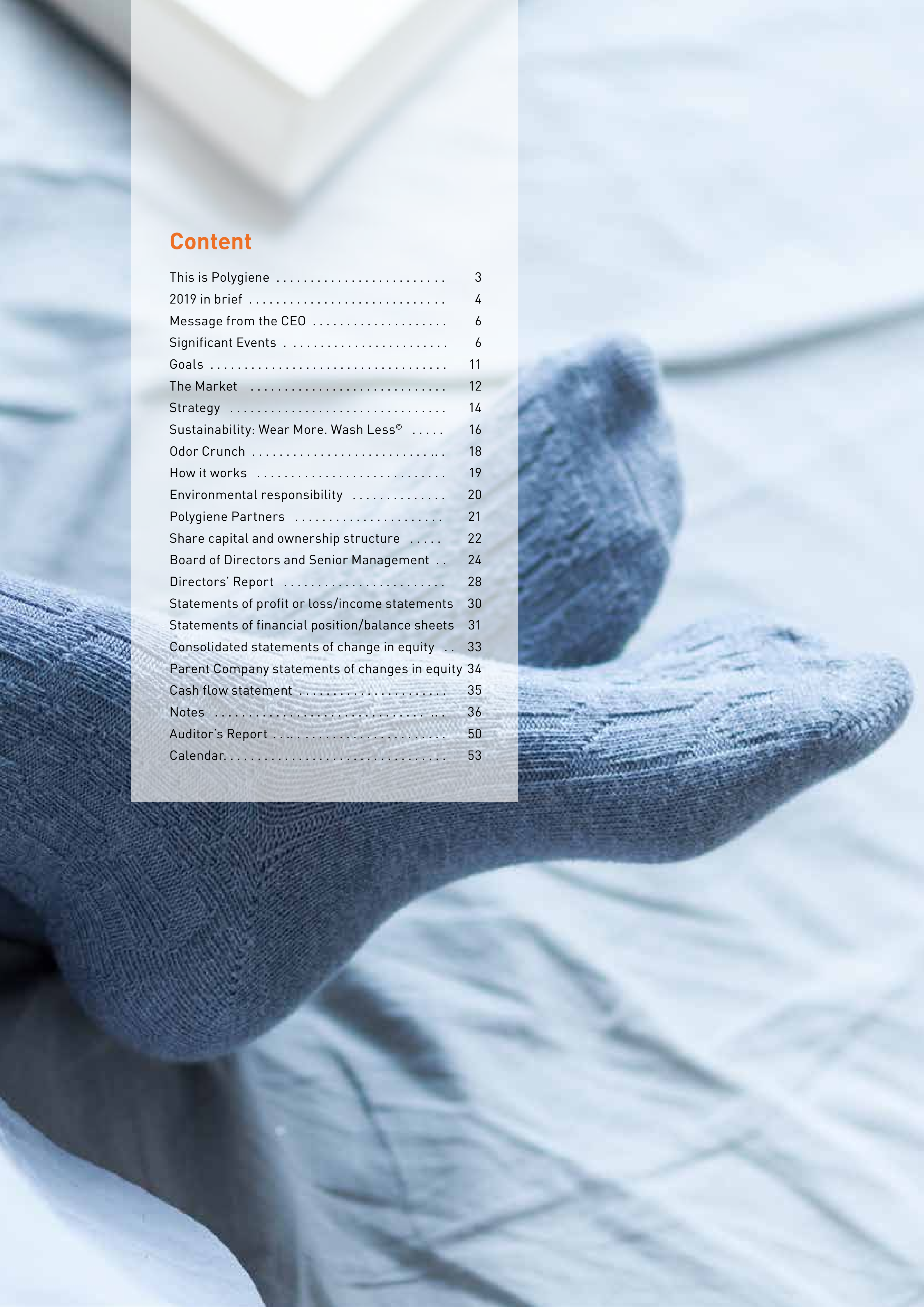
Polygiene AB (publ.)

Annual Report 2019

polygiene.com/ir

Polygiene®
STAYS FRESH



Content

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.

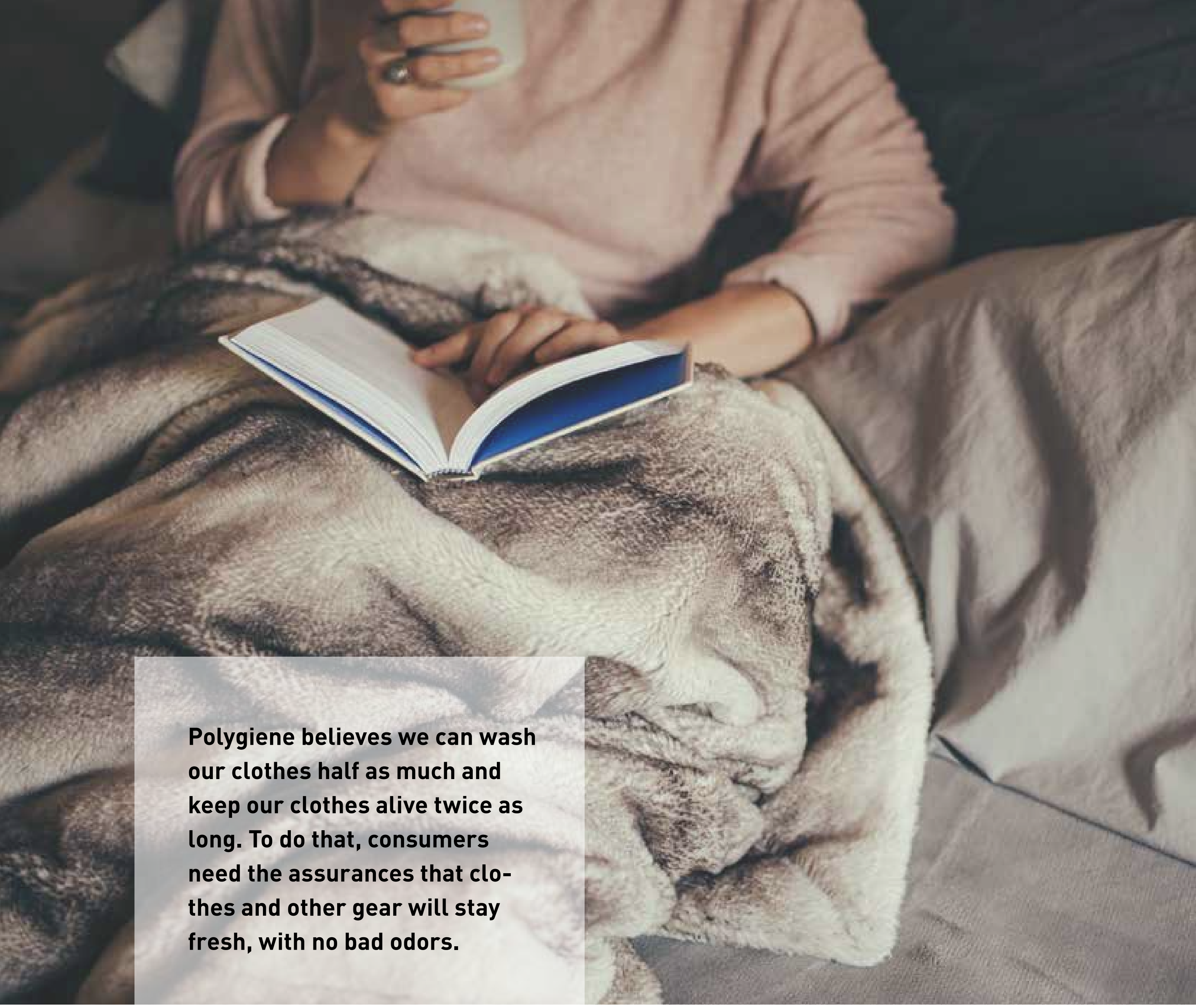
2015/16
Further consumer research helps Polygiene define initiatives to establish leadership within the odor control and stays fresh category for the Lifestyle segment.

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.

2019
Odor Crunch wins sustainability award, high growth in fashion and home textiles and establishes a subsidiary in China



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 is Polygiene

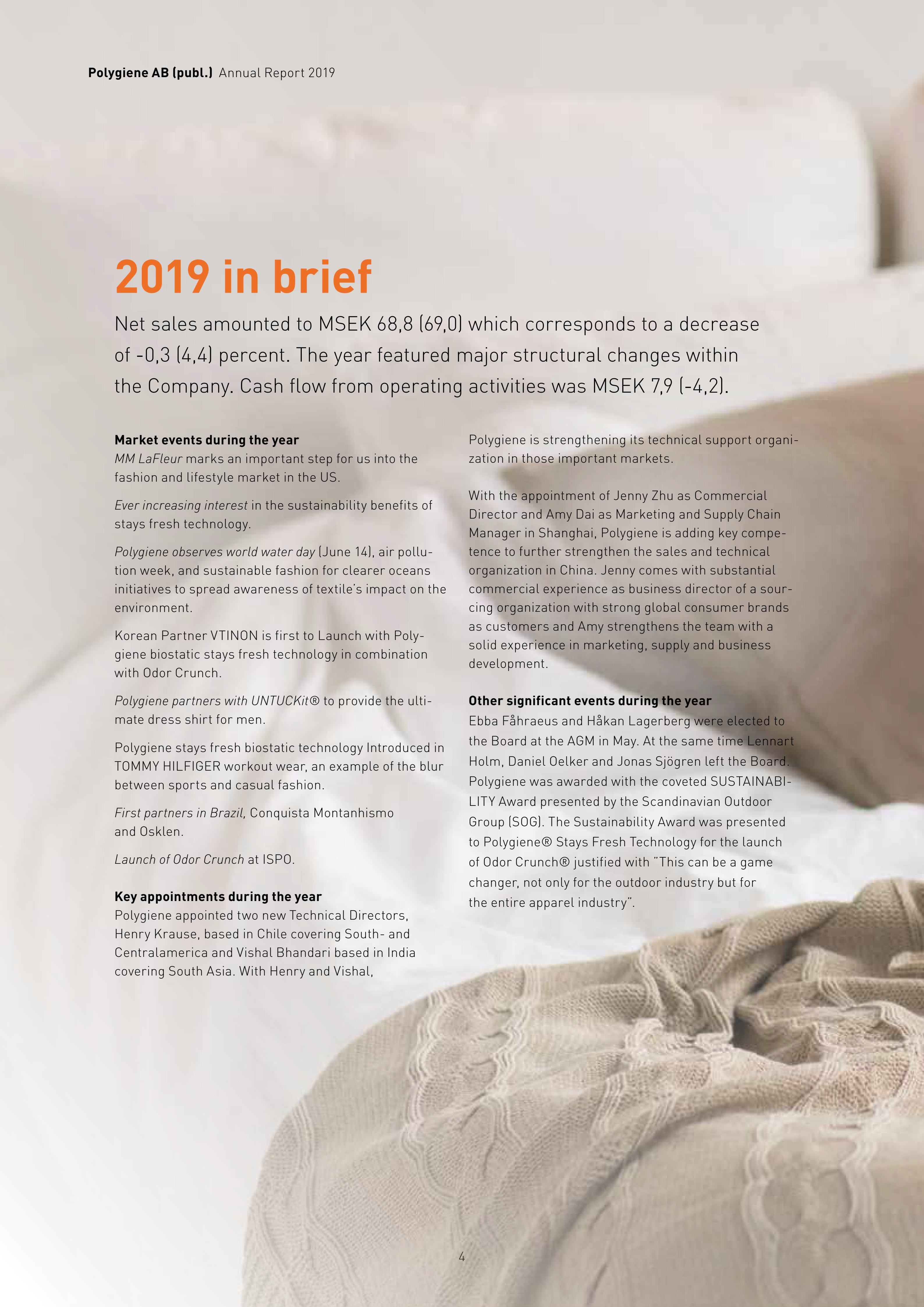
This conviction has led us to become the leading global brand in odor control, with an impressive aided brand awareness among the general public.

