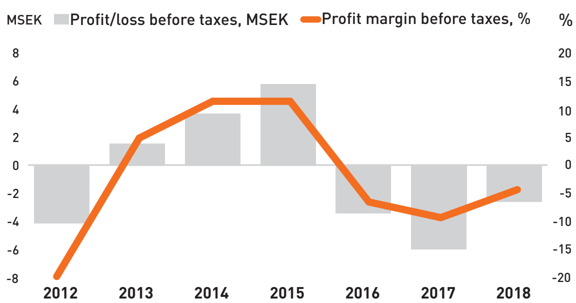
Polygiene shall be the market-leading ingredient brand within the Sport & Outdoor, Lifestyle and Home Design and other segments, and deliver, in partnership with clothing and product brands and retailers, the best of solution for odor control through a product that is effective, safe to use, prolongs product life and that contributes to a more sustainable world.

Vision

Polygiene shall be the leading global brand for prolonging the lifetime of textiles by offering a sustainable Stays Fresh-technology which enables consumers to change washing behavior.







Significant events

New collaborations and segments

- adidas launched Polygiene in its Terrex CC Voyager shoe, which is regarded as a breakthrough in the shoe segment.
- Polygiene delivered odor control to AIGLE by Lacoste in Japan. The new collaboration began with the addition of Polygiene's odor control technology to men's and women's T-shirts with logos in AIGLE's spring and summer 2018 collection.
- Polygiene expanded in Asia with World Group and Polygiene in denim made its debut. World Group is one of the dominant Asian brand houses, with over 60 brands, large-scale production capacity, thousands of stores in Asia and global online stores.
- Kickstarter success Organic Basics launched Silvertech 2.0 featuring Polygiene Stays Fresh Technology.
- Yonex co. Ltd, world-leading manufacturer of golf, tennis and badminton equipment and sportswear, entered into an agreement with Polygiene to use Polygiene Stays Fresh Technology in its products.
- Polygiene expanded into the US home textiles market with new partner Sunham Home Fashions, which is one of the largest importers of home textile products in the US.
- Polygiene entered the Brazilian market, which is the fifth largest textile producer in the world. Global leader Polygiene Stays Fresh Technology was launched with the help of two representatives from Sao Paolo.
- Polygiene signed an exclusive distribution agreement with Swedish cleantech material provider Prebona. The agreement grants Polygiene access to patented Polygiene Odor Crunch.
- The Asian arm of Los Angeles-based premium brand, Denim of Virtue, launched jeans featuring Polygiene Stays Fresh Technology.
- Polygiene began a new partnership with Korean sock supplier Pumchang, which is one of the biggest suppliers of socks in Korea, with sales of 30 million pairs a year. They are the official distributor for brands such as Nike, adidas, Reebok, Asics and New Balance.
- Polygiene and Helly Hansen Japan teamed up for the Yacht Race Nippon Cup. As H/H is the lead sponsor, all competitor T-shirts were treated with Polygiene Stays Fresh Technology. All T-shirts with prints from H/H's autumn collection were also treated with Polygiene.
- Russian high-end sports brand Redfox field-tested Polygiene treated garments, with excellent results. The Redfox collection of garments with Stays Fresh Technology includes trousers, underwear and tops.

Marketing activities

- Untitled, one of the brands from Japanese fashion group World, launched a functional business suit for women featuring Polygiene Stays Fresh Technology. The suit was launched at the Tokyo Suit Run event, where it was put to the test. Influencers and runners made sure the event generated plenty of coverage in social media.
- Polygiene presented its own stand for the first time at Outdoor Retailers in Denver, CO, which is the largest and most influential outdoor trade fair in North America. Polygiene received a positive response and consolidated its position as the world-leading brand within odor control. Polygiene's business garments, with sales and marketing directly to the brands, were further established and are seen as bringing added value and something different from other solutions.
- At Performance Days in Munich in the autumn, Polygiene's Chief Marketing Officer Mats Georgson, PhD, participated in an expert panel focusing on cutting water consumption. Mats concluded that we are in the midst of a global water crisis and that by harnessing technology and washing less, we can have a positive impact on current water issues.
- Persistent focus on media events in cooperation with selected brands. During ISPO 2018, a successful morning workout was carried out with partner 2XU, which was presented to 10 influencers and media from the UK and Germany. Polygiene developed its collaboration with the Swedish export and media miracle PLOGGA (litter picking and jogging) during the ISPO sports fair.

Polygiene and Montane

After successfully integrating their apparel collection for many seasons with the Polygiene Stays Fresh Technology story, Montane, a UK based brand, launched the VIA Collection, specifically their trail running backpack collection with Polygiene. This was the first introduction for Polygiene in this backpack category and has been a successful launch. In fact, in a year over year analysis with the only difference of the product collection being the introduction of Polygiene, showed a 13% growth of sales.

The Market

There are many factors driving the market, on one hand a more affluent middle class, such as in China and India, with more time and money to spend on appearance, fitness and health. And linked to this we also see a rapidly growing interest in sustainability, reactions toward fast fashion and overconsumption. People want both the personal benefits of staying fresh as well as the environmental benefits of washing less and keeping clothes alive longer.

The addressable market of odor control in textiles is estimated to over 1.8 billion units of garments, footwear and home texiles yearly, which is equal to approximately 1.9 billion yards of treated textile. Today's market has a low penetration in relationship to the total size of the market. The growth potential of Polygiene is mainly within this untapped total market and as the market leader, we estimate that Polygiene can win a major part of this market. Within the next five-year period, the goal for Polygiene is a continued growth within sport & outdoor and, in addition, to gain more ground in the lifestyle, footwear and home textile segments. The market segments defined in million units, could be divided in the following way: Sports: approximately 450 m; fashion/lifestyle: approximately 660 m; workwear: approximately 48 m; footwear: approximately 450 m and home textiles: approximately 200 m.

To build evidence for the relevance of odor control, Polygiene conducted a worldwide study of consumer demand for odor control. Over 4,000 consumers, representing the adult population in the United States, Japan, Germany and the United Kingdom, were asked about products across several market segments – from shirts, sweaters and underwear to socks, towels and bedding.

Consumers could select from several different products based on different variables, such as price, brand and whether or not the product was treated with Polygiene. Estimates could therefore be assigned, all things being equal, to gauge consumer willingness to pay more for Polygiene Stays Fresh Technology. This modeling technique has been used in other industries, including telecom and media industries, to assign prices to various packages.

Product	Price increase due to Polygiene
Towels (USA)	+ 20%
Bedsheets (USA)	+ 15%
Leisure shoes	+ 13%
Sweatera	+ 17%
Shirts	+ 17%
Socks	+ 20%
Underwear	+ 35%

These results show that Polygiene adds significant value to all kinds of products. We also modeled the effect of adding Polygiene functionality without increasing the price, which generally boosted product appeal, making it realistic in the vast majority of cases to expect a doubling of sales of a Polygiene treated product.

Clearly, this study is of great interest to Polygiene customers and prospects in helping them to understand market dynamics and to put the costs of adding Polygiene into perspective against potential revenues.

Consumers are also becoming actively engaged in looking for new sustainable solutions. Sometimes new technology has been seen as the problem rather than solutions. This has changed rapidly in the last few years due to phenomena like Tesla, solar panels and other new technology-driven green entrants.

We hope and believe Polygiene can be seen as "the Tesla of textiles". In a world where textile and energy waste is an increasing drain on our common planet and resources, it fits right in. Hence the environmental arguments are increasingly important for odor control in all market segments. The environmental benefits are: (1) reducing the need to wash garments and (2) how long a product lasts before it must be discarded. Less frequent washing, of course, translates into longer product lifetime, which in turn has greater environmental benefits.

Climate-smart use with Polygiene

- Garments can be used several times before they require washing and can be washed in lower temperatures, saving water, detergent and energy.
- Without excessive washing and bacterial growth, the fibers do not degrade as quickly so products last longer. This durable treatment lasts the lifetime of the garment.
- The less consumers wash, the more free time they have to do the things they enjoy.
- Garments are not discarded prematurely due to odor.
- Polygiene-treated products can be used again and again. And in the end of their life they can be recycled.

Example 1: On your next ski trip, pack a single base layer instead of three. Even after a week, you won't smell bad.

Example 2: Buy good, treated all-terrain shoes and use them in wet or dry conditions. Polygiene-treated shoes will stay fresh longer than untreated shoes.

Example 3: There's no need to change out of your favorite shirt after that tough morning presentation. With Polygiene, it stays fresh long after your meeting, and so do you.

Strategy

"Polygiene shall be the leading global brand in Stays Fresh odor control, leading a sustainability leap towards less waste through changed consumer behaviors"

This means we are a branding Company, not a chemical supplier. Beyond technology and knowhow, the ultimate asset is to build the consumer understanding and appreciation of the brand that both makes their clothes stay fresh and lets them make less impact on the environment in the process.

Therefore, Polygiene focuses primarily on premium brand manufacturers and their customers, working actively with the entire value chain – from development and manufacturing to marketing, distribution and customer support. Polygiene has a global network of agents, distributors and regional offices. On the technology side, we ensure that proper and effective treatment is carried out and that we comply with both quality and environmental requirements. But as a brand, we don't just deliver the odor control technology, but also market support.

Together with our partners, we ensure that we communicate and build the brand. Creating demand requires consumers to understand and to appreciate the benefits of odor control. From the start, we have been focused on building the Polygiene brand, which has paid off through consumer brand awareness. According to a 2017 market survey of 4,000 consumers worldwide, brand awareness among the adult populations in key markets such as the United States, Japan, Great Britain and Germany is at an impressive 5%. Brand recognition has been accomplished in close collaboration with our brand partners, our customers. This success has been achieved, in part, through co-branding Polygiene-treated products with hang tags and sew-in labels and, in part, through communications including public relations, retail and sales staff training, sales material, events, digital sales channels and social media. But perhaps the greatest carrier of them all is word-of-mouth: people who experience the benefit of Polygiene often tell others about it and become our ambassadors.

Brand recognition also increases the perceived value of Polygiene-treated products, which is a competitive advantage. So-called ingredient brands are often expected to take about 70-80% of the addressable market, which often means that the brand that is able to establish itself as the market leader often benefits from winner-takes-all market dynamics.

Based on Polygiene's total offering with its unique combination of technology and brand building in close cooperation with partners, the Company expects to achieve solid organic growth in accordance with its vision, goals and strategy.

