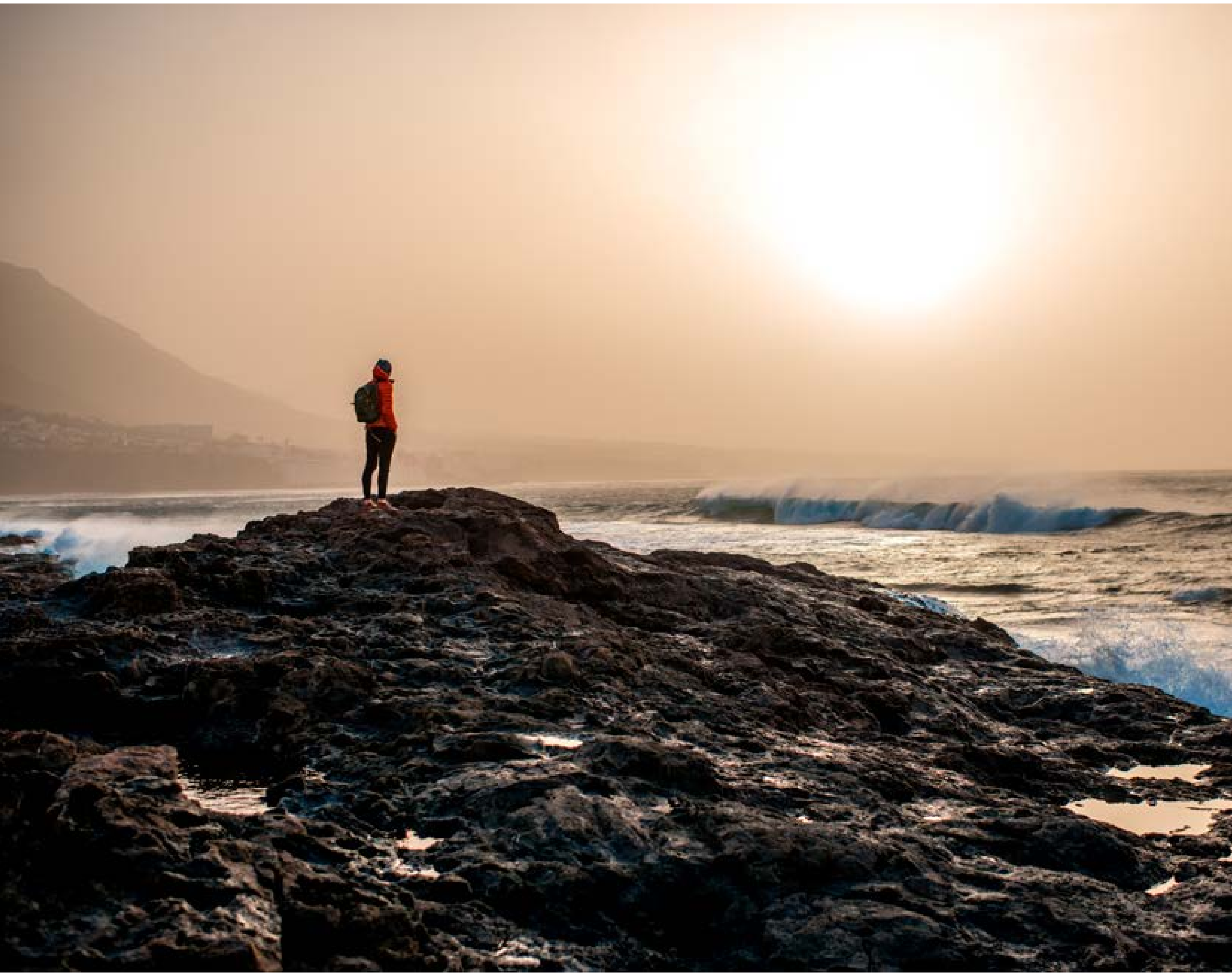