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 and Workwear.

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®
STAYS FRESH



2019 in brief

Net sales amounted to MSEK 68,8 (69,0) which corresponds to a decrease of -0,3 (4,4) percent. The year featured major structural changes within the Company. Cash flow from operating activities was MSEK 7,9 (-4,2).

Market events during the year

MM LaFleur marks an important step for us into the fashion and lifestyle market in the US.

Ever increasing interest in the sustainability benefits of stays fresh technology.

Polygiene observes world water day (June 14), air pollution week, and sustainable fashion for clearer oceans initiatives to spread awareness of textile's impact on the environment.

Korean Partner VTINON is first to Launch with Polygiene biostatic stays fresh technology in combination with Odor Crunch.

Polygiene partners with UNTUCKit® to provide the ultimate dress shirt for men.

Polygiene stays fresh biostatic technology Introduced in TOMMY HILFIGER workout wear, an example of the blur between sports and casual fashion.

First partners in Brazil, Conquista Montanhismo and Osklen.

Launch of Odor Crunch at ISPO.

Key appointments during the year

Polygiene appointed two new Technical Directors, Henry Krause, based in Chile covering South- and Centralamerica and Vishal Bhandari based in India covering South Asia. With Henry and Vishal, Polygiene is strengthening its technical support organization in those important markets.

With the appointment of Jenny Zhu as Commercial Director and Amy Dai as Marketing and Supply Chain Manager in Shanghai, Polygiene is adding key competence to further strengthen the sales and technical organization in China. Jenny comes with substantial commercial experience as business director of a sourcing organization with strong global consumer brands as customers and Amy strengthens the team with a solid experience in marketing, supply and business development.

Other significant events during the year

Ebba Fåhraeus and Håkan Lagerberg were elected to the Board at the AGM in May. At the same time Lennart Holm, Daniel Oelker and Jonas Sjögren left the Board. Polygiene was awarded with the coveted SUSTAINABILITY Award presented by the Scandinavian Outdoor Group (SOG). The Sustainability Award was presented to Polygiene® Stays Fresh Technology for the launch of Odor Crunch® justified with "This can be a game changer, not only for the outdoor industry but for the entire apparel industry".

A message from the CEO

A productive year has created the conditions for increasing the pace

Net sales for 2019 amounted to MSEK 68.8 (69.0), which was in line with last year. Growth, excluding the divestment in 2018 of the Protective Surfaces business area, was 6.3%. Operating profit after tax was MSEK -5.2 M (-4.7), where approximately MSEK 2.2 was a gross profit as a result of the Protective Surfaces divestment. Cash flow was positive, MSEK 1.2 (-7.2), an improvement over the previous year despite the liquidation settlement of MSEK 5.3 from the sale of Protective Surfaces.

Second half of the year paves the way forward
A tough start to 2019, particularly in China and the U.S., was followed by a reversal in trend during the second half of the year. Record high sales in the third and fourth quarters were evidence of a strong recovery. This positive yearend trend spilled into the first quarter of 2020 until the outbreak of COVID-19 began to suppress sales growth in February.

A new focus on a more sustainable approach
Since laying a solid foundation for repositioning the company in 2018, we have since worked hard to realize our vision by challenging—and fundamentally changing the mindset—of the textile industry . Together with our partners, Polygiene also has a unique business opportunity to raise awareness among and change the behavior of end consumers. Overall, the environmental benefits of Polygiene are far-reaching with significant positive impact in the long term.

To support the company's new position, we strengthened the message in our communication during the 2019. By highlighting Polygiene's long-standing "Wear More, Wash Less" concept, we captured more attention and increased visibility for the company in the media as well as across our own channels. Boosting recognition of Polygiene in this way has justifies our decision to embark on the journey towards a more sustainable approach to textiles. To further strengthen this position, we have added sustainability expert Pamela Ravasio to our Advisory Board during 2019. Prior to joining the Advisory Board, Pamela was responsible for sustainability at the industry organization, the European Outdoor Group. She is widely respected and brings with her global expertise and vast experience in dealing with the environmental impacts of the textile manufacturing.

This year's winner: Lifestyle
Over the past few years, the Lifestyle segment has grown at a faster rate and accounted for an ever-growing percentage of total sales. During the second half of the year, Lifestyle grew by 80%, which indicates that there is a huge demand for functional textiles beyond the Sport & Outdoor segment. Today, 15% (10%) of all revenues are related to the Lifestyle segment, with clothing intended for everyday use and work. The potential is great as the addressable market is enormous, and we have only begun to scratch the surface. During the year, we added several key brands, such as Tommy Hilfiger in Europe, Untuckit in the US, Bonmax in Japan and Bosideng in China, to a growing list of brand partners.

Home Textiles
Despite the downturn in orders from China in 2019, the Home Textile segment was able to maintain the same volumes as 2018. New brand partners, primarily from the US and Europe, placed orders to compensate for order losses in China. We see a clear trend in demand for Stay Fresh functionality in bedding, towels and upholstery. The value that Polygiene adds, in terms of functionality, communication and sales activities, is of great importance to companies and consumers with increased demand for sustainable products and solutions.

Product development and innovation
To support our updated vision statement, we decided to allocate resources to intensify our R&D efforts. We therefore contracted Daniel Röme, PhD in organic chemistry, to drive long-term product development and innovation in the company. Development projects are ongoing, and innovation is complex and takes time. As a market leader in our field, however, it is vital to work with continuous improvement and renewal. An important and necessary investment in the future of the company.

Expanding in Asia and strengthening our organization
During the first quarter, two highly competent, seasoned technical directors—one in India and one in Chile—joined our ranks. Work in these countries is of strategic importance as much of the world's textile production takes place in South Asia and in South America. There are also interesting business opportunities in both markets, and we are now able to cultivate new business relationships at the local level in an entirely new way.

Our investment in Brazil has taken longer than expected to yield results. We had high hopes to break new ground during the year with the launch of several strategically important brands. However, we have faced distinct challenges with our business model, which we have now addressed, and it is my hope that we will make headway into the Brazilian market in 2020. Brazil remains a region that we believe has great growth potential and will develop into one of our main markets.

In September, Polygiene (Shanghai) Ltd was established, an important step in our exciting growth journey in China. We hired two employees in China - one based in Shanghai and one in Guangzhou. To succeed in China, it is essential to have local representatives in place and, together with our established agents and our own technical expertise, we have established the right conditions for expansive growth in the Chinese market.

Award-winning Odor Crunch technology
In January 2019, Polygiene launched Odor Crunch, a new organic technology based on two of the most common raw materials on earth - water and sand. Unlike Polygiene's biostatic technology that inhibits bacterial growth thereby preventing odor, Odor Crunch effectively eliminates environmental odors, such as cooking fumes and cigarette smoke, already present in the air. The product has been well received and recognized by the Scandinavian Outdoor Group as the recipient of the prestigious Sustainability Award ™. Odor Crunch has garnered much attention, and we have signed several partners who have already produced or plan to launch products in 2020. Tests and evaluations are ongoing at various companies worldwide, which we believe will have a positive impact in 2020.

The impact of COVID-19
The outbreak of the novel coronavirus (COVID-19) is causing great uncertainty around the world, and it is still impossible to determine the long-term impact of this global pandemic. Initial reactions from customers include postponed production, especially in China, but there have been no cancellations of orders at this time. However, COVID-19 has had an impact on logisitics management, resulting in delayed deliveries and increased transportation costs. Despite the Chinese New Year holidays and a prolonged four-week stoppage however, we can report positive growth in the first quarter of 2020, which is gratifying.

The coronavirus has also created new business opportunities for Polygiene, providing the company with the opportunity to help prevent transmission of the virus. Polygiene has a strong heritage in the healthcare industry and, as a result of the 2004 SARS epidemic, was spun off as an independent business in its own right. Using this vast knowledge and expertise about how to apply antiviral effects on treated materials, Polygiene launched in early April 2020 the ViralOff brand, which enables a reduction of more than 99% of viruses on treated textiles and other products in about two hours.

Looking ahead
I am pleased with 2019 and the progress achieved to take the company to the next level. Behind us are a few difficult years and ahead a stronger organization, a stable platform upon which to grow, and better control over our business. Our focus for 2020 is now on continued growth, proving the scalability of the business model and delivering positive results. I have great respect for what is happening in the world and with the uncertainty that comes with it. Yet at the same time I am confident that the intensive work we have undertaken over the past year will have a positive impact going forward. This is due, in part, to the new business opportunities that address the challenges the world faces due to COVID-19. ViralOff will attract new customers and create new revenue streams while helping to combat all types of viruses, including corona viruses.

Finally, I would like to extend a huge thank you to my fantastic team as well as to our business partners for their excepitonal efforts throughout the year. And of course, as always, my thanks go out to our shareholders for your continued trust in 2020.