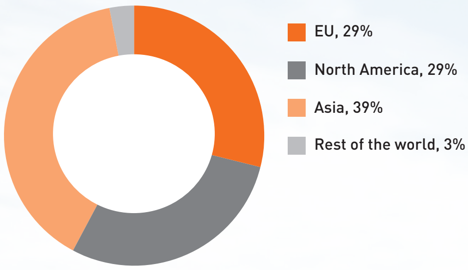
Point-of-sale (POS) material

Hang tags

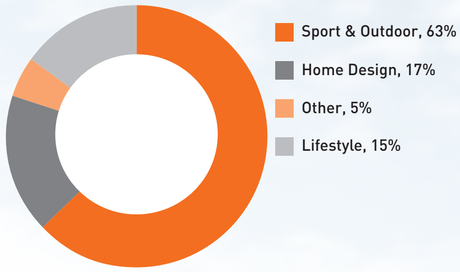
Sew-in labels

Product care labels

Sales by geographic distribution, %*



Sales by segment, %*



* Based on location of customer headquarters/purchasing office

Polygiene delivers a strong integrated solution

In addition to the odor control product itself, Polygiene's offering also extends to a number of other value-adding activities:

- Polygiene guarantees a sustainable solution that functions throughout the garment's lifespan.
- The right to use the Polygiene trademark according to our regulations.
- Brand support via various kinds of labels and labelling of products.
- Promotional material and activities for both physical and digital retail.
- Functionality training for our partners, retail and employees.
- Events at product launches, PR/media and communication via digital media.
- Technical expertise and support throughout entire value chain, from promotion to production.
- Peace of mind, as Polygiene is meticulous about following all the regulations and standards required by the industry.

Sustainability Wear More. Wash Less©

Every year we discard almost 10 kg of textile for every human on the planet. Today, we produce twice the amount of garments compared to year 2000. The average consumer keeps clothes about half as long as we did 15 years ago. Water shortage is an ever-increasing problem and both washing and producing textiles is a huge contributor to that problem.

1. McKinsey - Style that's sustainable: A new fast-fashion formula October 2016

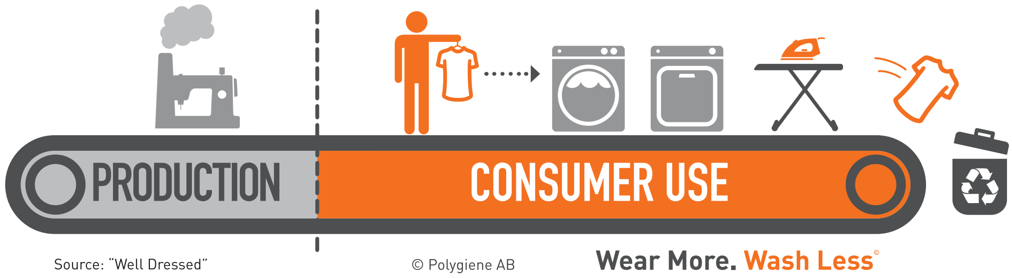
Sustainability is rapidly becoming an active business driver for Polygiene. From the beginning we have acted in perhaps the toughest and most skeptical of markets – Sweden. From the start we had to carefully gauge the environmental effects – good or bad – of almost every aspect of Polygiene´s business.

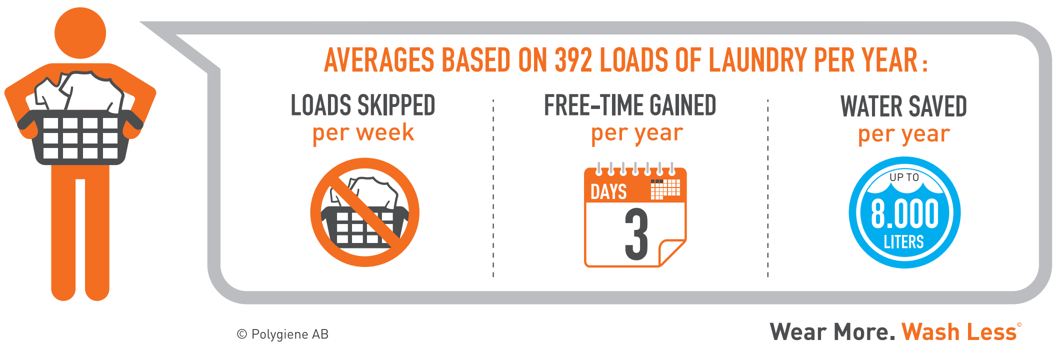
We are happy for it now, as sustainability rapidly is becoming the prime business driver in sports, fashion and elsewhere. And being a brand, Polygiene's functionality and strong environmental arguments are great assets for the companies who want to prove that they themselves are in the forefront of sustainability. People everywhere expect due diligence and care, but are attracted to the actors who can go beyond that and show they are actively doing something about the challenges facing us.

The treatment is applied at the manufacturer's facility during fabric finishing, which also minimizes the environmental impact since the use of additional energy and water is not required. A garment treated with Polygiene remains odor free and can therefore be used several times before it is washed. According to an independent life-cycle analysis, using a Polygiene-treated product more than once after washing drastically reduced the environmental impact of the garment compared to the environmental impact of an untreated garment that was washed after each use.

Without excessive washing and bacterial growth, the material also lasts longer. In fact, when manufacturers want to test clothes for wear and tear they simply use washing machines, which says something about the wear and tear every wash means to the garment.

Also, products do not need to be prematurely discarded due to odor. This prolongs the garment's lifetime and reduces the use of energy and water. If we used our clothes for just nine months longer before discarding them, we would reduce the carbon dioxide emissions about 16%, water usage by about 20% and waste by 8%. And why stop at nine months, if the clothes stay fresh and look new?





Wash smart

Consumer use accounts for a significant portion of a garment's environmental footprint during its lifetime. Resource overuse, mainly due to excessive washing, plays an important role in calculating this footprint. Here we consumers can make a difference.

Save time

What would you do with three extra days? By skipping one wash per week, you "earn" three extra days in a year. You spend 28 minutes on sorting and folding each wash. You can spend that time doing other things that are more fun.

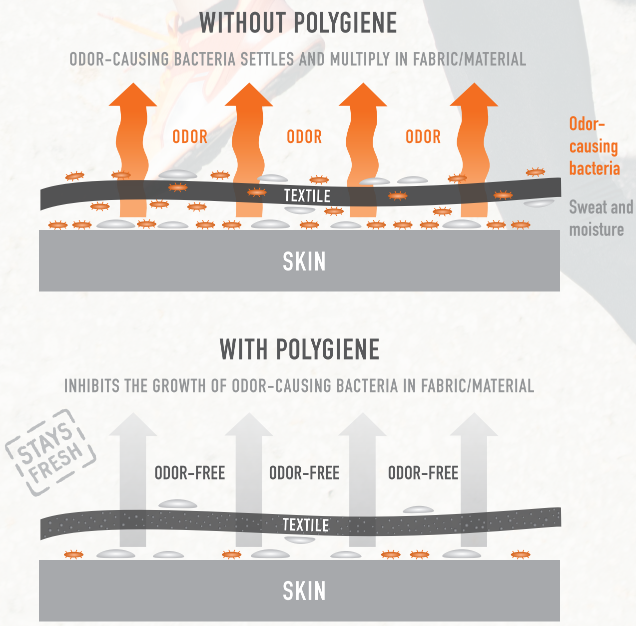
Wear More.
Wash Less©

Polygiene Stays Fresh Technology

How it works

"Stinky polyester" is a well-known phenomenon that occurs when bacteria grow and multiply on textiles, creating odor. Polygiene's method is based on treating the material with a solution that minimizes bacterial growth, which assures long-lasting odor control from first use and throughout the life of the material.

- Polygiene's method is based on treating different materials in order to minimize bacterial growth.
- Bacterial growth and odor development occurs primarily in synthetic materials.
- Polygiene solutions are mainly based on low concentrations of natural silver salt (silver chloride or AgCl).
- Polygiene does not work with nanosilver.
- Treatment is effective throughout the lifetime of the material.
- The solutions can be applied in fibers, textiles and other materials.



This years news: Odor Crunch

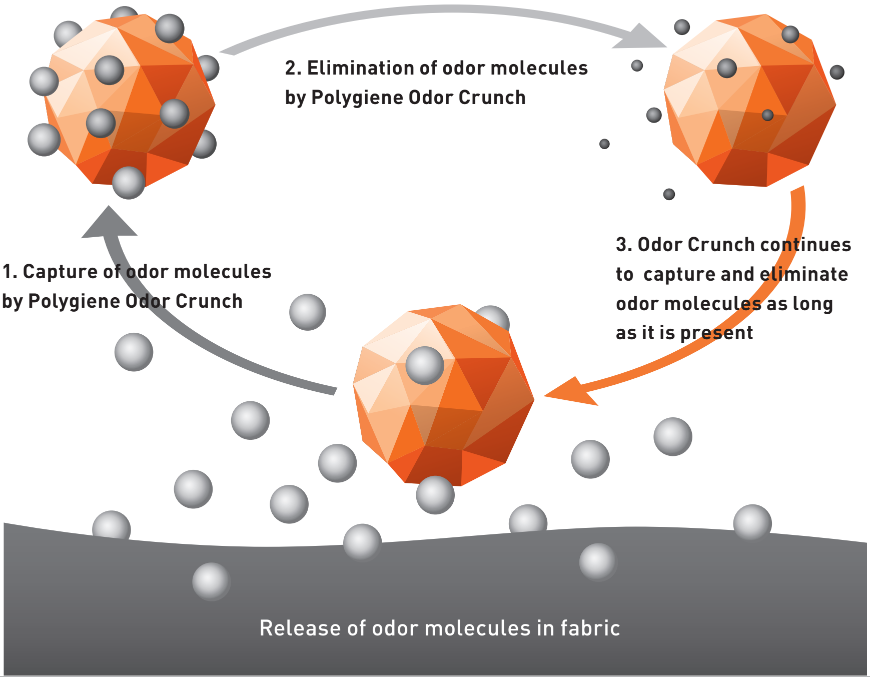
Garments and products treated with the combination product will feel fresh and clean despite sweaty conditions or smelly environments.