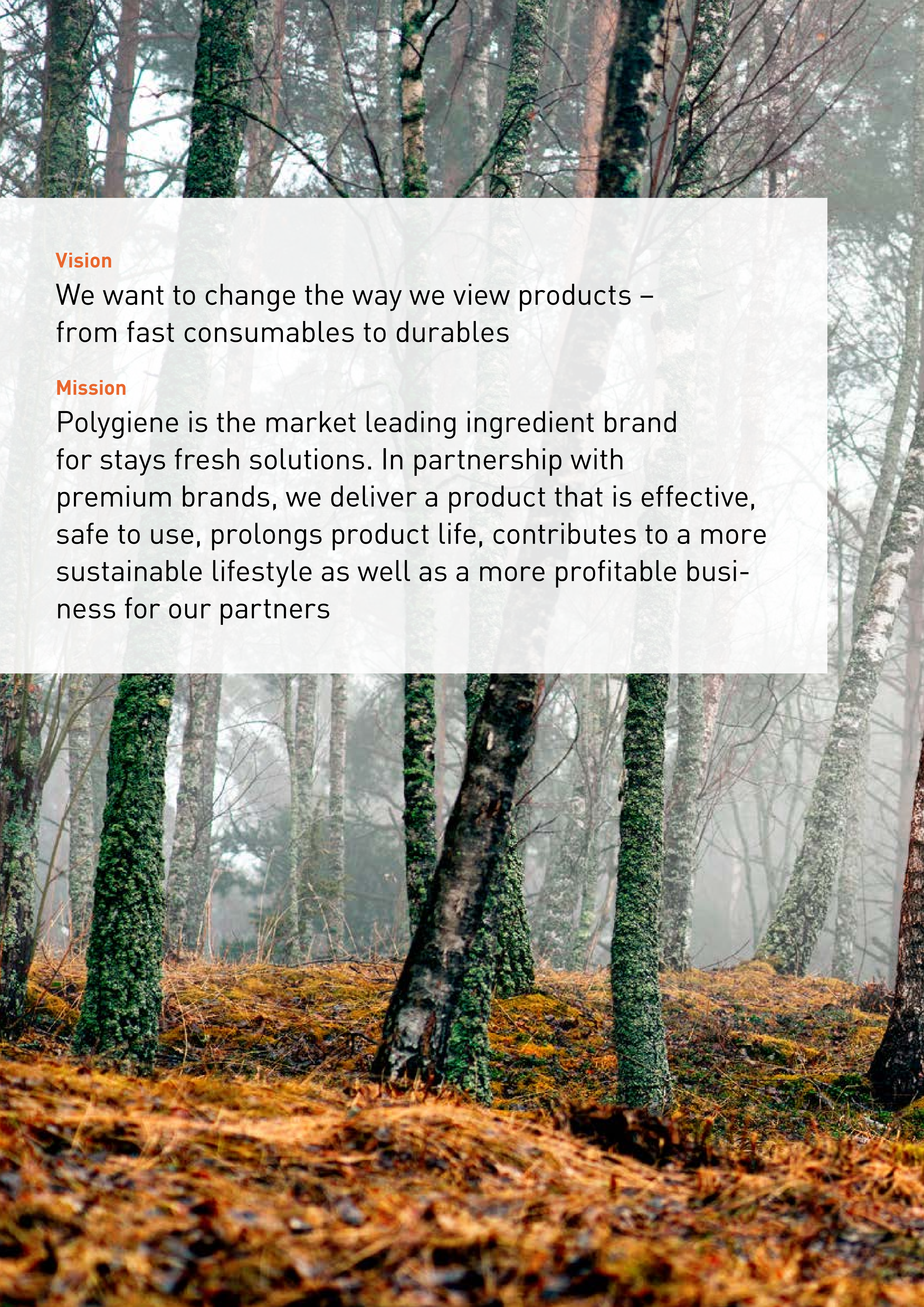
Polygiene AB (publ.)