"We want to change the way we view clothes – from fast consumables to durables"

Ulrika Björk
CEO Polygiene AB

Significant events

MARKETING ACTIVITIES

- In September 2019, Polygiene launched with the shirt manufacturer UNTUCKit® to further expand their position and leadership as a category disruptor. Launched under the name Performance+, the initial collection quickly sold out and was continued in the Spring '20 season, with plans to expand even further in the FW '20 collection.

- Polygiene was represented on the panel at Functional Fabric Fair in NYC. Our CMO attended a panel discussion on the future of the industry.

- New brochure and other presentation materials were developed and launched, clarifying both value and sustainability

- Sponsorship of the Wonder Woman 5km run in Sao Paolo, Brazil .

- Successful focus on social media, with over 1000 new followers on Linkedin and daily interaction a cross platforms.

SCANDINAVIAN OUTDOOR AWARD
SUSTAINABILITY AWARD

- Polygiene, was awarded the coveted Sustainability Award 2019 by the Scandinavian Outdoor Group (SOG). The award was presented at OutDoor by ISPO as one of the Scandinavian Outdoor Awards (SOA). The jury motivated the award with "This can be a game changer, not only for the outdoor business but for the entire apparel industry.

- Co-marketing initiatives proves to participating partners that Polygiene not only adds value to the product but can be leveraged in marketing campaigns for positive ROI. For one media dollar spent, we saw sales by up to 2.5 dollars.

NEW COLLABORATIONS AND SEGMENTS

- The new product, Polygiene Odor Crunch, was presented at ISPO, the world´s largest trade fair for sporting goods and sportswear, in February in Munich, Germany. Mats Georgson, PhD and CMO hosted several sessions discussing disruptive technologies, sustainability and the new product launch with media and the sports industry.

- With the appointment of Vishal Bhandari, Technical Director covering South Asia, Polygiene is strengthening its technical support organization in the important Asian market.

- New Korean partner, TOV The Garment Maker Co. Ltd, starts production of treated uniforms in April under its own military brand Hyperops.

- With the recruitment of Henry Krause as Technical Director based in Chile, the Polygiene technical organization is growing to cover the up- and-coming market of South and Central America, as well as the United State.

- The North Amercian and high-end brand M.M.LaFleur provides clothing and personal styling for busy professional women by incorporating the Stays Fresh technology in their products.

- Polygiene in Callaway® Apparel Tour Authentic® Spring/Summer 2019 collection.

- Polygiene, the world leader in stays fresh technologies, won the coveted SUSTAINABILITY Award presented by the Scandinavian Outdoor Group (SOG) for the launch of Odor Crunch®.

- Brazilian partner, the climbing and outdoor company Conquista Montanhismo, is launching a collection with Polygiene Stays Fresh Technology.

- Polygiene grows in China with Jenny Zhu as Commercial Director and Amy Dai as Marketing Manager.

- Polygiene announces its partnership with the lifestyle brand Tommy Hilfiger. Polygiene® Stays Fresh Technology will be introduced in Spring 2020 TOMMY SPORT men´s and women´s tops, shorts and tank tops.

- UNTUCKit®, the retail brand in North America, launches the ultimate dress shirt for men treated with Polygiene® Stays Fresh Technology.

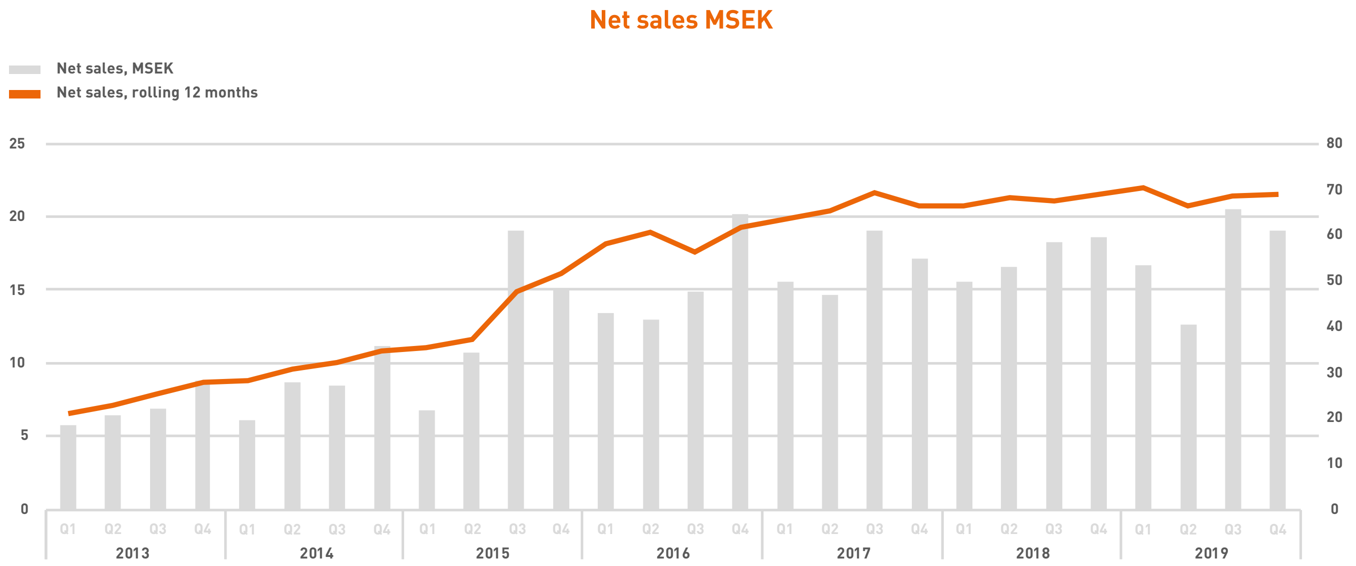
- Polygiene - the world leader in stays fresh technologies is for the first time launching unique performance socks, treated with the Polygiene Stays Fresh combination product, with Korean partner VTINON.

- Osklen, the New Luxury Fashion Brand from Brazil launches Black Edition Collection, their classic black t-shirts, with Polygiene Stays Fresh Technology.

- Nina Forsvall has been appointed the new Chief Financial Officer of Polygiene starting January 1, 2020.

- The Japanese partner Takeo Kikuchi showed record sales of their new styles of the "FRE-POLO" shirt, Oxford shirts, t-shirts, and trousers, with Polygiene stays fresh technology. The styles ended up being one of the summer season's main and best-selling items.

As the world leader in stays fresh and odor control technologies, we want to change the way we view clothes - from fast consumables to durables. We treat clothes, home products and textiles to help people stay fresh, wash less and let clothes and products live longer. Over 140 global premium brands have chosen to use the Polygiene brand with their products.


Net sales MSEK
Net sales, MSEK
Net sales, rolling 12 months
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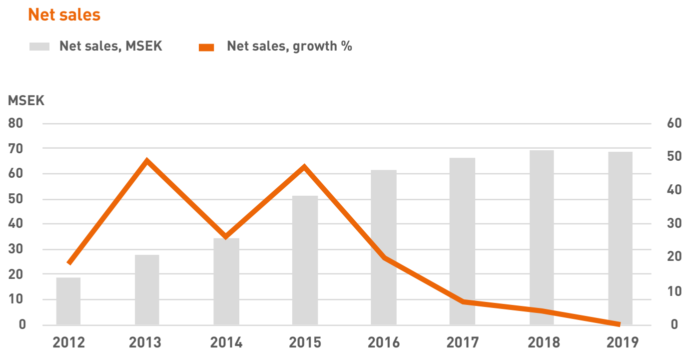
Net sales
Net sales, MSEK
Net sales, growth %
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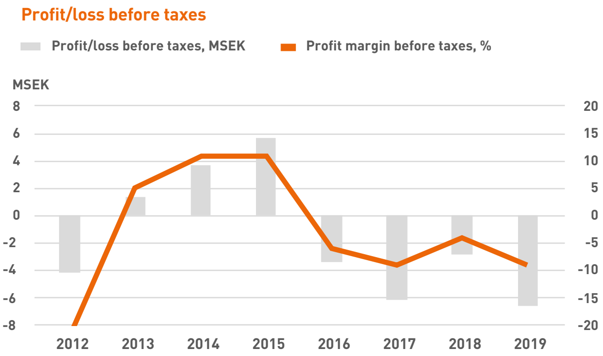
Profit/loss before taxes
Profit/loss before taxes, MSEK
Profit margin before taxes, %
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Vision

We want to change the way we view clothes –
from fast consumables to durables.

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.

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. 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 the solution. 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 life-time 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.

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

2 **EXEMPEL 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.

3 **EXEMPEL 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.

Polygiene®

Strategy

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

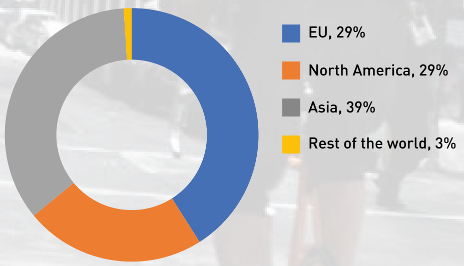
This means we are a branding Company, not a chemical supplier. Beyond technology and knowhow, the ultimate asset is to build the consumer understanding and appreciation of the brand that both makes their clothes stay fresh and lets them make less impact on the environment in the process.

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.

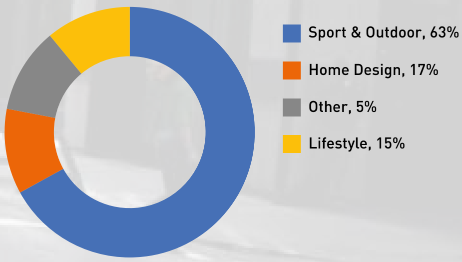
Together with our partners, we ensure that we communicate and build the brand. Creating demand requires consumers to understand and to appreciate the benefits of odor control. From the start, we have been focused on building the Polygiene brand, which has paid off through consumer brand awareness. According 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.

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?

UN’s 17
Sustainable evelopment Goals

Polygiene works actively towards the UN’s Sustainable Development Goals. A specific review will be available on our website in the near future.