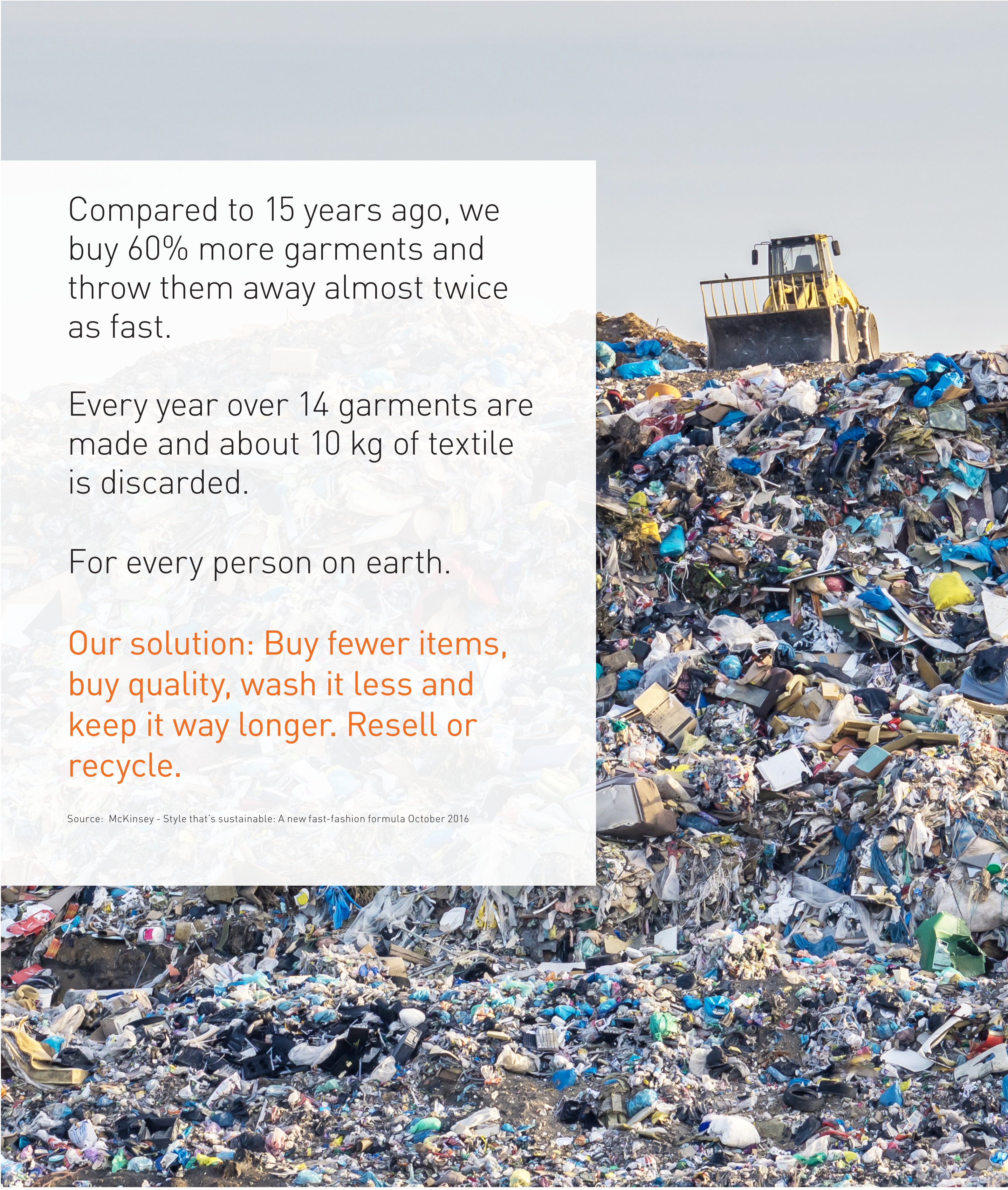
Polygiene Odor Crunch© consists of silica, the main ingredient in sand, modified with ions with well established anti-odor properties. The Odor Crunch particles eliminates odors extremely efficiently in a 2-step odor elimination process. Offensive odor consists of sulfur and nitrogen containing molecules. These odor molecules will stick to the modified silica particles in Odor Crunch. Once the odor molecules are absorbed, they will be catalytically cracked to smaller molecules and the offensive odor is permanently eliminated.

Polygiene Odor Crunch's main use will be in combination with Polygiene's classic Stays Fresh Technology based on silver salt. The functionality of Polygiene Stays Fresh Technology now cover both odors caused by bacteria, such as sweat or body odor, and odors that come from the outside such as cigarette smoke, cooking fumes or other smelly environments.

There are also new applications where Polygiene Odor Crunch alone can be used, which expands the field of products and areas for the Polygiene Stays Fresh promise.

Polygiene Odor Crunch is produced from two of the most common raw materials in the world, water and sand. Sand mainly consists of silica, which is the part used to produce Odor Crunch. The production technology is patented and no waste is accumulated during the production process as all raw material is turned into final product.





Compared to 15 years ago, we buy 60% more garments and throw them away almost twice as fast.

Every year over 14 garments are made and about 10 kg of textile is discarded.

For every person on earth.

Our solution: Buy fewer items, buy quality, wash it less and keep it way longer. Resell or recycle.

Source: McKinsey - Style that's sustainable: A new fast-fashion formula October 2016

Environmental responsibility

The additives used by Polygiene are manufactured in the EU with minimal use of resources and meet stringent environmental regulations. The Company and its products are approved for use by the US Environmental Protection Agency (EPA) and comply with the EU Biocidal Products Regulation (BPR).

Furthermore, the Company holds all major industry specific approvals and certifications, such as Oeko-Tex® and bluesign®.

As a member of the Chemicals Group at Swerea, a Swedish research group for industrial renewal and sustainable development, Polygiene is continuously updated on cutting-edge research and can contribute to potential changes in regulations for the use of chemicals and other environmental related issues. Polygiene is also a member of the Sustainable Apparel Coalition, which consists of brands, distributors, manufacturers and experts in the clothing and footwear industry. The organization is working to reduce both environmental and social impacts of clothing and footwear manufacturing worldwide.

Polygiene contributes to climate-smart clothing

- Polygiene is certified by bluesign®, the textile industry's tough eco-labeling that takes the entire product life cycle into consideration.
- Polygiene collaborates with global brands, many of which are bluesign®-certified, that are leading the textile sustainability movement worldwide.
- Controlled application – Polygiene is applied at the same time as other textile treatments in closed systems to ensure minimal environmental impact, as no further energy or water is required.

Polygiene Partners

North America

patagonia, BURTON, ATHLETA, SITKA, POLARTEC, QÔR, sunham home fashions

ORVIS, Eddie Bauer, Klim, FLY RACING, L.L.Bean, Cotton Incorporated, DULUTH TRADING CO

SOLE, DAKINE, ARC'TERYX, CCM, WHITESIERRA, CASCADE DESIGNS, TEN THOUSAND

DISSENT LABS, RYU, Reebok, KOMBI, ASTRAL, MPG, Black Diamond

PackTowl, TOAD&CO, SIMMS, WARRIOR, sherpa ADVENTURE GEAR, OUTDOOR RESEARCH, Cabela's

Europe

salomon, adidas, LA SPORTIVA, Alfredo Gonzales, Buff, Lafuma, LIFEVENTURE

HILLY, Jack Wolfskin, inov-8, Palm, evoc, RedFox outdoor equipment, DYNAFIT

Freya active, TATONKA EXPEDITION LIFE, HORKA, CASTORE, sprayway for all walks of life, AGU, HEAD

CHAMPION, MONTANE, nomad, EIDER PURE EQUIPMENT, CIMALP, trangoworld, maloja

Rab THE MOUNTAIN PEOPLE, SALEWA, INTERSPORT, Deutsche Post, dhb, BunkerMentality, ANKY TECHNICAL CASUALS

MOUNTAIN EQUIPMENT, POC HELMETS & ARMOR, AURA, PICTURE, ona, organicbasics, SYSTEM OF MOTION

WOLF CAMPER, ARYS, MAVIC, MILLET MOUNTAIN BY EXPERIENCE, Falcon, TERNUA, Balans Bikewear

Asia / Australia / New Zealand

WORLD, Squadra, KAILAS, TRAVELER, YONEX, MANAS, ZEROFIT EON SPORTS

eco-tech, CONVERSE JAPAN, ellesse JAPAN, VAUDE CHINA, Champion JAPAN, THE NORTH FACE JAPAN, 8小时好睡眠

Wacoal, RIHARA CORPORATION, SUNHIT, HITOMI, ANGLE, GOLDWIN, CREATEX

ITOKI, MOUNTAIN DESIGNS, 2XU, macpac, STONEY CREEK, TOKUDA JAPAN OSAKA, Hakuyosha CLEAN LIVING

NAIGAI, ANDAR, HJC, Sealy, NISHIKAWA, 最生活毛巾, evezary GOOD BEDDING

around home, Kathmandu, SQDATHLETICA, Litume, 歐都納 ATUNAS, BONMAX, HusHusH

THE SHOP TK, UNTITLED

Share capital, the share and ownership structure

Share capital

Polygiene's share capital totals SEK 2,051,600, allocated to 20,516,000 outstanding shares. The Polygiene Articles of Association provide that the share capital shall be not less than SEK 1,300,000 or more than SEK 5,200,000, and total outstanding shares shall be not less than 13,000,000 and shall 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 rights 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 takeover 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.

The share

The Polygiene AB (publ.) share was listed on Nasdaq First North in Stockholm on 14 March 2016. The share is listed under the POLYG ticker. Total turnover for the Polygiene share from 1 January to 31 December 2018 was 6,901,140 shares, corresponding to an average of 27,604 shares per trading day. The share price at the end of the period was SEK 5.60, corresponding to market capitalization of MSEK 115. Highest and lowest prices during the period were SEK 13.00 and 5.16, respectively.

Outstanding warrants

Warrants 2018/2021

In June 2018, Polygiene issued 228,000 warrants to staff and contracted consultants, which entitle holders to subscribe for an equivalent number of shares. These warrants may be exercised during the period from 1 to 30 June 2021 and have an exercise price of SEK 16.50 per share. In the event that all warrants in this program are exercised to purchase Polygiene shares, the Company will issue a total of 228,000 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

At the end of 2018 the Board had no authorization to decide on share issues, warrants or convertible debentures.

Development in the share capital

Since the establishment of the Company in November 2005, Polygiene's share capital has changed as presented in the table on page 21. 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 markets and sales activities and to increase the number of shareholders prior to the listing of Company shares in March 2016, a new share issue directed at around one hundred selected business angels and private investors was conducted in December 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 (corresponding to a post money valuation of approximately MSEK 145).

Shareholders in Polygiene

As of 31 December 2018 Polygiene had 778 (752) shareholders. The table below shows the 10 largest shareholders as of 31 December 2018.