Annual Report 2020



polygiene.com/ir

Polygiene®
STAYS FRESH



Vision

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

Mission

Polygiene is the market leading ingredient brand for stays fresh solutions. In partnership with premium brands, we deliver a product that is effective, safe to use, prolongs product life, contributes to a more sustainable lifestyle as well as a more profitable business for our partners

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, in the wake of Sars.

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.

2013/14
Breakthrough in the global sportswear market.

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

2016
Listed on Nasdaq First North. Breakthrough in the Footwear segment Japan and in the Home Design segment South Korea.

2017
The Home Textile segment expands with Chinese e-tailers.

2018
With a revised sales and market strategy, Polygiene expands its capabilities worldwide. Polygiene OdorCrunch technology is launched as a complimentary solution. Increasing interest for Polygiene not just as a consumer benefit but also when it comes to water shortage and other sustainability challenges.

2019
High growth in fashion and home textiles. Establishes subsidiaries in China. Polygiene OdorCrunch wins sustainability award.

2020
In response to the pandemic of the Corona virus Polygiene launches the award-winning antiviral technology Polygiene ViralOff. The acquisition of Addmaster Holdings Ltd was announced, with completion in January 2021.

This is Polygiene

»We believe, that with our technologies, consumers can wash their clothes half as much and prolong the life of their clothes twice as long. In order to do that, we assure consumers that clothes and gear with Polygiene treatment will stay fresh longer, without emitting bad odors and be free from bacteria and viruses«

The more you wash clothes and gear, the quicker they wear out. Think about what clothes and gear goes through every time you wash it – tumbling around a washing machine with other garments. It can get caught on buttons and sharp metal teeth of zippers, the colors might fade, it may lose its elasticity, it may shrink.

Our stays fresh technologies ensure products stay fresh longer so they do not need frequent washing. This extends the lifespan of your clothes which has a significant effect on sustainability.

Today, we are the leading global consumer oriented brand with a great brand recognition. We work with our partner brands by providing treatments to products and other materials. Our treatments provide natural odor, bacteria and virus control. We have more than 200 partners around the globe in various categories such as Sport & Outdoor, Lifestyle, Home Textile and Workwear.

We work with the entire value chain – from development and manufacturing to marketing, distribution and customer support.

As an organization, we are proud of our strong environmental focus. Our manufacturing in Europe follows stringent environmental regulations. The technology is applied in the manufacturer's already existing processes therefore the environmental impact is minimized because additional energy and water is not required.

With Polygiene, apparel, home textiles and gear stays fresh longer. Because they don't have to be washed as often as regular products, they last longer and almost 50 % of the CO_2 footprint* can be reduced. Our vision is to bring about fundamental habit and lifestyle changes in consumers by offering eco-friendly options. This 'clean and green' approach to consumption is our guiding star and we believe it will be of great benefit to the environment and our planet in the long run.

** Study "Royal Academy of Engineering Sciences (IVA), 2020. Sustainability in textiles from a consumer perspective. Independent appendix to Resource-efficient textiles in Sweden - Textiles from waste to resources, an industry report from the IVA project Resource efficiency and circular economy (ReCE). THEME: CLIMATE RESOURCES MAY 2020."*

Team Polygiene

We are headquartered in Malmö, Sweden, but we see ourselves as an organization with a global reach. Apart from Sweden, we have employees in countries all over the world such as North and South America, Germany, the UK, China and India.

This makes diversity and inclusion central to the way we work. Our people are as diverse as the millions of end-users we reach in the communities our customers operate in around the world.

We are proud of the fact that our people speak over 15 languages and identify with different cultural backgrounds. Every person who works with us brings with them a broad and interesting range of ideas, skills and experiences. We appreciate that diversity leads to innovation, collaboration and better decision making. All this helps us make extraordinary things happens for our customers.

We are also strong believers in an equal workforce and the idea that diversity is essential for an innovation-led company like ours.

Ulrika Björk CEO

»Our global team is the key to our success«

Nina Forsvall CFO

»We see an equal workforce as a given«

Needless to say, we have zero tolerance for discrimination of any kind – be it based on age, gender, ethnicity, religion, disability or sexual orientation.

At Polygiene, we aspire to create an inclusive culture that embraces and celebrates our differences. Because we know that when we have people from different backgrounds and different cultures coming together, it can create the best possible value – not just for our people and our customers, but also for society at large.