Odor Crunch

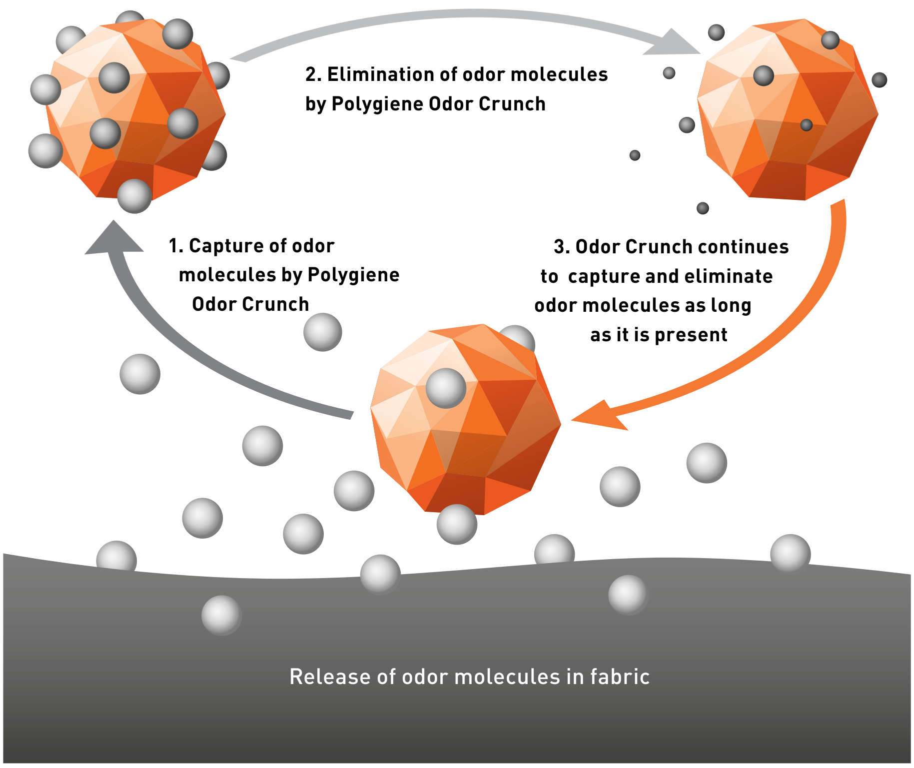
Garments and products treated with the combination product will feel fresh and clean despite sweaty conditions or smelly environments.

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 consist of oxygen, 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 Biostatic Stays Fresh 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.

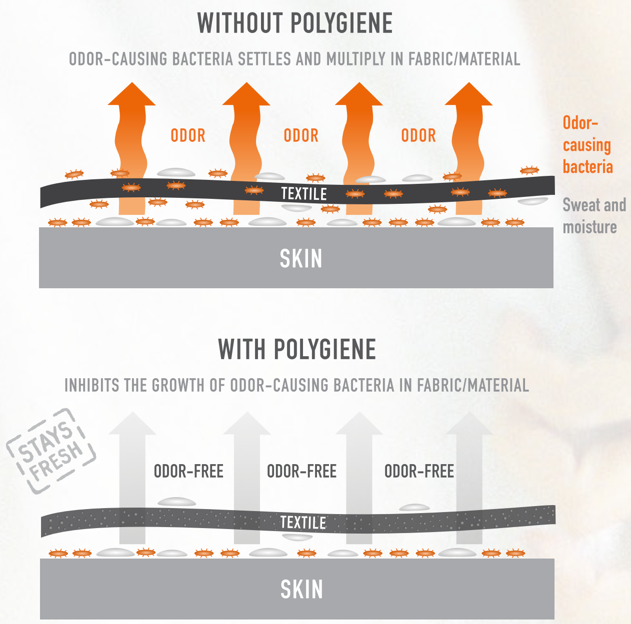
Polygiene Odor Crunch is produced from two of the most common raw materials in the world, water and sand. Sand mainly consists of silica, which is the part used to produce Odor Crunch. The production technology is patented and no waste is accumulated during the production process as all raw material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



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.



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.

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

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

Polygiene Partners

Polygiene®
STAYS FRESH

Americas

patagonia, Callaway Apparel, ATHLETA, SITKA, POLARTEC, QÔR, sunham, UNTUCKit

OSKLEN, Eddie Bauer, Klim, FLY Racing, L.L.Bean, Cotton Incorporated, Duluth Trading Co., EVER

SOLE, DAKINE, ARC'TERYX, CCM, WhiteSierra, Cascade Designs, Mal Lafleur, Onca

DISSENT, RYU, Reebok, cotopaxi, ASTRAL, MPG, Black Diamond, GOLITE

PackTowl, Toad&Co, SIMMS, Warrior, sherpa, Cabela's, KINGS, Conquista

Europe

adidas, Salomon, La Sportiva, Mammut, Buff, Lafuma, Lifeventure, General Tactic

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

Rab The Mountain People, Tatonka Expedition Life, Norrøna, Schaufenberger, Sprayway, AGU, Rockay, Millet Mountain by Experience

Mountain Equipment, Montane, Nomad, Eider Pure Equipment, CimAlp, trangoworld, maloja, Massimoto

Wolf Camper, Salewa, Intersport, Deutsche Post, dhb, BunkerMentality, ANKY Technical Casuals, Härkila

ARYS, POC, AURA, ALPKIT, Ternua, organicbasics, GORE Wear, MS Mode

GripGrab, O'NEAL, SNS Pro

Asia / Australia / New Zealand

World, Takeo Kikuchi, The Shop TK, HusHusH, UNTITLED, YONEX, 8H, Leeds weather

Goldwin, HH, ellesse, The North Face, DANSKIN, Champion, ZEROFIT, ITOKI

Wacoal, CW-X, VTINON, Kailas, HITOMI, AIGLE Depuis 1853, Aicura home,

Kurihara Corporation, Mountain Designs, 2XU, macpac, Stoney Creek, 最生活毛巾, Traveler, Litume

NAIGAI, Pumchang Co., Ltd., HJC, Sealy, Nishikawa, BONMAX, evezary Good Bedding,

Kathmandu, VIRTUE, AIMER, mi, BM Bed Master 床大師

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 2019 was 7,431,614 shares, corresponding to an average of 29,846 shares per trading day. The share price at the end of the period was SEK 8.90, corresponding to market capitalization of MSEK 182,6. Highest and lowest prices during the period were SEK 8.90 and 4.10, respectively.

Outstanding warrants

Warrants 2018/2021 and 2019/2022

In June 2018, Polygiene issued 228,000 warrants to staff and contracted consultants, which entitled 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. In June 2019 Polygiene issued another 300,000 warrants. These warrants may be excercised during the period from 1 to 30 June 2022 and have an exercise price of SEK 12.90 per share. The 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 2019 the Board had the authorization to decide on a new share issue. The total number of shares, which according to the authorization can be issued, must amount to a maximum 2,279,556 shares, which in this case corresponds to a dilution of 10% calculated on the current number of shares.

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 23. 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 2019 Polygiene had 819 (778) shareholders. The table below shows the 10 largest shareholders as of 31 December 2019.

Shareholders	Shares	Percent
Håkan Lagerberg*	2,049,720	10,0%
SIX SIS AG	1,166,542	5,7%
Svanberg & Co Invest	1,105,749	5,4%
JPM Chase NA	940,000	4,6%
Jonas Wollin*	874,500	4,3%
Jonas Pålsson	855,000	4,2%
Aktia Fund Management	846,008	4,1%
Lennart Holm	770,115	3,8%
Mats Georgson*	750,819	3,7%
Clearstream Banking S.A.	609,946	3,0%
Other	10,547,601	51,4%
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.

Polygiene 2016 March - 2019 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

The right to receive dividends flows to the shareholder registered in the company stock register maintained by Euroclear as of the record date for the issue of the dividend as determined by the Annual General Meeting. Dividends are normally paid 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, senior managment and auditor

Board of Directors t

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 15 May 2020. 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 Wollin, Ebba Fåhraeus, Martin Kössler and Håkan Lagerberg are, in the Board's opinion, independent in relation to the Company. Daniel Röme cannot be considered to be independent of the Company, due to his 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 3,056,000 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
Ebba Fåhraeus	Member	1963	2019	12,000
Martin Kössler	Member	1965	2018	10,000
Håkan Lagerberg	Member	1968	2019	2,049,720
Daniel Röme	Member	1976	2018	233,661

* Refers to personal holdings and those of associated natural persons and legal entities as of 31 December 2019.
Source: Data from Euroclear and data known to the company.

Jonas Wollin

Chairman of the Board

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

Education: Business studies at Hvitfeldtska Upper Secondary School.

Primary occupation: Entrepreneur.

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

Previous assignments (last five years): Chairman of the Board of MUJ Invest AB, Portas AB, R. Scandinavia AB, Board Member of Borås Näringsliv AB, MySoul i Borås AB, Simplicity Holding AB, Scandinavian Safety Restaurang AB, Mickson Fastighets AB, Borås¬ Näringslivs Economic Association, and Board deputy of Kaponjären 1 AB.

Bankruptcy, compulsory liquidation, or similar: —

Holdings in Polygiene: 874,500 shares.

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

Ebba Fåhraeus

Member of the Board

Born 1963, member of the board since 2019. Is analytical and pro-active business developer with international experiance within marketing and business developing on a strategic level in listed companies.

Education: MBA from Stockholm Business School.

Primary occupation: CEO of SmiLe Incubator.

Other current assignments: Member of board of Coala-Life AB, Michi Capital AB, Lysaeus AB and Chairman of AcuCort AB. She is also external CEO of smiLe INCUBATOR AB.

Previous assignments (last five years): Board Member iofArc Aroma Pure AB, Sensodetect AB, Gecco-Dots AB, Good Old AB, Poolia Sverige AB, Qeep Sverige AB, Simris Alg AB, SISP Development AB, Fosie Mekaniska Industri AB, AB Motala Verkstad and Chairman of Board of Acousort AB, Connect Skåne.

Bankruptcy, compulsory liquidation, or similar: —

Holdings in Polygiene: 12,000 shares.

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

Martin Kössler

Member of the Board

Born 1965, 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.

Primary occupation: 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 in relation to the Company.

Håkan Lagerberg
Member of the Board

Born 1968, member of the board since 2019. Has long experience of leading positions in private and public companies, for example international sales, marketing and negotiaton, both operational and strategic.

Education: Bachelor degree in International Law from University of Lund and International Trade Law from University of Torino in Italy.

Primary occupation: Member of Board of Swedencare AB (publ).

Other current assignments: Member of Board of Swedencare AB, Chairman of One CC AB and Member of Board of HAOLAG AB, Mastan AB and Fuerte Holding AB.

Previous assignments (last five years): –

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 2,049,720 shares.

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

Daniel Röme
Member of the Board

Born 1976, 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: Röme's education comprises a 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: Consultant.