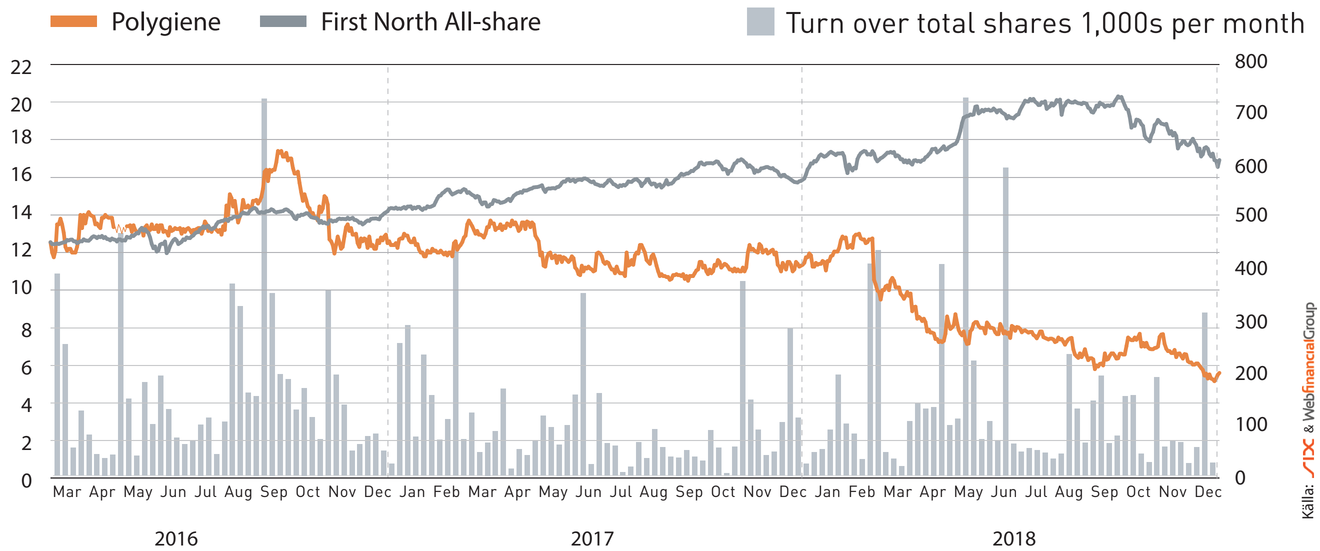
Shareholders	Shares	Percent
SIX SIS AG	1,520,909	7.4%
Erik A i Malmö AB	1,348,800	6.6%
JPM Chase NA	940,000	4.6%
Jonas Wollin*	874,500	4.3%
Richard Tooby	858,372	4.2%
Lennart Holm*	850,620	4.1%
Aktia Fund Management	846,008	4.1%
Avanza Pension	744,227	3.6%
Mats Georgson*	728,000	3.5%
Clearstream Banking S.A. Luxembourg	606,675	3.0%
Other	11,197,889	54.6%
Total	**20,516,000**	**100%**

* Refers to personal holdings and those of associated natural persons and legal entities. Source: Data from Euroclear and data known to the Company.

Dividend policy

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

Polygiene 2016 March - 2018 December



Year	Action	Changes to equity (SEK)	Acc. share capital (SEK)	Change (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	—	66,207	46
2012	Capital reduction	−1,721,382	1,324,140	—	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
2016	New share issue	120,000	2,051,600	1,200,000	20,516,000	0.10

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 as a cash amount per share through Euroclear, but may also be paid as other than cash, such as through a distribution in kind. In the event that 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 that the statutory limitation applies, 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 operating capital requirements. 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

The Board of Directors of Polygiene currently consists of six members elected for the period up to the end of the next Annual General Meeting. According to Polygiene's Articles of Association, the Board of Directors must have no 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 17 May 2019. All members of the Board of Directors are, in the Board's opinion, independent in relation to larger shareholders (which refers to shareholders who directly or indirectly own 10 percent or more of the shares or votes in the Company). Jonas Sjögren, Martin Kössler, Lennart Holm and Jonas Wollin are, in the Board's opinion, independent in relation to the Company. Daniel Oelker and Daniel Röme cannot be considered to be independent of the Company, due to their consulting 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 2,461,000 excluding VAT per annum. However, the value of the products that Rudholm & Haak (HK) Ltd supplies to Polygiene as a proportion of total Company sales for Rudholm & Haak (HK) Ltd is considered relatively small. Therefore, despite the actual relationship of Jonas Wollin's Company to Polygiene, he is still considered to be independent in relation to the Company.

Board of Directors

Name	Position	Born	Elected	Holdings*
Jonas Wollin	Chairman	1964	2011	874,500 shares
Lennart Holm	Member	1960	2015	850,620 shares
Martin Kössler	Member	1965	2018	10,000 shares
Jonas Sjögren	Member	1974	2016	253,000 shares
Daniel Röme	Member	1976	2018	233,661 shares
Daniel Oelker	Member	1961	2017	80,271 shares

* Refers to personal holdings and those of associated natural persons and legal entities as of December 31, 2018.

Source: Data from Euroclear and data known to the Company.

Board of Directors

Jonas Wollin
Chairman

Born 1964, Board Member since 2011 – has vast 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 and CEO of Rudholm Group Holding AB, Chairman of the Board of Rudholm & H.K AB, Bamatex AB, Simplicity AB, IBD Sweden AB, Svensk Knalle Handel AB and Marketplace Borås Economic Association. 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, Kaponjären 1 AB, Kaponjären 2 AB, WooCode AB and InkInvest AB.

Previous assignments (last five years): Chairman of the Board of MUJ Invest AB, Portas AB, R. Scandinavia AB and Print& Profile i Borås AB. Board Member of Craftsson AB, BoråsBorås Näringsliv AB, MySoul i Borås AB, Simplicity Holding AB, Scandinavian Safety Restaurang AB, Mickson Fastighets AB, Golf Factory i Borås AB and Borås Näringslivs Economic Association.

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 874,500 shares.

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

Lennart Holm
Member

Born 1960, Board Member since 2015 – has vast experience from working in senior management positions in international companies operating in the chemical and forestry industry, among others.Holm is now an active entrepreneur with investments in various industries.

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

Primary occupation: Entrepreneur. .

Other current assignments: Chairman of the Board of Axolot Solutions AB, BillerudKorsnäs AB (publ.), Brunkeberg Systems AB, Hamnkrogen i Helsingborg Holding AB, Nexam Chemical Holding AB (publ.), Tuve Holding AB and Vida AB. Board Member of Holm & Gross Holding AB and Preventic Group AB.

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

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 850,620 shares.

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

Daniel Oelker
Member

Born 1961, Board Member since May 2017 – has long experience from Swedish International export industry with various management positions within communication, branding, strategy and distribution.

Education: MBA from Lunds University, Master Communications, Journalism

Primary occupation: Chief Communication Officer ZetaDisplay AB (publ)

Other current assignments: Sleeping World AB

Previous assignments (last five years): Board Member at EBIA (European Bedding Industries Association)

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 80,271 shares

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

Daniel Röme
Member

Born 1976, Board Member since 2018 has previous experience from various positions within Perstorp AB and Nexam Chemical AB. Röme is currently a consultant in his own Company, Rome Consulting AB, with assignments for various companies.

Education: PhD in Chemistry at the University of Lund (Lunds Tekniska Högskola) and a Master of Science in Chemistry at the University of Lund (Lunds Tekniska Högskola) and various board programs at EFL

Primary occupation: Entrepreneur and consultant

Other current assignments: Board Member of Nexam Chemical Holding AB (publ), Nattaro Labs AB and Chairman in Svensk Trygghetstjänst AB, Ndjeka Röme AB, Rome Consulting AB and Rome Holding AB.

Previous assignments (last five years): –

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 233,661 shares

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

Jonas Sjögren
Member

Born 1974, Board Member since 2016 – has vast experience from leading media positions.

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

Primary occupation: CEO/Group President of POC.

Other current assignments: Board Member of PlayAd Media Group.

Previous assignments (last five years): Board Member of Discovery Networks Sweden, Discovery Networks Finland, SBS Radio AB and SBS Radio Finland Oy.

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 253,000 shares

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

Martin Kössler
Member

Born 1965, Board Member since 2018. He has a profound competence of global Sports-, Ready-Made Clothing- and Outdoor-distribution.

Education: Corporate law with specialization on international commercial law from School of Business, Economics and Law at the University of Gothenburg and Universität Mannheim.

Other current assignments: CEO, international Capacity Building Company.

Other current assignments: Member of the Board at USWE Sports AB, Huginvest AB, MUJ Invest AB and Helping You Grow International Business AB.

Previous assignments (last five years):: Chairman of the Board Bergans Fritid AS, General Secretary of Scandinavian Outdoor Group or SOG.

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 10,000 shares.

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

Auditors

The auditor for Polygiene is Grant Thornton Sweden AB with Per Kjellander as Chief Auditor. Per Kjellander 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 17 maj 2019.

Senior Management

Ulrika Björk
CEO

Born 1968, employed since 2017 and has a B.Sc Business and Economics from Lunds University. Ulrika was first recruited as CFO in Polygiene but was appointed as CEO in the end of year 2017. She has an extensive career within the finance area and business development and experience from restructuring processes. Ulrika was previously CFO at Hemmakväll AB, Head of Finance at Stena Line Travel Group AB, Controller at Kemira AB and held various financial positions within the IKEA-group. She also has board experience from Stena Line Travel Group AB, Hemmakväll AB and Best Travel A/S both as ordinary member as well as adjunct.

Holdings in Polygiene: 60,000 shares, 100,000 warrants 2018/2021.

Peter Sjösten
CCO

Born 1955, employed since 2010 and has an Economics and Teaching Degree from Linköping University. Peter has during his 9 years in Polygiene built an extensive network within Fashion, Sports and Home Design. His invaluable experience in the industry has been key to the development of Polygiene in the past. Peter previously worked as General Manager at SpePharm Nordic, Country manager at Sanofi in Denmark, International Business Director at Nycomed. He also held positions as General Manager at Espri Health Scandinavia and Marketing and Sales Manager at Ferring in Sweden.

Holdings in Polygiene: 603,000 shares, 20,000 warrants 2018/2021.

Mats Georgson
CMO

Born 1968, employed since 2018. Ph.D. in Marketing and Communication science from University of Connecticut, USA, and B.A., Communication and Media studies, Stockholm University. Ten years as an academic lecturer at Stockholm University in marketing and brand-related subjects. Mats operates a successful consulting business since 2003 with customers like Zound Industries/Urbanears, Unibet, SSAB, Handelsbanken, Saab Technologies, CMORE among others. Previously Mats held a position as Global Brand Director for Sony Ericsson where he was responsible for the branding of Bluetooth and preparatory of the launch of Sony Ericsson.

Holdings in Polygiene: 728,000 shares, 20,000 warrants 2018/2021.

Haymo Strubel
CSO

Born 1979, recruited to Polygiene as Director of Commercial Operations for Europe in 2016. Thereafter promoted to CSO in 2018. Before Polygiene, he headed the corporate apparel division at Sympatex Technologies GmbH, where he was in charge of building the brand and managing the global business activities of the Company's high-tech functional textiles within the fashion, sports and outdoor industry. Earlier Key Account Manager for Europe at the YKK Group, the largest manufacturer of high-tech zippers in the world, where he focused on building and developing the European customer base.

Holdings in Polygiene: 4,600 shares, 20,000 warrants 2018/2021.

Trevor Saunders
CTO

Born 1965, employed since 2008. Trevor has a long and extensive career in technical sales and development within the area of textile application. He started as a lab assistant back in 1983 and held various positions in Welbeck Fabric Dyers. The following 10 years he worked for Rudolph Chemicals where he was responsible for sales in both textiles as well as non-textiles and mainly focusing on building new business areas. His career also includes working with Addmaster Ltd during their establishment phase. Addmaster is a provider of premium technology from antibacterial to water repellant treatments as well as branded certification processes.

Holdings in Polygiene: -

Kristian Populin
CFO

Born 1972, employed in the Company since 2016. Kristian was the former accounting manager for Polygiene before he was appointed as the CFO in 2018. For the past 10 years, Kristian held positions as CFO at Comsys AB, Mobill Scandinavia and Dvel. He has also worked as Business Controller at Citroën A/S and Egmont Tidsskrifter AB.