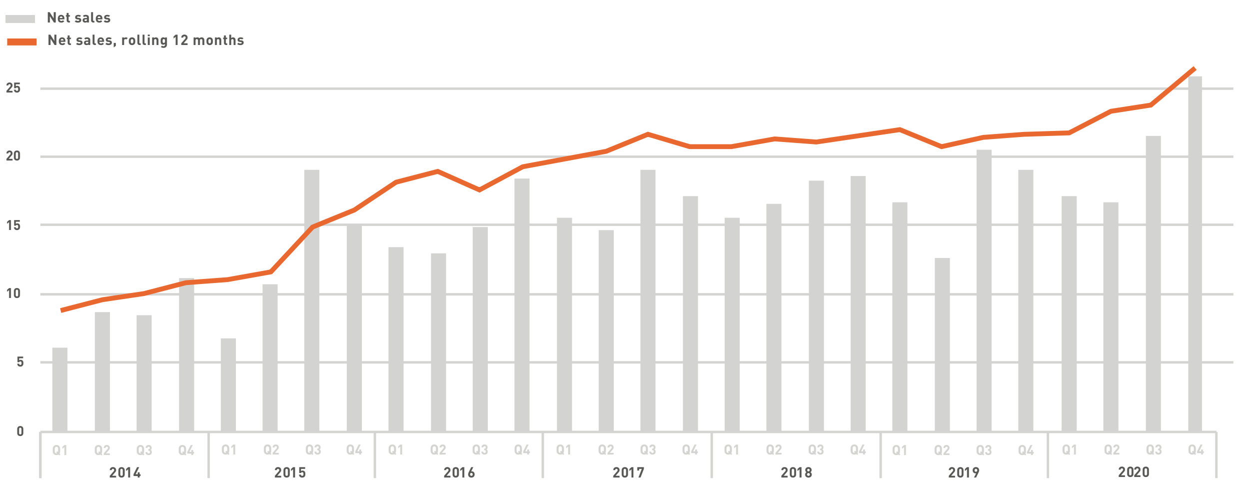
Sales

»As the world leader within stays fresh solutions, we want to change the way we view products – from consumables to durables«

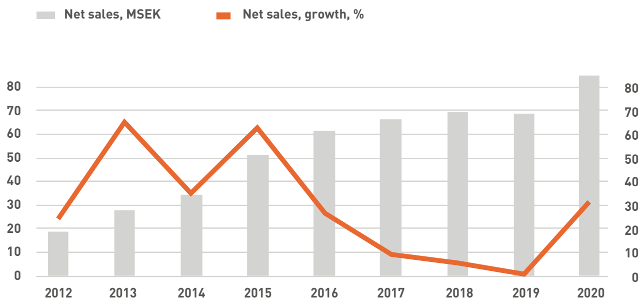
We offer technologies to treat clothes, shoes and other types of products to make you feel fresh, wash less and make products live longer.

More than 200 global premium brands have chosen to use the Polygiene brand with their products.

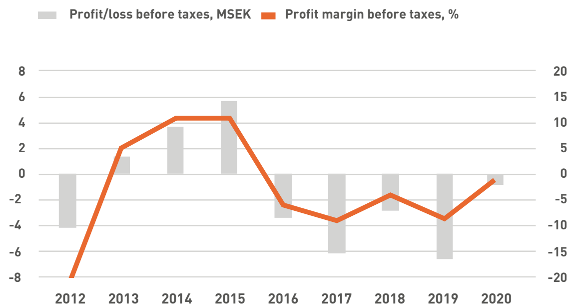
Net sales, MSEK



Net sales



Profit/loss before taxes



2020 in brief

KEY APPOINTMENTS AND SIGNIFICANT EVENTS

- Nina Forsvall started as Chief Financial Officer in January.
- Polygiene launched Polygiene ViralOff with proven anti-viral abilities* in connection to the pandemic in April. Launches an upgraded formula of ViralOff with increased washability during the fall.
- In connection to the launch of Polygiene ViralOff in April, Andreas Holm was recruited to the newly instated role Chief Commercial Officer.
- The organization is further strengthened in September with the recruitment of Dane Momcilovic to take over the Chief Technology Officer role from Daniel Röme who takes up the newly instated Chief Technology Innovation Officer role.
- With the leave of CMO Mats Georgson in November, the role of acting CMO was taken over by Andreas Holm.
- Polygiene AB completed the acquisition of Addmaster Holdings Limited January 8, 2021. The acquisition was announced in a press release on December 10, 2020.

MARKET EVENTS AND NEW PARTNERS

- The Marzotto Group in Italy is starting a cooperation with Polygiene with the intention to restart the fashion industry with textiles made from natural fibers like cotton, wool and linen, treated with Polygiene ViralOff
- Many Polygiene partners launch facemasks due to the massive demand from the market. Some examples are Maloja, General Tactic and ARSV.
- Polygiene technology can now be found in antimicrobial dictation devices from Olympus® Professional Audio that will minimize the exposure for people working the front line of the Corona pandemic.
- Polygiene Overall Winner in the Scandinavian Outdoor Award 2020. Every year the influential Scandinavian Outdoor Group reviews new products and technologies through the eyes of a jury of key outdoor people in Europe. Polygiene ViralOff was awarded Best new Technology and Polygiene the Overall Winner 2020!
- Dr Scholl, the world famous footbed and shoe brand, and Polygiene start a cooperation to remove odors from footbeds.