Övriga pågående uppdrag: Styrelseledamot i Nexam Chemical Holding AB (publ), Nattaro Labs AB samt Styrelseordförande i Svensk Trygghetstjänst AB, Ndjeka Röme AB, Rome Consulting AB samt 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.

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 place in 2022.

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: 65,000 shares, 100,000 warrants 2018/2021 and 100,000 warrants 2019/2022.

Peter Sjösten
CCO

Born 1955, employed since 2010 and has an Economics and Teaching Degree from Linköping University. Peter has during his 10 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 and 35,000 warrants 2019/2022.

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: 750,819 shares, 20,000 warrants 2018/2021 and 35,000 warrants 2019/2022.

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: 13,600 shares, 20,000 warrants 2018/2021 and 20,000 warrants 2019/2022

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: 5,000 shares, 5,000 warrants 2019/2022

Directors' Report 2019

The Board of Directors and CEO of Polygiene AB (publ), 556692-4287, domiciled in Malmö, Sweden, hereby present the Annual Report for the 2019 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

The largest segment was Sport & Outdoor with 67 (63) % of the net sales. Home Design had 11 (17) % and Lifestyle 11 (14) %. The largest market is Europe with 41 (29) % of the net sales.

Comments on the financial development in 2019

2019 compared to 2018.

Revenue

The Company's net sales in 2019 amounted to MSEK 68.8 (69.0), representing a decrease of -0.3 (4.4) %. Other operating income amounted to MSEK 2.6 (2.5) and consists of positive exchange-rate differences.

Expenses

Operating expenses in 2019 amounted to MSEK 77.9 (74.3), representing an increase of 5 (1) %. Cost of goods sold amounted to MSEK 21.0 (23.7) which provides a gross margin of 69 (66) %. External operating expenses for the year amounted to MSEK 37.5 (35.0). These expenses consisted of:

- Sales costs, MSEK 15.7 (12.3), of which MSEK 11.8 (7.9) were variable.
- Marketing costs, MSEK 6.1 (8.0) Redistribution of costs, fewer market consultants and a more effective marketing strategy have reduced costs.
- Administrative expenses, MSEK 8.2 (8.0) Improving the efficiency of the new ERP-system has led to increased costs this year as well as extraordinary legal costs.
- Technology and development costs MSEK 2.9 (2.5) costs have increased due to reinforcement of technical expertise within R&D.
- Contracted consultants MSEK 4.9 (4.4)

During the year, a number of recruits were made in the Group and personnel expenses amounted to MSEK 15.6 (14.3). Other operating expenses amounted to MSEK 2.6 (0.5) and consist of negative exchange rate differences.

Profit/loss before tax

The profit before tax in 2019 was MSEK -6.6 (-2.8). This is equivalent to an operating margin of -9.2 (-3.9) %. The profit after tax was MSEK -5.2 (5.9) and was affected by recognition of deferred tax of MSEK 1.5 (-1.9).

Balance sheet

Total assets as of 31 December 2019 amounted to MSEK 45,1 (49,7). Trade receivables amounted to MSEK 20.9 (26.1) as of

Multi-year overview

	2019	2018	2017	2016	2015
Net sales (TSEK)	68,803	69,039	66,152	61,557	51,511
Profit before tax (TSEK)	-6,623	-2,807	-6,109	-3,397	5,641
Total assets (TSEK)	45,062	49,179	53,101	57,318	50,468
Equity/assets ratio (%)	64.8	73.6	67.6	72.0	80.9

31 December 2019. The decrease is mainly due to more active work with payment reminders to customers. Cash and cash equivalents totaled MSEK 4.9 (3.7).
Polygiene's equity/assets ratio was 64.8 (73.6) % at year end 2019. The Company had a taxable deficit of MSEK 27.0 (20.3) 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 5.8 (4.3) was recognized in 2019.

Cash flows

Cash flows from operating activities were positive at MSEK 7.9 (-4.2), due to the decrease of trade receivable. Cash flows from the investing activities were negative -6.7 (-3.1) due to investments in R&D, the IFRS 16 Leasing and investments in intangible assets.

Organization

At year-end 2019, Polygiene's operational organization, regardless of degree of service, consisted of 21 (18) people, of whom 17 (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 2019 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 22-23.

Other significant events during the financial year

There are no significants event during the financial year.

Other significant events after the financial year

Nina Forsvall has been appointed the new Chief Financial Officer (CFO) of Polygiene AB and started her service on January 1, 2020.

An error has been discovered in the agreement regarding the sale of the business of Protective segment in 2018 after the balance date 2019-12-31. An adjustment has been made in the comparison amounts for year 2018.

The company has deffered tax assets of SEK 5.2 million. According to the Board, these will be used in the business plan adopt by the Board, however, there may be an uncertainty factor with the resulting Covid-19 situation.

The entire first quarter has been affected by the Covid-19 situation in the world. Polygiene has initially seen a delay in order bookings and a complicated logistics chain with increased freight costs as a result. At the same time, there has been a growing interest in Polygiene's product which has antiviral properties. As a result, Polygiene has launched a new brand, ViralOff, and seen an increased flow of incoming inquiries regarding, inter alia, treated protective equipment, masks, etc. which can generate increased sales in the future.

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 Group aims to increase net sales with existing brands and the new, ViralOff.

Allocation of profit

Proposed allocation of profit

Available for distribution by the Annual General Meeting (Tkr)	
Retained losses	-22,541
Share premium reserve	54,761
Profit for the year	-5,288
	26,932

The Board of Directors proposes the following amount be carried forward	26,932
	26,932

Statements of profit or loss/income statments

		Group		Parent Company	
(TSEK)	Notes	2019-01-01 2019-12-31	2018-01-01 2018-12-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Operating income etc.					
Revenue	2	68,803	69,039	68,803	69,039
Other operating income	10	2,562	2,455	2,562	7,797
Total operating income etc.		**71,365**	**71,494**	**71,365**	**76,836**
Operating expenses					
Goods for resale		-21,039	-23,717	-21,039	-23,717
Other external expenses	3, 4	-37,740	-35,077	-38,431	-35,077
Exployee benefit expenses	3, 6, 8	-15,346	-14,309	-15,346	-14,309
Depreciation, amortisation and impairment of tangible and intangible fixed assets		-1,192	-798	-656	-798
Other operating expenses		-2,619	-398	-2,619	-388
Total operating expenses		-77,936	-74,299	-78,091	-74,289
Operating profit		**-6,571**	**-2,805**	**-6,726**	**2,547**
Gain (loss) from financial items:					
Interest expense and similar items		-52	-2	-4	-2
Profit after financial items		**-6,623**	**-2,807**	**-6,730**	**2,545**
Tax expense	9	1,452	-1,874	1,442	-1,874
Profit of the year from continuing operations		**-5,171**	**-4,681**		
Loss for the year from discontinued operations	10	–	5 342		
Profit for the year		**-5,171**	**661**	**-5,288**	**671**
Earnings per share		**2019-12-31**	**2018-12-31**	**2019-12-31**	**2018-12-31**
Basic earnings per share	11				
From continuing operations		-0,25	-0,23	-0,26	0,03
From discontinued operations			0,26		
Total		**-0,25**	**0,03**	**-0,26**	**0,03**

Statements of financial position

ASSETS (TSEK)	Notes	Group 2019-12-31	Group 2018-12-31	Parent Company 2019-12-31	Parent Company 2018-12-31
Fixed assets					
Intangible fixed assets					
Other intangible fixed assets	12	2,530	4,123	2,530	4,123
Total intangible fixed assets		**2,530**	**4,123**	**2,530**	**4,123**
Tangible fixed assets/Property, plant and equipment					
Right to use leased objects	4	1,265	–	–	–
Total tangible fixed assets		**1,265**	**0**	**0**	**0**
Financial fixed assets					
Participations in group companies	14	–	–	50	50
Foreign withholding tax	13	5,235	2,636	5,235	2,636
Deferred tax assets	13, 16	5,801	4,349	5,791	4,349
Other long-term receivables	13, 17	–	14	–	14
Total financial fixed assets		**11,036**	**6,999**	**11,076**	**7,049**
Total fixed assets		**14,831**	**11,122**	**13,606**	**11,172**
Current assets					
Inventories etc.					
Finished products and goods for resale		1,027	497	1,027	497
Total inventories etc		**1,027**	**497**	**1 027**	**497**
Current receivables					
Trade and other receivables	13, 18	20,937	26,054	21,356	26,054
Contract and other receivables	13, 19	1,862	2,142	1,862	2,142
Prepaid expenses and accrued income		1,496	6,208	1,496	6,208
Total current recievables		**24,295**	**34,404**	**24,714**	**34,404**
Cash and cash equivalents	13, 20	**4,909**	**3,696**	**4,335**	**3,600**
Total current assets		**30,231**	**38,597**	**30,076**	**38,501**
TOTAL ASSETS		**45,062**	**49,719**	**43,682**	**49,673**

Statements of financial position

		Group		Parent Company	
EQUITY AND LIABILITIES (TSEK)	**Notes**	**2019-12-31**	**2018-12-31**	**2019-12-31**	**2018-12-31**
Equity	21				
Restricted equity					
Share capital		2,052	2,052	2,052	2,052
Total restricted equity				**2,052**	**2,052**
Non-restricted equity	32				
Share premium		54,761	54,761	54,761	54,761
Profit (loss) brought forward		-22,551	-20,928	-22,541	-20,928
Profit (loss) for the year		-5,171	661	-5,288	671
Share warrants		116	56	–	–
Total non-restricted equity				**26,932**	**34,504**
Equity attributable to owners of the parent		**29,207**	**36,602**		
Total equity		**29,207**	**36,602**	**28,984**	**36,556**
Long term liabilities					
Leasing office premises	4	168	–	–	–
Total long term liabilities		**168**	**0**	**0**	**0**
Short term liabilities					
Advance payments from customers	13	75	8	75	8
Trade and other payables	13, 22	10,400	8,135	10,400	8,135
Leasing office premises	4	1,006	–	–	–
Contract and other liabilities	13	45	694	45	694
Accrued expenses and deferred income		4,161	4,280	4,178	4,280
Total short term liabilities		**15,687**	**13,117**	**14,698**	**13,117**
Total liabilities		**15,855**	**13,117**	**14,698**	**13,117**
TOTAL EQUITY AND LIABILITIES		**45,062**	**49,719**	**43,682**	**49,673**