Kristian left Polygiene March 20 after an mutual agreement.

Holdings in Polygiene: 37,500 shares, 20,000 warrants 2018/2021

Directors' Report 2018

The Board of Directors and CEO of Polygiene AB (publ), 556692-4287, domiciled in Malmö, Sweden, hereby present the Annual Report for the 2018 financial year.

The Company

Polygiene is building a brand around odor control functionality and Polygiene Stays Fresh Technology 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.

The subsidiary Polygiene Services AB is involved in subscription, acquisition and transfer of warrants and other securities. The Directors Report refers to the parent Company and termed as Polygiene.

Market and sales

Polygiene's sales currently take place within five different segments:

- Sport & Outdoor
- Lifestyle
- Home Design
- Footwear
- Protective (the business area was divested 28 December 2018)

The largest segment was Sport & Outdoor with 63 (63) percent of the net sales. Home Design had 17 (20) percent and Lifestyle 15 (11) percent. The largest market is Asia with 39 (40) percent of the net sales.

Comments on the financial development in 2018

2018 compared to 2017.

Revenue

The Company's net sales in 2018 amounted to MSEK 69.0 (66.2), representing growth of 4.4 (7.5) percent. The growth primarily relates to increased sales to new customers since the existing customers decreased in sales. Other operating income amounted to MSEK 13.0 (1.2) and consists primarily of the sale of Protective business area of MSEK 10.6, but also of positive exchange-rate differences.

Expenses

Operating expenses in 2018 amounted to MSEK 74.3 (73.5), representing an increase of 1 (7) percent. Cost of goods sold amounted to MSEK 23.7 (21.3) which provides a gross margin of 66 (68) percent. External operating expenses for the year amounted to MSEK 35.0 (32.8). These expenses consisted of:

- Sales costs, MSEK 12.3 (7.2), of which MSEK 7.9 (5.0) were variable.
  The variable costs consist of commissions to sales agent and distributors. The distribution cost in China has increased and some costs were earlier classified as marketing costs, thereof the increased costs compared to last year.
- Public relations and marketing campaigns, MSEK 7.8 (11.4)
  Redistribution of costs, fewer market consultants and a more effective marketing strategy have reduced costs.
- Administrative expenses, MSEK 8.0 (6.3)
  The implementation of the new business system led to higher costs this year as well as extraordinary expenses in connection with investigation and police notification against the former CEO.
- Technology and development expenses MSEK 2.4 (1.1)
  Testing and evaluation costs have increased due to Odor Crunch and reinforcement of technical expertise within R&D.
- Contracted consultants MSEK 4.5 (4.6)
  During the year, some positions were filled and personnel expenses amounted to MSEK 14.3 (13.2). Other operating expenses amounted to MSEK 0.4 (3.4) and consist of nega-

Multi-year overview

	2018	2017	2016	2015	2014
Net sales (TSEK)	69,039	66,152	61,557	51,511	34,957
Profit before tax (TSEK)	7,781	-6,109	-3,397	5,641	3,683
Total assets (TSEK)	54,965	53,101	57,318	50,468	16,176
Equity/assets ratio (%)	76.1	67.6	72.0	80.9	57.8

tive exchange rate differences. Costs in 2018 also consisted of expensed foreign withholding tax, hence the difference.

Profit/loss before tax

The profit before tax in 2018 was MSEK 7.8 (-6.1). This is equivalent to an operating margin of 11.3 (-9.2) percent. The profit after tax was MSEK 5.9 (-5.4) and was affected by recognition of deferred tax of MSEK -1.9 (0.7).

Balance sheet

Total assets as of 31 December 2018 amounted to MSEK 54.9 (53.1). Trade receivables amounted to MSEK 26.1 (31.7) as of 31 December 2018. The decrease is mainly a consequence of offsetting between accounts receivables and accounts payable, which relates to the same party. Cash and cash equivalents totaled MSEK 3.6 (10.9) as of 31 December 2018. Polygiene's equity/assets ratio was 76.1 (67.6) percent at year-end 2018. The Company had a taxable deficit of MSEK 20.3 (28.3) 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 for a further MSEK 4.3 (6.2) was recognized in 2018.

Cash flows

Cash flows from operating activities were negative at MSEK -4.2 (-6.3), due to the increase in trade receivables and a decrease in accounts payable. Cash flows from the investing activities were negative -3.1 (-2.8) due to investments in intangible fixed assets.

Organization

At year-end 2018, Polygiene's operational organization, regardless of degree of service, consisted of 18 (18) people, of whom 14 (14) were employees and 4 (4) were contracted consultants.

Shares

Polygiene's shares have been listed on Nasdaq First North in Stockholm under the POLYG ticker since 14 March 2016. The share capital as of 31 December 2018 amounted to SEK 2,051,600, comprising 20,516,000 outstanding shares in a single class of shares. For further information about the shares, see Share capital and ownership on pages 20-21.

Other significant events during the financial year

Polygiene concludes agreements with Swedish material technology Company Prebona with the exclusive right to sell and distribute the product Odor Crunch. The Protective business area is divested to streamline operations and focus only on textiles.

Other significant events after the financial year

The CFO Kristian Populin left the Company on 20 March, 2019, according to a mutual agreement.

Risk and uncertainty factors

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

- Market growth
- Competition
- Product liability
- Reliance on suppliers
- 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 Company has as its objective to achieve net sales of more than MSEK 400 with a pre-tax profit margin of at least 20 percent by 2022. This financial goal was settled before the transition to IFRS standards and equals MSEK 330 in the new accounting principles.

Allocation of profit

Proposed allocation of profit

Available for distribution by the Annual General Meeting (TSEK)	
Retained losses	–20,928
Share premium reserve	54,761
Profit for the year	5,917
	39,750

The Board of Directors proposes that	
The following amount be carried forward	39,750
	39,750

Concerning the Company's results and financial position, reference is made to the following statements of profit or loss and statements of financial position with supplementary information.

Statement of profit or loss/income statements

		Group	Parent Company	
TSEK	**Note**	**2018-01-01–2018-12-31**	**2018-01-01–2018-12-31**	**2017-01-01–2017-12-31**
Operating income etc.				
Revenue	2	69,039	69,039	66,152
Other operating income		2,455	13,043	1,234
Total operating income etc.		**71,494**	**82,082**	**67,386**
Operating expenses				
Goods for resale		–23,717	–23,717	-21,261
Other external expenses	3, 4	–35,077	–35,077	-32,845
Exployee benefit expenses	5, 6, 8	–14,309	-14,309	-13,260
Impairment of current assets in excess of normal impairment		-	-	- 2,495
Depreciation, amortisation and impairment of tangible and intangible fixed assets		-798	-798	-186
Other operating expenses		-398	-388	-3,439
Total operating expenses		-74,299	-74,289	-73,486
Operating profit		**–2,805**	**7,793**	**-6,108**
Gain (loss) from financial items:				
Interest expense and similar items		- 2	-2	-8
Profit after financial items		**-2,807**	**7,791**	**-6,100**
Tax expense	9	-1,874	-1,874	700
Profit of the year from continuing operations		**–4,681**		
Loss for the year from discontinued operations	10	10,588		
Profit for the year		**5,907**	**5,917**	**-5,408**
Earnings per share, SEK		**2018-12-31**	**2018-12-31**	**2017-12-31**
Basic earnings per share, before and after dilution	11			
From continuing operations		-0.23	0.29	-0.26
From discontinued operations		0.51	-	-
Total		**0.28**	**0.29**	**-0.26**

Statements of financial position

ASSETS	Note	Group 2018-12-31	Parent Company 2018-12-31	Parent Company 2017-12-31
Fixed assets				
Intangible fixed assets				
Other intangible fixed assets	12	4,123	4,123	2,533
Total intangible fixed assets		**4,123**	**4,123**	**2,533**
Financial fixed assets				
Participations in group companies	14	–	50	50
Foreign withholding tax		2,636	2,636	–
Deferred tax assets	16	4,349	4,349	6,223
Other long-term receivables	17	14	14	14
Total financial fixed assets		**6,999**	**7,049**	**6,287**
Total fixed assets		**11,122**	**11,172**	**8,820**
Current assets				
Inventories etc.				
Finished products and goods for resale		497	497	313
Total inventories etc		**497**	**497**	**313**
Current receivables				
Trade and other receivables	18	26,054	26,054	31,699
Current tax receivable		–	–	211
Contract and other receivables	19	2,142	2,142	482
Prepaid expenses and accrued income	20	11,454	11,454	646
Total current recievables		**39,650**	**39,650**	**33,038**
Cash and cash equivalents		**3,696**	**3,600**	**10,930**
Total current assets		**43,843**	**43,747**	**44,281**
TOTAL ASSETS		**54,965**	**54,919**	**53,101**

Statements of financial position

		Group	Parent Company	
EQUITY AND LIABILITIES	**Note**	**2018-12-31**	**2018-12-31**	**2017-12-31**
Equity	22			
Restricted equity				
Share capital		2,052	2,052	2,052
Total restricted equity			**2,052**	**2,052**
Non-restricted equity	34			
Share premium		54,761	54,761	54,761
Profit (loss) brought forward		-20,928	-20,928	-15,519
Profit (loss) for the year		5,907	5,917	-5,409
Share warrants		56	–	–
Total non-restricted equity			**39,750**	**33,833**
Total equity		**41,848**	**41,802**	**35,885**
Current liabilities				
Advance payments from customers		8	8	63
Trade and other payables	23	8,135	8,135	12,150
Contract and other liabilities		694	694	392
Accrued expenses and deferred income	24	4,280	4,280	4,611
Total current liabilities		**13,117**	**13,117**	**17,216**
Total liabilities		**13,117**	**13,117**	**17,216**
TOTAL EQUITY AND LIABILITIES		**54,965**	**54,919**	**53,101**

Consolidated statements of change in equity

Balance at	Note	Share capital	Share premium	Profit (loss) brought forward	Total equity
2018-01-01		2,052	54,761	-20,928	35,885
Employee share-based compensation			56		56
Transactions with owners		**–**		**–**	**56**
Profit for the year				5,907	5,907
Total comprehensive income for the year				5,907	5,907
Balance at					
2018-12-31	**22**	**2,052**	**54,761**	**-15,021**	**41,848**

Parent Company's statements of change in equity

Balance at	Note	Share capital	Share premium	Profit (loss) brought forward	Net profit (loss) for the year	Total equity
2017-01-01		**2,052**	**54,761**	**-12,356**	**-3,164**	**41,293**
Reclassification of profit (loss) from previous year				-3,164	3,164	–
Net profit for the year					-5,408	-5,408
Balance at						
2017-12-31	**22**	**2,052**	**54,761**	**-15,520**	**-5,408**	**35,885**
Balance at						
2018-01-01		**2,052**	**54,761**	**-15,520**	**-5,408**	**35,885**
Transfer previous year's profit				-5,408	5,408	–
Net profit (loss) for the year					5,917	5,917
Balance at						
2018-12-31	**22**	**2,052**	**54,761**	**-20,928**	**5,917**	**41,802**