Polygiene strengthened its organization during the year, launched the antiviral technology Polygiene ViralOff and completed the acquisition of Addmaster Holdings Ltd.

- New cooperation between Polygiene and Diesel that results in a denim collection treated with Polygiene ViralOff launching in SS2021 and beyond. Big media response of the press release, and the collection is mentioned in the TV news show Good Morning America.
- BEDGEAR® the innovating American bedding brand is partnering with Polygiene to launch a new antiviral feature within their line of products called Germ Shield® Protector.
- Takisada-Nagoya, leading textile company in Japan will sell treated fabrics with Polygiene technologies, both domestically and internationally.
- YKK develops a line of zippers with tape treated with Polygiene ViralOff, so these parts are essentially self-cleaning in terms of microbes.
- HSP Hanse Shopping launches a new range of cleaning products, all treated with Polygiene ViralOff, intended for mass markets in Europe and North America - available at over 50 000 retail stores in Europe and nearly 100 000 in the US.
- Japanese partner Itoki co. Ltd – leading office furniture supplier, is growing their partnership and releases five new collections with Polygiene ViralOff.
- Fossil products are often closely worn, frequently touched and now protected against microbial buildup by Polygiene ViralOff. Products to be treated range from bags to keychains, wallets, watch straps and armbands - with focus on the core business of watches.
- Eco Park supplier of bags and bag linings for leading global brands such as Marc Jacobs, Giorgio Armani and Coach, will produce bags with Polygiene Viral-Off treatment. Branded bags cannot be washed but could change hands many times in the vintage market if they stay fresh.

Ecopark makes ViralOff treated linings and bags for high-end fashion brands such as Marc Jacobs, Giorgio Armani and Coach.

Fossil is using Polygiene ViralOff in ther keychains, watchstraps, wallets, armbands and bags. In response to the pandemic Diesel launched a ViralOff treated denim collection.

- Royal Enfield Apparel is creating a new range including helmets, t-shirts, balaclavas, neck- and headgear, riding jackets and gloves with Polygiene technologies to enhance the motorcycling experience
- Body Doctor specialized in eye-care, offers eye com-presses with antimicrobial fabric with the distinction of Class 1 Medical Device certification.
- Milano Colori and Color, the distribution and develop-ment company, launch the next generation of sprays and other ready-to-use products for consumers, with Polygiene ViralOff as the active ingredient. The Rege-nesis ViralOff Trigger Shield sprays keep soft and hard surfaces, as well as fabrics protected and shielded from microbes.

* Polygiene ViralOff reduces tested viruses by over 99 % within two hours on the textile. Tested according to ISO18184:2019 for SARS-CoV-2, H3N2, H1N1.

Message from the CEO

Turning point 2020 – the dawn of a new era

Net sales amounted to MSEK 83.9 (68.8), an increase of 22% compared to 2019. In 2020 growth, adjusted for currency effects, was 28%. Operating profit before tax amounted to MSEK -1.1 (-6.6), weighed down by non-recurring costs of MSEK 2.6 for the acquisition of Addmaster. Cash flow from operating activities was positive, and total cash flow amounted to MSEK -0.4, including new investments of MSEK 3.6.

Off to a touch start

Like most businesses around the world, 2020 was an eventful year for Polygiene. Without exception, the Covid-19 pandemic has affected us all in some way. Amid great uncertainty about the pandemic impact on global business, we initially experienced shutdowns, delayed or missed production deadlines, and logistics challenges. As a result, there were sharp declines in production volumes that affected our core business. Travel restrictions and lockdowns were introduced; trade fairs and business meetings were cancelled and moved onto digital platforms. Business conditions at the outset of 2020 were far from promising. With the launch of Polygiene ViralOff, however, we managed to reverse the trend and ended the year with one new sales record after another.

Polygiene ViralOff – award-winning anti-viral technology

During the SARS epidemic in the 2000s, Polygiene had tested and documented efficacy against the coronavirus on hard surfaces. This gave birth to the business idea for testing anti-viral protection on textiles. After achieving very good test results, ViralOff was launched as one of the world's first anti-viral textile treatments. Well received across the global market, the product became an instant success.