Consolidated statements of change in equity

2018

Balance at (TSEK)	Notes	Share capital	Share preium	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**	**–**	**56**
Fixed profit for the year				5,907	5,907
Correction of error				-5,246	-5,246
Total comprehensive income for the year				661	661
Balance at					
2018-12-31	21	**2,052**	**54,817**	**-20,267**	**36,602**

2019

Balance at (TSEK)	Notes	Share capital	Share preium	Profit (loss) brought forward	Total equity
2019-01-01		2,052	54,817	-20,267	36,602
Adjustments				-2,284	-2,284
Employee share-based compensation			60		60
Transactions with owners		**–**	**60**	**-2,284**	**-2,224**
Profit for the year				-5,171	-5,171
Total comprehensive income for the year				-5,171	-5,171
Balance at					
2019-12-31	21	**2,052**	**54,877**	**-27,722**	**29,207**

Parent Company's statment of change in equity

2018

Balance at (TSEK)	Notes	Share capital	Share premium	Profit or loss brought forward	Net profit (loss) for the year	Total equity
2018-01-01		**2,052**	**54,761**	**-15,520**	**-5,408**	**35,885**
Reclassification of profit (loss) from previous year				-5,408	5,408	–
Fixed profit for the year					5,917	5,917
Correction of error				-5,246		-5,246
Balance at 2018-12-31	21	**2,052**	**54,761**	**-26,174**	**5,917**	**36,556**

2019

Balance at (TSEK)						
2019-01-01		**2,052**	**54,761**	**-26,174**	**5,917**	**36,556**
Transfer previous year's profit				5,917	-5,917	–
Adjustment				-2,284		-2,284
Net profit (loss) for the year					-5,288	-5,288
Balance at 2019-12-31	21	**2,052**	**54,761**	**-22,541**	**-5,288**	**28,984**

Cash flow statements

Operating activities (TSEK)	Notes	Group 2019-01-01 2019-12-31	Group 2018-01-01 2018-12-31	Parent Company 2019-01-01 2019-12-31	Parent Company 2018-01-01 2018-12-31
Operating profit		-6,521	-2,805	-6,726	2,547
Non-cash adjustment	26	638	797	-14	797
Interest paid		-52	-2	-4	-2
Income tax paid		1,452	-1,874	1,442	-1,874
Cash flow from operating activities before changes in working capital		**-4,483**	**-3,884**	**-5,302**	**1,468**
Changes in working capital:					
Change in inventories		-530	-184	-530	-184
Change in trade and other receivables		10,109	-1,365	9,689	-1,365
Change in trade and other payables		2,754	-4,099	1,581	-4,099
Net cash flow from continuing operations		**7,850**	**-9,532**	**5,438**	**-4,180**
Net cash flow used in/from discontinued operations		0	5,342		
Net cash flow from operating activities		**7,850**	**-4,190**	**5,438**	**-4,180**
Investing activities					
Acquisition of intangible fixed assets		-676	-2,388	-676	-2,388
Acquisition of tangible fixed assets		-1,984	–	–	–
Acquisition of financial assets		-4,051	-712	-4 041	-762
Disposal of financial assets		14	–	14	–
Cash flow from investing activities		**-6,697**	**-3,100**	**-4,703**	**-3,150**
Financing activities					
New shares issue		60	56	–	–
Cash flow from financing activities		**60**	**56**	**0**	**0**
Cash flow for the year		**1,213**	**-7,234**	**735**	**-7,330**
Cash and cash equivalents at the beginning of the year		3,696	10,930	3,600	10,930
Cash and cash equivalents at year-end		**4,909**	**3,696**	**4,335**	**3,600**

Notes to the financial statements

Note 1

ACCOUNTING POLICIES

Nature of operations

Polygiene is the world-leading provider of odor control and 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 consolidated 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 consolidated financial statements for the year ended 31 December 2019 were approved and authorised for issue by the Board of directors on 23 april 2020. This is the second year the parent make and publish the consolidated financial statement of the group.

The group is applying IFRS 9 Financial Instruments and IFRS Revenue from Contracts with Customers. The group has not previously applied in published documents any standards or similar not yet in force.

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.

Application of IFRS 16 Leasing Agreement

IFRS 16 Leases replaces IAS 17 Leases and three related interpretations (IFRIC 4 Determining whether an agreement contains a lease agreement, SIC 15 Benefits in connection with the signing of an operating lease agreement and SIC 27 Assessment of the financial significance of transactions involving a lease agreement). This report is in line with K3.

The transition to the new standard has resulted in that the Group reporting a rights of use a leased object with associated leasing debt in respect of the leases previously classified as operating leases. Exceptions have been made for the contracts identified as of low value or with a remaining lease period of less than 12 months from the date of first application.

The new standard has been introduced through the application of the modified retroactive application, where the accumulated effect of the transition to IFRS 16 is reported against equity as an adjustment of the opening capitalized profit for the current period. Comparative information has not been recalculated.

For agreements already entered into on the first day of application, the Group has chosen to apply the leasing definition in IAS 17 and IFRIC 4 and has therefore not applied IFRS 16 to agreements that were not previously identified as leases in accordance with IAS 17 and IFRIC 4.

The Group has chosen not to include direct expenses in valuing the right to use in respect of operational leasing agreements that existed under the first application of IFRS 16, which is 2019-01-01. As of this date, the Group has also chosen to value the right of use to TSEK 1,984 as calculated from the beginning of the agreement.

Instead of impairment testing of the rights of use the leased object on the first day of application, the Group has relied on its historical assessment of whether leasing contracts constitute loss contracts prior to the transition to IFRS 16. At the transition to IFRS 16, the marginal borrowing rate for the lease liabilities reported in accordance with IFRS 16 was 3%.

The Group has chosen to apply the possibility of making assessments afterwards when assessing the possibility of extending and terminating leases when determining the leasing period.

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 below.

Basis for consolidation

The group's financial statements consolidates those of the parent company and all of its subsidiaries as at 31 December 2019. 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 customer. 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 of 2018 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

R&D

Contains costs of development.

Software

Contains a 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.

Other intangible fixed assets are amortised during 5 years.

Leased assets

The Group as lessee

For all agreements that were entered into on 19-01-01 and later, the Group assesses whether the agreement is a lease agreement or contains a lease agreement. A lease is defined as "an agreement, or the agreements, which transfer the right of use of an asset (the underlying asset) for a certain period of time in exchange for compensation". To apply this definition, the Group assesses whether the agreement meets the requirements of three evaluations which are:

- The agreement contains an identified asset that is either specifically identified in the agreement or implicitly specified by being identified at the time the asset has been made available to the Group.
- The Group has the right to substantially all of the financial benefits arising from the use of the identified asset during the entire term of the lease, regarding the Group's rights within the defined scope of the agreement.
- The Group has the right to control the use of the identified asset during the entire period of the lease. The Group assesses whether it holds the right to control the "how and for what purpose" the asset should be used throughout the lease period.

The Group's rights of use consist of office premises. .

Valuation and accounting of lease agreements as lessee

At the beginning of the lease agreement, the Group reports a right of use and a lease liability in the balance sheet. The right to use the asset is valued at acquisition value, which includes the amount that the lease debt was initially valued, any initial direct expenses incurred by the Group and leasing fees paid before the start of the lease (reduced with any benefits received).

The Group writes off the right to use the asset linearly from the beginning of the lease to the earliest date of the right to use and the lease agreement ends. The Group also makes an assessment of a possible need for impairment of the right to use the asset when there is an indication of a decline in value.

At the beginning of the lease, the Group values the lease debt at the present value of the leasing fees not paid at this time. Leasing fees are discounted using the implicit interest rate of the lease, if this interest rate can be easily determined, or the Group's marginal borrowing rate. Leasing fees that are included in the valuation of the lease debt include fixed fees (including the fixed fees for their substance) as well as variable leasing fees based on an index.

After the commencement date, the debt is reduced by payments and increased by the interest rate. The liability is revalued to reflect any new assessment or change or if there are changes in the fees fixed to its substance. When the lease liability is revalued, the corresponding adjustment is made with regard to the right of use or in the result if the right to use has already been assigned a value of zero.

The Group has chosen to report short-term leases and lease agreements for which the underlying asset has a low value by utilizing the practical solution found in IFRS 16. Instead of reporting a right of use and a lease liability, leasing fees for these leases are expensed on a straight-line basis over leases.

The rights to use a leased object are reported separately in the balance sheet under Tangible fixed assets, while the lease debt is reported separately under liabilities.

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 dat 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 deprecation. Revenue exchange rate differences, and deprecation are recognized in profit/loss. Any gain or loss when the asset is removed from the balance sheet, are 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 expires. The group derecognized a financial liability from the statement of financial position when the agreed obligation is performed or been otherwise extinguished.

Loss provisions for trade receivable and trade 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 except for financial liabilities designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

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 probale 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 thecarryforward 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 equityl.

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 employee 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 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. 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 reversed.

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.

Parent company accounting policies

The parent company's financial statements are prepared and presented in accordance with the RFR 2 Accounting for legal entities. 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 report over 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 accounts payables

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

Note 2

REVENUE

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

			2019
Primary geograpic markets	**Goods**	**Royalty**	**Total**
Asia	15,628	8,259	23,887
Europe	18,333	10,250	28,583
North America	4,887	10,954	15,841
Rest of the world	435	57	492
Total	**39,283**	**29,520**	**68,803**

			2018
	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
Total	**34,995**	**34,044**	**69,039**

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

			2019
	Goods	**Royalty**	**Total**
Goods tranferred at a point in time	39,283	29,520	68,803

			2018
	Goods	**Royalty**	**Total**
Goods tranferred at a point in time	34,995	34,044	69,039

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	
	2019	**2018**	**2019**	**2018**
Grant Thornton Sweden AB				
Audit engagement	327	236	327	236
Tax consultancy	–	7	–	7
Other services	163	42	163	42
Total	**490**	**285**	**490**	**285**

Note 4

LEASES

Leasing liabilities presented in the statement of financial position are as follows:

Group	**2019-12-31**	**2018-12-31**
Short-term	1,006	–
Long-term	168	–
Total	**1,174**	**0**

The Group has a leasing agreement regarding an office facility in Malmö that runs for 3 years. With the exception of short-term lease agreements and leasing contracts for which the underlying asset has a low value, rights of use and leasing debt are reported in the statement of financial position. The Group classifies its rights of use in the category Tangible fixed assets. The borrowing rate was estimated at 3 % during the financial year.