Cash flow statements

Operating activities	Note	Group 2018-01-01- 2018-12-31	Parent Company 2018-01-01- 2018-12-31	 2017-01-01- 2017-12-31
Operating profit		7,782	7,793	-6,101
Non-cash adjustment	28	798	797	186
Interest paid		-2	-2	-8
Income tax paid		-1,874	-1,874	–
Cash flow from operating activities before changes in working capital		**6,704**	**6,714**	**-5,923**
Changes in working capital:				
Change in inventories		-184	-184	-94
Change in trade and other receivables		-6,611	-6,611	-1,498
Change in trade and other payables		-4,099	-4,099	1,191
Net cash flow from continuing operations		**-4,190**		
Net cash flow from operating activities		**-4,190**	**-4,180**	**-6,324**
Investing activities				
Acquisition of participations in subsidiaries net of cash acquired		–	–	-50
Acquisition of intangible fixed assets		-2,388	-2,388	-2,719
Acquisition of financial assets		-712	-762	–
Cash flow from investing activities		**-3,100**	**-3,150**	**-2,769**
Financing activities				
New shares issue		56	–	–
Cash flow from financing activities		**56**	**0**	**0**
Cash flow for the year		**-7,234**	**-7,330**	-9,093
Cash and cash equivalents at the beginning of the year		10,930	10,930	20,023
Cash and cash equivalents at year-end		**3,696**	**3,600**	**10,930**

Notes to the financial statements

Not 1 NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

Nature of operations

Polygiene is the world-leading provider of odor control an Stays Fresh solutions for clothes, sports equipment, textiles and other material designed so the user can feel fresh no matter what they do or where they do it. Today, the group has over 140 global partners in many segments including Sports & Outdoor, Lifestyle, Home Design, Footwear, Workwear and Protective Surfaces. In addition to the objective of building growth as a global ingredient brand, Polygiene also wants to drive change in consumer behavior with the motto, Wear More. Wash Less. The group's brand is a significant asset whereby the Company conducts continual activities to strengthen our brand and brand awareness is vital to achieving future targets.

General information and statement of compliance with IFRSs, and going concern assumption

Polygiene AB (publ.), the group parent, is a public limited Company formed and domiciled in Sweden. The main offices and primary operations location are at Styrmansgatan 2, 211 18 Malmö. Polygiene AB shares are listed on First North. The financial statements of the group have been prepared in accordance with ÅRL, the recommendations RFR 1 regarding accounting policies for groups by the Board for Financial Reporting and International Financial Reporting Standards (IFRSs) as approved by the EU. They have been prepared under the assumption that the group operates on a going concern basis. The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the board of directors on 26 April 2019. This is the first year the parent makes and publishes the consolidated financial statement of the group.

In connection with preparing these consolidated financial statements in compliance with IFRS for this first time, items in the income statement have undergone review. As previously communicated, amounts for Net revenues, Merchandise, and Other external expenses were adjusted. Foreign withholding tax which the Company is currently able to demand repayment of, has been capitalized. Foreign withholding tax was separately recognized in the income statement in previous quarters. Foreign withholding tax is broken out from *Other operating expenses* in each of the reported periods. A minor redistribution has been made with unrealized exchange rate dirrerences and *Other operating costs* and *Other operating income. Other operating incomes* has increased with a smaller amount of contri-bution from the government concerning employees and it has been netted against personel costs.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these financial statements, several new, but not yet effective Standards, amendments to existing Standards and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have an impact on the group's financial statements.

IFRS 16 Leases

IFRS 16 Leasing replaces IAS 17 as of 1 January 2019. The new standard means that the majority of leased assets are recognized in the statement of financial position. The only exemptions are short-term and low-value leases. Implementing IFRS 16 is anticipated to impact the year-end close since all lease agreements in the group will be capitalized, whereby an asset (the right to use the leased object) and a financial liability to pay the lease agreement will be recognized. This will impact the statement of financial position and key ratios such as the Equity ratio. The contract anticipated to have the greatest single impact is the leasing agreement related to our main offices premises in Malmö. As of 31 December 2018 the future minimum lease payments for non-cancellable lease contracts totalled TSEK 1,965.

Significant of accounting policies

Basis for preparation

The group's financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of investment properties, investments and derivatives. Monetary items are expressed in SEK and are rounded to the nearest thousands except for earnings per share.

When the parent Company applies different policies, this is disclosed under parent Company accounting policies on page 38.

Basis for consolidation

The group's financial statements consolidates those of the parent Company and all of its subsidiaries as at 31 December 2018. All subsidiaries have a reporting date of 31 December. All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in currency SEK, which is also the functional currency of the parent Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Segment reporting

All operating acitivity in the group is in one segment.

Revenue

Revenues relate to sales of chemicals and royalties. When measuring whether a revenue shall be recognized, the group follows a 5-step process:

1. Identifying the contract(s) with a customer.
2. Identifying the performance obligation in the contracts.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations in the contracts.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of chemicals at a fixed price are recognized on the date the group transfer controls of the assets to the custemor. Royalty revenues are recognized as revenue on the date customer production using the group's chemicals is completed and can be calculated on the quantity of finished cloth or total quantity of garments produced. The cost for these chemicals are simultaneously recognized in the income statement. Invoices for transferred products or services shall be paid when the customer receives the products.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the group incurs an obligation, which is typically when the related goods are sold.

Profit or loss from discontinued operations

A discontinued operation is a part of the group that either has been divested or is classified as being held for sale. Polygiene has during the year discontinued the business of the segment Protective. Profit or loss from this divested operation consists solely of profit after tax of the discontinued operation.

Other intangible assets

Initial recognition of other intangible assets

Software

Contains an acquired CRM-system and a new business system that was implemented during 2018.
Reported initially at acqusition value and related expenses.

Subsequent measurement

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

The following useful lives are applied:

Other intangible fixed assets are amortised during 5 years.

Leased assets

A financial lease is a lease agreement according to which the financial risks and benefits associated with owning an asset are considered substantially from the lessor to the lessee. All other leases are treated as operating leases. Where the group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. All other leases are treated as operating leases. Where the group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Impairment testing of goodwill, other intangible assets and property, plant and equipment
For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.
An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Financial instruments
Recognition and derecognition
Financial assets and liabilities are recognized when the group becomes a party to the contractual terms of the instrument. In these first financial statements, all financial assets has been classified as measured at amortised costs.

Classification and subsequent measurement of financial assets
The classification of the financial assets will not be changed in subsequent periods unless the group changes its business model for managing financial assets whereby all financial assets affected by the change will be reclassified as of the first date of the first financial year subsequent to the change to the business model. A financial asset will be measured at amortised cost if both the following conditions are met and the asset is not determined to be measured at fair value through profit and loss:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the write-offs of trade receivables is presented in Other external costs.

Subsequent measurement of financial assets
Financial assets at amortised cost
Financial assets are measured at amortised cost applying the effective interest method after they are first recognized. Amortised cost is reduced for depraciation. Revenue exchange rate differences, and deprecation are recognized in profit/loss. The gain or loss that arises when a financial position recognized in the income statement.

The group derecognizes a financial instrument in the statement of the financial position when the contractual right to cash flows from the financial assets expire. The group derecognized a financial liability from the statement of financial position when the agreed obligation is performed or has been otherwise extinguished.

Loss provisions for trade receivable and accounts payables are netted since they relate to the same party and will be settled net.

Trade and other receivables and contract assets
The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities
The group's financial liabilities include trade and other payables.
Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned

using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Income taxes

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 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 day.

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

A deffered tax asset concerning tax losses carried forward or other future tax deductions is recognized to the extent that is probable that the carry forward can be set off to profit on any future taxation.

Cash and cash equivalents

Cash and cash equivalents consist of available bank balances.

Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

All transactions with owners of the parent are recorded separately within equity.

Post-employment benefits and short-term employee benefits

Post-employment benefit plans

The group provides post-employment benefits through various defined contribution and defined benefit plans.

Defined contribution plans

The group pays fixed contributions into independent entities in relation to several state plans and insurances for individual employees. The group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the group expects to pay as a result of the unused entitlement.

Share-based remuneration

Employees or by the Company contracted consultants, have the opportunity to take part of a warrant program that is decided at the Annual General Meeting. The premiums and market value of the options are calculated based on the Black/Sholes-model and are performed by an external, independent party. The allocation of the warrants is decided by the Board and the CEO and are not based on performance or earnings. Participation in the program is not linked to the employment in the Company and is therefore not subject to social security contributions.

Contingent liabilities

A contingent liability is recognized when there is a possible commitment that arises from events occurring and whose occurrence is only confirmed by one or more uncertain future events or when there is one or more commitments that do not report as a liability or provision due to the fact that it is unlikely that a fate of resources will be required.

Significant management assements

When preparing the financial statements,the board of directors must, in accordance with applicable accounting and valuation principles, make cartain estimates, assessments and assumptions that affect the reporting av valuation of assets, provisions, liablilities, income and expenses.

Significant management judgements

The following are significant judgements made by management in applying the accounting policies of the group that have the most significant effect on the financial statements.

Recognition of foreign withholding tax

Foreign withholding tax which the Company is currently able to demand repayment of, has been capitalized. Foreign withholding tax was seperately recognized in the income statement in previous quarters. From 2018 the group is reporting a profit, therefore the withholding tax can be reveresed. Therefore, the value of the withholding tax of 2018 has been activated.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Group management has devised a plan for how the parent Company and the group will achieve taxable profits in the foreseeable future. The Group's and the parent Company's actual development follow this plan.

Contingent assets

The assessment of the contract clause on repayment of purchase consideration for the Protective business area is described in note 29.

Parent Company accounting policies

From 2018, the parent Company's financial statements are prepared and presented in accordance with the RFR 2 Accounting for legal entities. Year 2018 it was according to Annual Accounts Act ("Årsredovisningslagen", ÅRL). These changes to accounting and valuation policies have not impacted, except the change about the modell of expected credit losses, IFRS 9 Financial Instruments, but the effect of this is insignificant.

Accounting policies for the parent Company correspond to the group's except in what is disclosed below.

Layout of income statement and balance sheet

The income statements and balance sheets for the parent Company are prepared in accordance with the formats in the Annual Accounts Act. The differences consist mainly of items of financial income and costs and within equity.

The statement of changes in shareholders' equity is prepared in the same format as for the group but with columns as required by the Annual Accounts Act.

Group companies and associates

Participations in group companies, associates and joint ventures are recorded under the historical cost convention. There is no reclassification of assets for sale.

Trade receivables and account payables

From 2018, the trade receivables and account payables are netted since they relate to the same party and will be settled net.