After thorough testing at an accredited laboratory, Polygiene ViralOff proved effective against SARS-CoV-2, the virus that causes Covid-19. The product has been further refined since its launch. Beginning in 2021, we will sell an updated version that remains active on textiles for at least 30 washes according to ISO 18184:2019. In 2020, ViralOff accounted for 23% of sales, a strong result given the short time the product has been on the market and the long sales cycles that typically characterize our industry.

Moreover, Polygiene ViralOff has opened the door to new product areas, such as cleaning supplies, accessories, sprays and floors. These are new product areas for Polygiene since the company has primarily focused on odor control and stays fresh solutions from the sustainability perspective, 'Wear More, Wash Less'. It was, however, a natural next step to expand business beyond textiles due to the increased demand for protective anti-viral treatment of hard surfaces and materials. Polygiene signed in 2020 more than 100 new agreements, most of which are tied to the ViralOff technology.

An organization strengthened

During 2020, restructuring took place withing the management team, with new hires assuming key roles. At the beginning of the year, Nina Forsvall was appointed as the CFO, filling a key managerial role that had been vacant for most of 2019. Andreas Holm joined the team, initially to strengthen the sales organization due to the success of the ViralOff launch, but now as global sales manager. This prompted a downsizing of the management team, with regional managers now reporting to Andreas and able to focus fully on the commercial sales in their respective regions. Since November 2020, Andreas has also been acting CMO since Mats Georgson left the company.

Dane Momcilovic was appointed as CTO, enabling Daniel Röme, who had been acting CTO to return his focus last September to product development and innovation. R&D is a priority area at Polygiene, and I am pleased that the work with R&D can intensify once again. As a result of the reorganization, the management team in place at the head office in Malmö is both leaner and more closely knit. This will enable the team to run the company more efficiently at this critical stage of growth.

Addmaster – a strategic acquisition

On one of the last days of the year, shareholders at our general meeting unanimously voted to support financing the acquisition of Addmaster. Addmaster and Polygiene

» There is a continued and strong demand for antimicrobial treatments – both from a sustainability perspective with textiles as well as from a perspective to protect hard surfaces from the effects of bacteria and viruses in a post-corona-virus world «

ULRIKA BJÖRK
CEO Polygiene AB

share a long and solid history, with collaboration stretching back to the early days of our company. From a strategic perspective, the acquisition is a sound and logical decision. The companies complement each other well, given the great synergies that exist. Addmaster founder Paul Morris, now Polygiene's majority shareholder, serves as a valued external consultant. Addmaster's Sandrine Garnier remains in her role as Managing Director, thereby providing continuity and security going forward.

Due to the acquisition, Polygiene shares increased by approximately 15 million shares, a dilution of 70 %. The issuance of new shares has given the company several new shareholders, largely institutional investors, both Swedish and international, thereby creating both stability and long-term perspective.

Since the completion of the transaction, intensive work to integrate the companies has been initiated. While we would like to extract synergies immediately, we also have a deep respect for preventing business disruption and ensuring continuity. Cross-selling has begun, enabling Polygiene to broaden its product portfolio with Addmaster technologies. The Polygiene sales organization and network has a golden opportunity to extend the reach of our business significantly and almost immediately. We are at work to gain a better understanding of the business models employed, which are markedly different. In the long run, there are opportunities for streamlining; resource reallocation within the Group and the doing away with functional redundancies will contribute to achieving and maintaining commercial success in a rapidly expanding market.

To enable stable and profitable growth in the future, we have undertaken a project to set up a clear brand architecture. After proper evaluation and analysis, the natural next step is to develop a common company profile, structure and organization for the long term.

For Polygiene, 2020 has been a year like no other, and one where we have been able to establish a unique position with Polygiene ViralOff as the driving force. This forward momentum shows no signs of slowing down. There is a continued and strong demand for antimicrobial treatments – both from a sustainability perspective with textiles as well as from a perspective to protect hard surfaces from the effects of bacteria and viruses in a post-coronavirus world. Here, Polygiene and Addmaster can make valuable contributions and encourage others to do the same, supporting solutions for a more sustainable world.

Finally, I would like to give a big round of applause to all my talented colleagues at Polygiene and Addmaster for the fantastic work they do every day. I would also like to thank all our customers and the business partners we work with. And a huge thanks to our board members for their support, especially over the past year, and to all shareholders for your continued trust in 2021.