The Group's total current lease commitments as of December 31, 2019 amounted to TSEK 34. Total cash flow for leasing for the financial year ended December 31, 2019 amounted to TSEK 684 (2018: TSEK 0).

The leasing debt is guaranteed by the underlying asset being pledged as collateral for the debt. Future minimum lease fees as of 2019-12-31 are as follows:

	Minimum lease payments due			
	within 1 year	**1 to 5 years**	**after 5 years**	**Total**
2019-12-31	1,006	168	–	1,174
2018-12-31	–	–	–	0

Leasing agreements that are not recognized as a liability

The Group has chosen not to report a lease liability for short-term lease agreements (leases with an expected lease term of 12 months or less) and for leases for which the underlying asset has a low value. Payments in respect of such leases are expensed on a straight-line basis.

The cost of leasing fees that are not included in the calculation of the lease debt is as follows:

Group	**2019-12-31**
Short-term lease agreement	24
Total	**24**

Right to use leased objects

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

	Group	
Right to use leased objects	**2019-12-31**	**2018-12-31**
Accumulated cost brought forward	1,984	–
Acquisitions	0	–
Accumulated cost carried forward	**1,984**	**0**

cont. note 4

cont. note 4

Accumulated depreciation losses brought forward	**2019-12-31**	**2018-12-31**
Depreciation for the year	-719	–
Accumulated depreciation carried forward	-719	–
Carrying amount	**1,265**	**0**

Note 5

EMPLOYEE BENEFITS EXPENSE

Expenses recognised for employee benefits are analysed below:

	Group		**Parent Company**	
	2019	**2018**	**2019**	**2018**
Salaries - board and managing director	1,995	2,174	1,995	2,174
Salaries and wages - other employees	9,661	8,059	9,661	8,059
Pensions, defined contribution plan - board and managing director	429	426	429	426
Pensions, defined contribution plan - other employees	530	931	530	931
Other statutory social security contributions	2,430	2,489	2,430	2,489
Total	**15,045**	**14,079**	**15,045**	**14,079**

	Basic salary/ Board fee	**Total**
Jonas Wollin, Chairman of the board	225	225
Martin Kössler, Board member	125	125
Daniel Röme, Board member	125	125
Håkan Lagerberg, Board member	125	125
Ebba Fåhraeus, Board member	125	125
Ulrika Björk, managing director	1,440	1,440
Total	**2,165**	**2,165**

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

Note 6

AVERAGE NUMBER OF EMPLOYEES

	Group			
	2019-12-31		2018-12-31	
	Average number of employees	**whereof men**	**Average number of employees**	**whereof men**
Sweden	8	2	9	3
EU	1	1	2	1
Other	4	3	1	1
Total	**13**	**6**	**12**	**5**

cont. note 6

cont. note 6

	Parent Company			
	2019-12-31		2018-12-31	
	Average number of employees	**whereof men**	**Average number of employees**	**whereof men**
Sweden	8	2	9	3
EU	1	1	2	1
Other	3	3	1	1
Total	**12**	**6**	**12**	**5**

Note 7

SPLIT BY GENDER

The board includes 1 (2018: 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.

The corresponding program was implemented in June 2019 with the name Program 2. At that time, the Parent Company issued 300,000 warrants. The premium of the warrant amounted to SEK 0.20 / warrant and the exercise price is set at SEK 12.90. The calculation is made by PWC, which is independent of the company. The warrant program is valid between June 2019 and June 2022. 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:

Group	**PROGRAM 1 Number of shares**	**PROGRAM 2 Number of shares**
Granted	228,000	300,000
Outstanding 31 december 2019	**228,000**	**300,000**

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	PROGRAM 2
Grant date	**2018-06-15**	**2019-06-07**
Share price at date of grant (SEK)	8.25	6.44
Warrant life	3 years	3 years
Fair value per option at grant date (SEK)	0.26	0.20
Exercise price at date of grant (SEK)	16.50	12.90
Exercisable from	2021-06-01	2022-06-01
to	2021-06-30	2022-06-30
Weighted average remaining contractual life	228 000	300 000

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 21.4 (2018: 22 %) and recorded tax expense in profit or loss as follows:

	Group	
	2019	**2018**
Net profit for the year before tax	-6,623	-2,807
Domestic tax rate for the parent company	21.4%	22%
Expected tax expense	-1,200	-1,712
Non tax-deductible expenses	2	-39
Deferred tax asset on losses carry-forward not previously recognised	-254	-123
Current tax expense in profit or loss	**-1,452**	**-1,874**
Income tax on profit for the year consists of:		
Deferred tax		
Used losses carried-forward	-1,452	-1,874
Income tax expense in profit or loss	**-1,452**	**-1,874**

	Parent Company	
	2019	**2018**
Net profit for the year before tax	-6,730	7,791
Domestic tax rate for the parent company	21.4%	22%
Expected tax expense	-1,190	-1,714
Non tax-deductible expenses	2	-39
Deferred tax asset on losses carry-forward not previously recognised	-254	-121
Income tax expense in profit or loss	**-1,442**	**-1,874**
Income tax on profit for the year consists of:		
Deferred tax		
Used losses carried-forward	-1,442	-1,874
Income tax expense in profit or loss	**-1,442**	**-1,874**

Note 10

DISCONTINUED OPERATIONS

In 2018, Polygiene discontinued its operations within Protective Surfaces. The price was TSEK 10,588. The Group management decided that the entire amount would go to the Parent company. During the first quarter of 2020, an error was detected in the agreement and Group management concluded on an interpretation error. An error has been made in the comparison year 2018, where other income has been adjusted by TSEK -5,246 and reducing the receivable with the same amount.

Note 11

EARNINGS PER SHARE AND DIVIDENDS

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 2019 or 2018.

Reconciliation of the weighted average number of shares used for the purposte 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:

Number of shares, thousands	**2019**	**2018**
Weighted average number of shares used in basic earnings per share	20,516,000	20,516,000
	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	**2019-12-31**	**2018-12-31**
Accumulated cost brought forward	6,265	3,877
Acquisitions	1,346	2,388
Reclassification	-2,953	–
Accumulated cost carried forward	4,658	6,265
Accumulated depr losses brought forward	-2,142	-1,344
Reclassification	670	–
Depreciation for the year	-656	-798
Accumulated depreciation carried forward	-2,128	-2,142
Carrying amount	**2,530**	**4,123**

cont. note 12

cont. note 12

Parent Company	2019-12-31	2018-12-31
Accumulated cost brought forward	6,265	3,877
Acquisitions	1,346	2,388
Reclassification	-2,953	–
Accumulated cost carried forward	4,658	6,265
Accumulated depr losses brought forward	-2,142	-1,344
Reclassification	670	–
Depreciation for the year	-656	-798
Accumulated depreciation carried forward	-2,128	-2,142
Carrying amount	**2,530**	**4,123**

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 2019

Financial assets	Amortised cost	Total
2019-12-31		
Foreign withholding tax	5,235	5,235
Deferred tax claim	5,801	5,801
Total financial fixed assets	**11,036**	**11,036**
Contract assets and other receivables	20,937	20,937
Trade receivables	1,862	1,862
Cash and cash equivalent	4,909	4,909
Total	**38,744**	**38,744**

Financial liabilities	Amortised cost	Total
2019-12-31		
Financial liabilities	75	75
Contract liabilities and other payables	45	45
Trade and other payables	10,400	10,400
Total	**10,520**	**10,520**

Group 2018

Financial assets	Amortised cost	Total
2018-12-31		
Foreign withholding tax	2,636	2,636
Deferred tax claim	4,349	4,349
Other investments	14	14
Total financial fixed assets	**6,999**	**6,999**
Contract assets and other receivables	26,054	26,054
Trade receivables	2,142	2,142
Cash and cash equivalent	3,696	3,696
Total	**38,891**	**38,891**

Financial liabilities	Amortised cost	Total
2018-12-31		
Prepayments, customers	8	8
Contract liabilities and other payables	694	694
Trade and other payables	8,135	8,135
Total	**8 837**	**8 837**

Parent Company 2019

Financial assets	Amortised cost	Total
2019-12-31		
Participations in group companies	50	50
Deffered tax claim	5,791	5,791
Other long term claims	0	0
Total financial fixed assets	**5 841**	**5 841**
Trade and other receivables	21,356	21,356
Cash and cash equivalent	4,335	4,335
Total	**31,532**	**31,532**

Financial liabilities	Amortised cost	Total
2019-12-31		
Prepayment, customers	75	75
Contract liabilities and other payables	45	45
Trade and other payables	10,400	10,400
Total	**10,520**	**10,520**

Parent Company 2018

Financial assets	Amortised cost	Total
2018-12-31		
Participations in group companies	50	50
Deffered tax claim	4,349	4,349
Other long term claims	14	14
Total financial fixed assets	**4,413**	**4,413**
Trade receivable	26,054	26,054
Cash and cash equivalent	3,600	3v600
Total	**34,067**	**34,067**

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

Not 14

PARTICIPATIONS IN GROUP COMPANIES

Composition of the group

Set out below details of the subsidiaries held directly by the group:

Name/domicile	Reg no	Numb of shares	Share % 2019	Share % 2018
Polygiene Services AB	559129-0936	100	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	
Changes during year:	**2019-12-31**	**2018-12-31**
Accumulated cost brought forward	50	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	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 follow:

Group

2019 **Changes during year**	**2019-01-01**	**Profit or loss**	**2019-12-31**
Unused tax losses carried forward	4,349	1,452	5,801
	4,349	**1,452**	**5,801**

2018 **Changes during year**	**2018-01-01**	**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

2019 **Changes during year**	**2019-01-01**	**Profit or loss**	**2019-12-31**
Unused tax losses carried forward	4,349	1,442	5,791
	4,349	**1,442**	**5,791**

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

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

Not 17

OTHER LONG-TERM RECEIVABLES

	Group		Parent Company	
Changes during year:	**2019-12-31**	**2018-12-31**	**2019-12-31**	**2018-12-31**
Accumulated receivables brought forward	14	14	14	14
Repayment	-14	–	-14	–
Accumulated receivables carried forward	0	14	0	14
Residual value	**0**	**14**	**0**	**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	
	2019-12-31	**2018-12-31**	**2019-12-31**	**2018-12-31**
Trade receivables, gross	26,962	30,478	27,381	30,478
Currency adjustment of receivable	-737	-75	-737	-75
Allowance for credit losses	-50	-273	-50	-273
Trade receivable	26,175	30,130	26,594	30,130
Trade receivables net	26,175	30,130	26,594	30,130
Setoff against accounts payable	-5,238	-4,076	-5,238	-4,076
Setoff against accounts payable	**-5,238**	**-4,076**	**-5,238**	**-4,076**
Total	**20,937**	**26,054**	**21,356**	**26,054**

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 27 381 TSEK.