Note 2 Revenue

Group revenues from contracts with customers can be broken down as follows:

Primary geograpic markets:			2018
Group and parent Company	**Goods**	**Royalty**	**Total**
Asia	15,893	11,096	26,989
Europe	11,649	8,075	19,724
North America	7,333	12,774	20,107
Rest of the world	120	2,099	2,219
	34,995	**34,044**	**69,039**

			2017
Parent Company	**Goods**	**Royalty**	**Total**
Asia	19,094	7,658	26,752
Europe	13,923	8,182	22,105
North America	5,844	9,604	15,448
Rest of the world	14	1,833	1,847
	38,875	**27,277**	**66,152**

The group's revenue disaggregated by pattern of revenue recognition is as follows:

			2018
Group and parent Company	**Goods**	**Royalty**	**Total**
Goods transferred at a point in time	34,995	34,044	69,039

			2017
Parent Company	**Goods**	**Royalty**	**Total**
Goods transferred at a point in time	38,875	27,277	66,152

Currently Polygiene has three customers that represent of more than 10% of the revenue seperately.

Note 3 Remuneration to auditors

Expensed and other amounts:

	Group	Parent Company	
	2018	**2018**	**2017**
Grant Thornton Sweden AB			
-audit engagement	236	236	–
-tax consultancy	7	7	–
-other services	42	42	–
Ernst & Young AB			
-audit engagement	–	–	276
-tax consultancy	–	–	178
Total	**285**	**285**	**454**

Note 4 Leases

Operating leases as lessee

The group leases an office and production building under an operating lease. The future minimum lease payments are as follows:

	Minimum lease payments due			
	within 1 year	**1 to 5 years**	**after 5 years**	**Total**
2018-12-31 (Group)	808	1,364	-	2,172
2017-12-31 (Parent Company)	414	-	-	414

Lease expenses during the period amounts to TSEK 450 (2017: TSEK 469), representing the minimum lease payments.

Note 5 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	Group	Parent Company	
	2018	**2018**	**2017**
Salaries - board and CEO	2,174	2,174	1,425 *
Salaries and wages - other employees	8,059	8,059	7,381
Pensions, defined contribution plan - board and CEO	426	426	459
Pensions, defined contribution plan - other employees	931	931	1,041
Other statutory social security contributions	2,489	2,489	2,528
	14,079	**14,079**	**12,834**

* In 2017, some members invoiced their fees and then included social fees. During 2018, the rules for board assignments changed and must be taxed as salary, hence a higher amount in 2018.

	Basic salary/ Board fee	Total
Jonas Wollin, Chairman of the board	225	225
Lennart Holm, Board member	125	125
Martin Kössler, Board member	125	125
Daniel Oelker, Board member	125	125
Daniel Röme, Board member	125	125
Jonas Sjögren, Board member	125	125
Ulrika Björk, CEO	1,440	1,440
Total	**2,290**	**2,290**

The Group has entered an agreement with the CEO which means that the CEO will receive 9 months salaries in case of a notice of termination of employment contract.

Note 6 Average number of employees

	Group	
	2018-12-31	
	Average number of employees	**Whereof men**
Sweden	9	3
EU	2	1
Other	1	1
Total	**12**	**5**

	Parent Company			
	2018-12-31		2017-12-31	
	Average number of employees	**Whereof men**	**Average number of employees**	**Whereof men**
Sweden	9	3	11	5
EU	2	1	1	1
Other	1	1	1	1
Total	**12**	**5**	**13**	**7**

Note 7 Split by gender

The board includes 0 (2017: 0) women.

Note 8 Share-based employee remuneration

In 2015, the parent Company issued 250,000 warrants to the board and staff, who were entitled to subscribe for an equivalent number of shares. The warrants could be exercised during the period of 1 to 31 December 2018, but no warrants were redeemed.

In June 2018, the staff were invited to participate in a new warrant program, Program 1. This program is a warrant program that is offered to all employees and contracted consultants in the Company. It is based on the development of the parent Company's share within a three-year period. Each option entitles the holder to buy one share in the parent Company for a predetermined price. The premium of the warrant amounted to SEK 0.26 / warrant and the exercise price is set at SEK 16.50. The calculation is made by PwC, which is independent of the Company. The warrant program is valid between June 2018 and June 2021. It is not linked to the participant's employment or involvement in the Company.

Warrants and weighted average exercise prices are as follows for the reporting periods presented:

	Program 1
Group	**Number of shares**
Granted	228,000
Outstanding 31 December 2018	**228,000**

The fair value of the warrants was determined using the Black & Scholes model, which takes into account factors that particularly apply to incentive programs. The condition regarding total return in respect of Program 1 is a market condition that has been incorporated into the valuation using acute models. The following main assumptions were used in the valuation:

	Program 1
Grant date	**2018-06-15**
Share price at date of grant	8.25
Warrant life	3 years
Fair value per option at grant date	0.26 kr
Exercise price at date of grant	16.50 kr
Exercisable from	2021-06-01
Exercisable to	2021-06-30
Weighted average remaining contractual life	2.4 years

Note 9 Income tax on profit for the year

The main components of income tax on profit for the year and the relationship between expected tax expense is based on a effective tax rate for the group 22 % (2017: 22 %) and recorded tax expense in profit or loss as follows:

	Group	Parent Company	
	2018	**2018**	**2017**
Net profit for the year before tax	7,781	7,791	-6,109
Domestic tax rate for the parent Company	22%	22%	22%
Expected tax expense	-1,712	-1,714	1,344
Non tax-deductible expenses	-39	-39	-644
Deferred tax asset on losses carry-forward not previously recognised	-123	-121	–
Current tax expense in profit or loss	**-1,874**	**-1,874**	**700**
Income tax on profit for the year consists of:			
Used losses carried-forward	-1,874	-1,874	700
Income tax expense in profit or loss	**-1,874**	**-1,874**	**700**

Note 10 Discontinued operations

The business category of Protective Surfaces, where Polygiene began its operations, entails everything from non-textile, paint, plastic surfaces and floors to metal treatments. The focus has shifted over the years, and the core business of Polygiene is now within the textile industry. The business and Polygiene's customers of Protective Surfaces, are being transferred to a partner with a long experience and extensive knowledge in this area. The business area represents a very small part of Polygiene's total operations, 5% of the total turnover. The contract was written December 2018 and the consideration is set to MSEK 10.6 but is conditional of the development during 2019. The payment will be settled during the first quarter of 2019 and 2020.

Note 11 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent Company as the numerator, i.e. no adjustments to profit were necessary in 2018 or 2017.

Reconciliation of the weighted average number of shares used for the purpose of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2018	2017
Weighted average number of shares used in basic earnings per share	20,516,000	20,516,000
Weighted average number of shares used in diluted earnings per share	**20,516,000**	**20,516,000**

Note 12 Other intangible fixed assets

The movements in the net carrying amount of advance payments for intangible fixed assets are as follows:

	Group	Parent Company	
	2018-12-31	2018-12-31	2017-12-31
Accumulated cost brought forward	3,877	3,877	1,158
Acquisitions	2,388	2,388	2,719
Accumulated cost carried forward	6,265	6,265	3,877
Accumulated depreciation losses brought forward	-1,344	-1,344	-1,158
Årets avskrivning	-798	-798	-186
Depreciation for the year	-2,142	-2,142	-1,344
Accumulated depreciation carried forward	4,123	4,123	2,533

Note 13 Financial assets and liabilities

Categories of financial assets and financial liabilities

The group's accounting policies provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows::

Group: 2018-12-31	Amortised cost	Total
Financial assets		
Foreign withholding tax	2,636	2,636
Other investments	14	14
Total financial fixed assets	2,650	2,650
Contract assets and other receivables	26,054	26,054
Trade receivables	2,142	2,142
Cash and cash equivalent	3,696	3,696
	34,542	34,542

2018-12-31	Amortised cost	Total
Financial liabilities		
Prepayment, customers	8	8
Current borrowings	694	694
Trade and other payables	8,135	8,135
	8,837	8,837

Parent Company: 2017-12-31	Amortised cost	Total
Financial assets		
Other short-term financial assets	14	14
Total financial fixed assets	14	14
Trade and other receivables	31,699	31,699
Cash and cash equivalent	10,930	10,930
	42,643	42,643

2017-12-31	Amortised cost	Total
Financial liabilities		
Prepayment, customers	63	63
Current borrowings	392	392
Trade and other payables	12,150	12,150
	12,605	12,605

Note 14 Participations in group companies

Name/domicile	Reg no	Number of shares	Share % 2018	Share % 2017
Polygiene Services AB	559129-0936	500	100	100

The subsidiary shall subscribe, acquire and transfer warrants and other securities issued by companies within the group to which the Company belongs from time to time and conduct other related activities.

	Parent Company	
The movements in the net carrying amount of during the year:	2018-12-31	2017-12-31
Accumulated cost brought forward	50	–
Acquisitions	–	50
Accumulated cost carried forward	**50**	**50**

Note 15 Participations in associates and joint ventures

Investments in associates

The group has the following associates, where neither associate is individually material to the group:

Name/domicile	Reg no	Share %	Residual value
Polygiene Ltd	6803458	49	–

Note 16 Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:
Group and parent Company 2018

Changes during year:	**2018-01-01**	**Recorded in profit or loss**	**2018-12-31**
Unused tax losses carried forward	6,223	-1,874	4,349
	6,223	-1,874	4,349

Parent Company 2017

Changes during year:	**2017-01-01**	**Recorded in profit or loss**	**2017-12-31**
Unused tax losses carried forward	5,523	700	6,223
	5,523	700	6,223

All deferred tax assets (including tax losses and other tax credits) have been recognised in the statement of financial position.

Note 17 Other long-term receivables

	Group	Parent Company	
Changes during year:	**2018-12-31**	**2018-12-31**	**2017-12-31**
Accumulated receivables brought forward	14	14	14
Accumulated receivables carried forward	14	14	14
Residual value	**14**	**14**	**14**

The amount refers to a deposit regarding the lease of the office.

Note 18 Trade and other receivables

Trade and other receivables consist of:

	Group	Parent Company	
	2018-12-31	**2018-12-31**	**2017-12-31**
Trade receivables, gross	30,478	30,478	32,037
Currency adjustment of receivable	-75	-75	-216
Allowance for credit losses	-273	-273	-122
Trade receivables net	30,130	30,130	31,699
Setoff against accounts payable	**-4,076**	**-4,076**	**–**
Total	**26,054**	**26,054**	**31,699**

Trade receivables consist of unpaid invoices for sale to other companies. From 2018, the trade receivables and trade payables are netted since ther realte to the same party and will be settled net.
Total credit exposure is TSEK 30,478.

Note 19 Contract and other receivables

Contract and other receivables consist of:

	Group	Parent Company	
	2018-12-31	**2018-12-31**	**2017-12-31**
Contract receivables	831	831	92
Other	1,311	1,311	390
	2,142	2,142	482

Note 20 Prepaid expenses and accrued income

Prepaid expenses and accrued income consist of:

	Group	Parent Company	
	2018-12-31	**2018-12-31**	**2017-12-31**
Accrued income	10,588	10,588	-
Prepaid expenses	866	866	646
Carrying amount	**11,454**	**11,454**	**646**

Note 21 Cash and cash equivalents

Cash and cash equivalents consist of:

	Group	Parent Company	
Cash at bank and in hand:	**2018-12-31**	**2018-12-31**	**2017-12-31**
- SEK	1,754	1,658	9,140
- EUR	352	352	971
- USD	1,437	1,437	566
- GBP	3	3	253
- Blocked cash equivalents (SEK)	150	150	–
	3,696	**3,600**	**10,930**

The blocked cash equivalents of the group is SEK 150,000 and relates to the leasing contract of the parent Companys main office.

Note 22 Equity

Share capital
The share capital of the parent Company consists only of fully paid ordinary shares with a nominal (par) value of SEK 0,10 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of the parent Company.

Shares issued and fully paid:	**2018-12-31**	**2017-12-31**
- Beginning of the year	20,516,000	20,516,000
Shares issued and fully paid	20,516,000	20,516,000
Total shares authorised at 31 December	**20,516,000**	**20,516,000**

Share premium
During 2018 warrants was subscribed to the amount of TSEK 56 in the subsidiary Company, Polygiene Services AB.

Note 23 Account and other payables

Account and other payables consist of the following:

	Group	Parent Company	
	2018-12-31	**2018-12-31**	**2017-12-31**
Account payables gross	12,271	12,271	12,156
Currency adjustment of payables	-60	-60	-6
Account payables net	12,211	12,211	12,150
Account payables setoff against receivables	**-4,076**	**-4,076**	**-**
Total	**8,135**	**8,135**	**12,150**

Account payables consist of unpaid invoices to other companies. From 2018, the trade receivables and account payables are netted since they relate to the same party and will be settled net.

Note 24 Accrued expenses and deferred income

	Group	Parent Company	
	2018-12-31	**2018-12-31**	**2017-12-31**
Accrued wages	695	695	32
Accrued holiday pay	734	734	1 188
Accrued social security charges	449	449	378
Accrued special payroll tax	304	304	334
Accrued comission debt	738	738	854
Other accrued expenses	1,360	1,360	1,825
Carrying amount	**4,280**	**4,280**	**4,611**

Note 25 Pledged assets and contingent liabilities

There is no pledged assets or contingent in the group or parent Company.

Note 26 Related party transactions

During 2018, has the following consulting fees in addition to Director's fees was paid to members of the Board of Directors:

	2018	**2017**
MDO Dialogue AB	148	-
Rome Consulting AB	180	-
Lennart Holm Development AB	-	251
Georgson Strategy AB	-	975

The following transactions with related companies took place during the year:

	2018	**2017**
Polygiene Ltd	1,679	2,784
Rudholm & Haak (HK) Ltd	2,641	2,587

Rudholm & Haak is the groups largest vendor of Hangtags and labels. Rudholm & Haak is related to Polygiene because of the Chairman of the Board of Directors has influence in this Company.
There are no dealings or provisions. The transactions are priced at arm's length.

Note 27 Post-reporting date events

The group's CFO Kristian Populin left the group on 20 March 2019 according to a mutual agreement.

Note 28 Non-cash adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

	Group	Parent Company	
	2018-12-31	**2018-12-31**	**2017-12-31**
Depreciation, amortisation and impairment of non-financial assets	798	798	186
Other	–	-1	–
Total adjustments	798	797	186

Note 29 Contingent liabilities

The agreement for sale of the operating segment Protective includes a clause where Polygiene guarantees that the disposed operating segment will have 2019 sales at levels equal to 2018. the maximum repayment of consideration for the operating segment is MSEK 10.58. The group has determined this represents a contingent liability.

Note 30 Contingent assets

The board of directors and the senior management of Polygiene AB are filing charges against Christian Von Uthmann, former CEO of the Company, for serious fraud and breach of trust. Uthmann is suspected of exploiting his position and Company resources for improper personal gain, estimated at more than a half million Swedish kronor between 2012 and 2017. These are the findings from an internal investigation that Polygiene conducted when Uthmann's contract terminated earlier this year.

Note 31 Definiton of business ratios

Equity/assets ratio - Equity as a ratio of total assets
Operating profit, EBIT - Profit before interest and tax

Note 32 Financial instruments risk

Risk management objectives and policies
The group is exposed to various risks in relation to financial instruments. The group's financial assets and liabilities by category are summarised in note above. The main types of risks are market risk, credit risk and liquidity risk.
The group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the group's short to medium-term cash flows by minimising the exposure to volatile financial markets.
The group does not actively engage in the trading of financial assets for speculative purposes.

Market risk analysis
The group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency sensitivity
Exposures to exchange rate fluctuations arise from the Group's sales to and purchases from other countries. These sales and purchases are made primarily in US dollars (USD) and British pounds (GBP). The main part of the fixed costs is paid in SEK. The Group does not use any instruments to hedge the exposures according to a policy decision by the Board. Financial assets and liabilities in foreign currency that expose the Group to currency risk, are described below. The amounts shown are those that have been reported to the Group Management, converted to SEK at the closing day rate:

	Short-term exposure		
Group	**USD**	**GBP**	**Other**
2018-12-31			
Financial assets	29,086	150	1,084
Financial liabilities	4,391	4,761	375
Total exposure	**33,477**	**4,911**	**1,459**

	Short-term exposure		
Parent Company	**USD**	**GBP**	**Other**
2017-12-31			
Financial assets	31,179	229	537
Financial liabilities	5,171	3,835	569
Total exposure	**36,350**	**4,064**	**1,106**

If the SEK had strengthened against the USD by 10 % (2017: 10 %) and GBP by 5% (2017: 5 %) respectively then this would have had the following impac on the profit for the year::

	Profit for the year		
Group	**USD**	**GBP**	**Total**
2018-12-31	3,176	-1,010	2,166

	Profit for the year		
Parent Company	**USD**	**GBP**	**Total**
2018-12-31	3,176	-1,010	2,166
2017-12-31	4,266	-940	3,326

If the SEK had weakened against the USD by 10 % (2017: 10 %) and GBP by 5% (2017: 5 %) respectively then this would have had the following impac on the profit for the year:

	Profit for the year		
Group	**USD**	**GBP**	**Total**
2018-12-31	2,887	-962	1,925

	Profit for the year		
Parent Company	**USD**	**GBP**	**Total**
2018-12-31	2,887	-962	1,925
2017-12-31	3,879	-891	2,988

The higher sensitivity in changes in the currency rate in the profit of 2018 compared with 2017 depends to an increase in liabilities in foreign currency.

Credit risk analysis
Credit risk is the risk that a counterparty fails to discharge an obligation to the group. The group is exposed to this risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

Credit risk management
The credit risk is managed on a group basis based on the group's credit risk management policies and procedures. The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions. The Group continuously monitors the credit quality of customers based on a credit ratingscorecard. Where available, external credit ratings and/or reports on customers are obtained andused. The group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subjectto an internal approval process which considers the credit rating scorecard. The ongoing credit riskis managed through regular review of ageing analysis, together with credit limits per customer. Most of the trade receivables consist of 10 distributor wich is recurrent.

Security
Some of the customers i located in a region that applies prepayment as tradition and the group follows current regulations and requests payments before delivery. The group has no collateral for the trade receivables.

Trade receivables
The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collectivebasis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2018 respectively as well as the corresponding historical credit losses during that period. Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery. On the above basis the expected credit loss for trade receivables as at 31 December 2018 and 1 January 2018 was determined as follows:

Group	2018-12-31
Trade receivables days past due	**Gross carrying amount**
Current	10,200
More than 30 days	4,811
More than 60 days	9,548
More than 90 days	5,918
Total	**30,477**

Note 33 Capital management policies and procedures

The group's capital management objectives are:
* to ensure the group's ability to continue as a going concern
* to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position and cash flow hedges recognised in other comprehensive income.

Management assesses the group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the group's various classes of debt. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Note 34 Appropiations of earnings

The following profit/losses brought forward are to be decided upon by the annual general meeting TSEK:	**2018-12-31**
Share premium reserve	54,761
Profit/losses brought forward	-20,928
Profit/loss for the year	5,907
	39,740

The board of directors propose that total profit/loss brought forward is appropriated as follows:

to be carried forward	39,740
	39,740

Note 35 Authorisation of financial statements

The consolidated financial statements for the year ended 31 December 2018 (including comparatives) were approved by the board of directors on 17 May 2019.

Malmö 26 april 2019

Ulrika Björk
CEO

Jonas Wollin
Chairman of the Board of the Directors

Lennart Holm

Daniel Oelker

Jonas Sjögren

Martin Kössler

Daniel Röme

Grant Thornton Sweden AB

Per Kjellander
Authorized Public Accountant

Auditor's report

To the Annual General Meeting of the shareholders of Polygiene AB (publ), corporate identity number 556692-4287

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Polygiene AB (publ.) for the year 2018. The annual accounts and consolidated accounts of the Company are included on pages 26-46 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent Company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Other matter

The audit of the annual accounts and consolidated accounts for the year 2017 was performed by another auditor who submitted an auditor's report dated 13 April 2018, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the CEO are responsible for the assessment of the Company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the Company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. .
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions. We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit.

We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements
Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Polygiene AB (publ.) for the year 2018 and the proposed appropriations of the Company's profit or loss.

We recommend to the general 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 CEO be discharged from liability for the financial year.

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

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

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

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

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

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

Our objective concerning the audit of the proposed appropriations of the Company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Company, or that the proposed appropriations of the Company's profit or loss are not in accordance with the Companies Act.

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

Helsingborg 26 April 2019

Grant Thornton Sweden AB

Per Kjellander
Authorized Public Accountant-

Annual General Meeting and financial calendar

Annual General Meeting
The Annual General Meeting will be held on 17 May 2018 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 Saturday, May 11, 2019; and also registered with the Company by Monday, May 13, 2019, in writing to Polygiene AB, attn: Emilié Fredriksson, Styrmansgatan 2, SE-211 18 Malmö, by e-mail to emilie@polygiene.com or by telephone (+46) (0)72-395 71 25. Registration must include the full name, personal or business reg. no., shareholding, address and daytime telephone number, as well as, where relevant, details of any acCompanying counsel (maximum two).

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 Saturday, May 11, 2019, which entails that shareholders requiring this re-registration must notify the portfolio manager in good time before Friday May 10, 2019 since the aforementioned date is a Saturday.

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 2019	17 May 2019
Annual General Meeting 2019	17 May 2019
Interim Report Q2 2019	29 August 2019
Interim Report Q3 2019	7 November 2019
Year end Report 2019	28 February 2020

Polygiene AB
Styrmansgatan 2
211 18 Malmö
Tel: 040-26 22 22
www.polygiene.com

Polygiene®
STAYS FRESH