Not 19

CONTRACT AND OTHER RECEIVABLES

Contract and other receivables consist of:

	Group		Parent Company	
	2019-12-31	**2018-12-31**	**2019-12-31**	**2018-12-31**
Contract receivables	764	831	764	831
Other	1,098	1,311	1,098	1,311
	1,862	**2,142**	**1,862**	**2,142**

Note 20

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	Group		Parent Company	
Cash at bank and in hand	**2019-12-31**	**2018-12-31**	**2019-12-31**	**2018-12-31**
SEK	545	1,754	390	1,658
EUR	933	352	933	352
USD	2,634	1,437	2,634	1,437
GBP	228	3	228	3
HKD	419		–	–
Blocked cash equivalents (SEK)	150	150	150	150
	4,909	**3,696**	**4,335**	**3,600**

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

Note 21

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 share-holders' meetings of the parent company.

Shares issued and fully paid:	**2019-12-31**	**2018-12-31**
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 2019 warrants was subscribed to the amount of 59,988 SEK in the subsidiary company, Polygiene Services AB.

Note 22

TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Group		Parent Company	
	2019-12-31	**2018-12-31**	**2019-12-31**	**2018-12-31**
Trade payables gross	15,858	12,271	15,858	12,271
Currency adjustment of payables	-220	-60	-220	-60
Trade payables net	15,638	12,211	15,638	12,211
Trade payables setoff against receivables	-5,238	-4,076	-5,238	-4,076
Total	**10,400**	**8,135**	**10,400**	**8,135**

Trade payables consist of unpaid invoices to other companies. From 2018, the trade receivables and trade payables are net-ted since ther realte to the same party and will be settled net.

Note 23

PLEDGED ASSETS AND CONTINGENT LIABILITIES

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

Note 24

RELATED PARTY TRANSACTIONS

During 2019, has the following consulting fees in addition to Director's fees was paid to members of the Board of Direc-tors:

	2019	**2018**
MDO Dialogue AB	–	148
Rome Consulting AB	885	180

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

	2019	**2018**
Polygiene Ltd	942	1,679
Rudholm & Haak (HK) Ltd	3,056	2,641
Rudholm & Haak AB	3	–
Rudholm & Haak India	5	–
RHG USA LCC (Rudholm Group)	153	–

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 transac-tions are priced at arm's length.

Note 25

POST-REPORTING DATE EVENTS

Nina Forsvall has been appointed the new Chief Financial Officer (CFO) of Polygiene AB and started her service on January 1, 2020.

The company has deffered tax assets of SEK 5.2 million. According to the Board, these will be used in the business plan adopt by the Board, however, there may be an uncer-tainty factor with the resulting Covid-19 situation.

The entire first quarter has been affected by the Covid-19 situation in the world. Polygiene has initially seen a delay in order bookings and a complicated logistics chain with increased freight costs as a result. At the same time, there has been a growing interest in Polygiene's product which has antiviral properties. As a result, Polygiene has launched a new brand, ViralOff, and seen an increased flow of incoming inquiries regarding, inter alia, treated protective equipment, masks, etc. which can generate increased sales in the future.

Notet 26

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	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Depreciation, amortisation and impairment of non-financial assets	705	797	-14	798
Other adjustments	-67	–	–	-1
Total adjustments	**638**	**797**	**-14**	**797**

Note 27

CONTINGENT LIABILITIES

There are no contingent liabilities in the Group or Parent Company during the financial year.

Note 28

CONTINGENT ASSETS

There are no contingent assets in the Group or Parent company during the financial year.

Note 29

DEFINITON OF BUSINESS RATIOS

Equity/assets ratio - Equity as a ratio of total assets.

Operating profit, EBIT - Profit before interest and tax.

Note 30

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.

Foreign currency denominated financial assets and liabilities which expose the group to currency risk are disclosed below. The amounts shown are those reported to key management translated into SEK at the closing rate:

	Short-term exposure		
Group (TSEK)	**USD**	**GBP**	**Other**
2019-12-31			
Financial assets	26,512	–	304
Financial liabilities	5,822	6,103	445
Total exposure	**32,334**	**6,103**	**749**
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**

Parent Company (TSEK)	**USD**	**GBP**	**Other**
2019-12-31			
Financial assets	26,931	–	304
Financial liabilities	5,822	6,103	445
Total exposure	**32,753**	**6,103**	**749**
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**

If the SEK had strengthened against the USD by 10 % (2018: 10 %) and GBP by 5% (2018: 5 %) respectively then this would have had the following impact on the profit for the year:

	Profit for the year		
Group (TSEK)	**USD**	**GBP**	**Total**
2019-12-31	2,011	-258	1,753
2018-12-31	3,179	-1,010	2,169

Parent Company (TSEK)	**USD**	**GBP**	**Total**
2019-12-31	2,052	-258	1,794
2018-12-31	3,176	-1,010	2,166

cont. note 30

cont. note 30

If the SEK had weakened against the USD by 10 % (2018: 10 %) and GBP by 5% (2018: 5 %) respectively then this would have had the following impact on the profit for the year:

Group (TSEK)	USD	GBP	Total
2019-12-31	1,943	-246	1,697
2018-12-31	2,887	-962	1,925

Parent Company (TSEK)	USD	GBP	Total
2019-12-31	1,975	-246	1,729
2018-12-31	2,887	-962	1,925

The lower sensitivity in changes in the currency rate in the profit of 2019 compared with 2018 depends on a decrease in claims 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 rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. 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 subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is 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 in 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 collective basis 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 2019 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 2019 and 1 January 2019 was determined as follows: .

Group (TSEK)

Trade receivables days past due	Gross carrying amount	Gross carrying amount
	2019-12-31	2018-12-31
Current	21,562	10,200
More than 30 days	2,337	4,811
More than 60 days	653	9,548
More than 90 days	2410	5,918
Total	**26,962**	**30,477**

Parent Company (TSEK)

Trade receivables days past due	Gross carrying amount	Gross carrying amount
	2019-12-31	2018-12-31
Current	21,562	10,200
More than 30 days	2,337	4,811
More than 60 days	653	9,548
More than 90 days	2,829	5,918
Total	**27,381**	**30,477**

Note 31

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 32

APPROPIATIONS OF EARNINGS

The following profit/losses brought forward are to be decided upon by the Annual General Meeting:

(TSEK)	2019-12-31
Share premium reserve	54,761
Profit/losses brought forward	-22,541
Profit/loss for the year	-5,288
	26,932

The board of directors propose that total profit/ loss brought forward is appropriated as follows:	**26,932**
To be carried forward	**26,932**

Note 33

AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 (including comparatives) were approved by the Board of directors on 23 April 2020.

Malmö 23 April 2020

Ulrika Björk
CEO

Jonas Wollin
Chairman of the Board of the Directors

Håkan Lagerberg

Ebba Fåhraeus

Martin Kössler

Daniel Röme

Grant Thornton Sweden AB

Per Kjellander
Authorized Public Accountant

Auditor's report

To the 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 2019. The annual accounts and consolidated accounts of the company are included on pages 28-49 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 2019 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 2019 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.

Information of specific importance

As specified by note 25, Significant events after the financial year, the Board has made the assessment that the virus-outbreak of Covid-19 could mean a significant factor of uncertainty, especially affecting future possibilities to make use of withholding tax. The Board are not per the present day able to judge the possible size of the uncertainty factor nor the effect it will bring on future profits or losses for the company.

Other information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation of the other information. The other information consists of the Annual report and information from the CEO (but does not include the Annual accounts, consolidated accounts of the Group or our Audit Report concerning these). Our opinion on the Annual accounts and consolidated accounts does not include the other information and we do not have an opinion regarding the adopting of the other information.

In addition to our audit of the annual accounts and consolidated accounts it is our responsibility to read the other information specified above and consider any possible significant discrepancy compared to the annual accounts and consolidated accounts. During this review we also consider the overall knowledge that we have gained throughout the audit process and consider any significant misstatement in the other information.

If we, based on the work performed regarding the other information, come to the conclusion that the other information does contain a significant misstatement, we have an obligation to report this. We have nothing to report regarding the other information.

Responsibilities of the Board of Directors and the Managing Director

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

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

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 skepticism throughout the audit. We also:

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

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regading 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 Managing Director of Polygiene AB (publ.) for the year 2019 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 Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the

"Auditor's Responsibilities" section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general. The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism 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 23rd of April 2020
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 at Malmö Börshus, Skeppsbron 2 in Malmö, Sweden on May 15, 2020 at 12.00.

Right of participation and notification
Shareholders wishing to attend the Annual General Meeting must be registered in the shareholder register held by Euroclear Sweden AB by Saturday, May 9, 2020; and also registered with the company by Monday, May 11, 2012, 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).

Trustee registered 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 9, 2020, which entails that shareholders requiring this re-registration must notify the portfolio manager in good time before Friday May 8, 2019 since the aforementioned date is a Saturday.

Proxy, 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.

Voting in advance
The board of directors of Polygiene has resolved that the shareholders may exercise their voting rights at the shareholders' meeting by voting in advance, so called postal voting in accordance with section 3 of the Act (2020:198) on temporary exceptions to facilitate the execution of shareholders' meetings in companies and other associations. A special form shall be used for advance voting. The form is available on the company's website (ir.polygiene.com). A shareholder who is exercising its voting right through advance voting do not need to notify the company of its attendance to the shareholders' meeting. The advance voting form is considered as the notification of attendance to the shareholders' meeting. The completed voting form must be submitted to Polygiene no later than on Monday 11 May 2020. The completed and signed form shall be sent to the address stated under "Right to participate and notification" above. A completed form may also be submitted electronically and is to be sent to emelie@polygiene.com. If the shareholder is a legal entity, a registration certificate or equivalent document shall be enclosed to the form. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote is invalid. Further instructions and conditions are included in the form for advance voting.

Financial Calendar	
Annual General Meeting 2019	24 April 2020
Interim Report Q1 2020	7 May 2020
Annual General Meeting 2020	15 May 2020
Interim Report Q2 2020	27 August 2020
Interim Report Q3 2020	5 November 2020
Year end Report 2020	25 February 2021

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