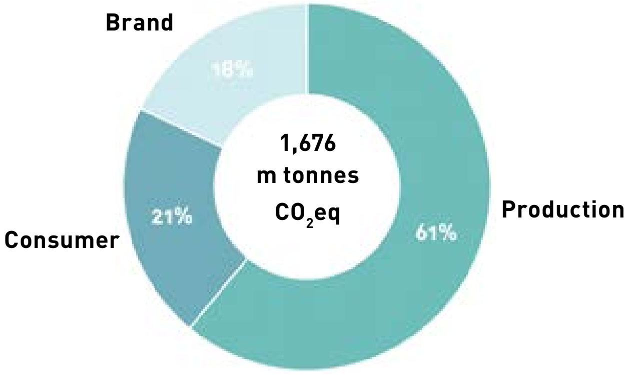
Ulrika Björk, CEO

The Market

There is no question that 2020 has been an incredibly difficult year for millions of people around the world. The pandemic has forced us to adapt to new realities and new habits. The crisis has also raised the awareness of microbes and personal hygiene to a new level. We have learnt to juggle business, private life and social interactions in a new paradigm. The demand for anti-microbial technologies has been increasing the past years but in 2020, the interest was taken to a completely new level.

Stays Fresh technologies
The textile industry is one of the largest polluting industries and is a significant contributor to climate change. In the Paris agreement signed in 2015, there is a long-term goal to reduce carbon emission by 50 % by latest end of year 2030. To be able to achieve this challenging target, new initiatives and innovations need to take place. In a recently released report* by McKinsey together with Global Fashion Agenda, three areas have been identified as accelerated abatement potential.

Accelerated abatement potential in the industry
Key sources of emissions saving under accelerated abatement



- Reducing emissions from upstream operations
- Encouraging sustainable consumer behaviours
- Reducing emissions from brands' own operations

»61% of the accelerated abatement potential lies in decarbonising upstream operations, 18% lies in brands' own operations, and 21% relies on encouraging sustainable consumer behaviours«

Source: McKinsey & Company / Global Fashion Agenda, *Fashion on Climate*, 2020

The production phase meaning upstream operations, has the biggest potential with 61 % of the total abatement potential. Next focus is to encourage sustainable customer behaviors, and this is the area where stays fresh technologies could make a difference. By enabling the consumer to prolong the lifetime of garments and make conscious decisions with a circular approach, the impact will be enormous in the long run. This includes all from buying patterns, reduced washing and drying, how to discard clothing at their end of life – and ultimately raise the awareness of a global problem. The last area is the responsibility of the brands and today all reliable brands require a trustworthy and sustainable profile to survive in the future. Their part in this is critical in the sense that they can both influence the end-customers and make demands to their suppliers at the production level. All these three areas have big potential to flatten the curve and it enables us to have a chance to achieve the target of a 50% reduction of carbon emissions, in a 10-year period.

A global survey** by management consultancy firm Accenture has found that 61% of consumers have reported making more environmentally friendly, sustainable, or ethical purchases since the start of the pandemic. Accenture added that 9 out of 10 of that percentage said they were likely to continue doing so.

The addressable market for branded stays fresh technologies has been estimated to over 1900 million yards of textiles every year. The largest categories will be in the Lifestyle and Home textile segments and the fabrics to be treated will mainly be polyester and cotton.

The future of antimicrobial technologies
In the wake of the pandemic, people have become increasingly aware of personal hygiene. Demand for products that protect and promote hygiene has risen and this is expected to become a trend in the long run. Beyond personal hygiene, the ongoing fight against the virus has also put the spotlight on another important aspect – the hygiene of frequently touched surfaces.

We see the emphasis on this going up in the days to come and according to a recent study*** the demand for anti-microbial treatments are expecting to grow with a CAGR of 9,8 % per year the coming 5 years. This report was released during the ongoing pandemic. A similar report released one year earlier, only had a CAGR of 5,2 %. That indicates the increased awareness and the rapidly growing demand.

Polygiene doesn't expect interest in antimicrobial treatments to decrease after the pandemic. Awareness of the risks associated with bacteria and viruses has increased significantly among the general public and, even in a post-coronavirus world, hygiene and cleanliness will probably still be on top of people's mind. As society re-opens and we begin to travel, socialize, and return to the workplace, textiles and surfaces with antimicrobial treatment will provide added value as people move around and interact with each other again. Polygiene, together with leading industry experts, therefore believe that demand for antimicrobial treatment will continue for preventive purposes.

Our vision is to bring about and support fundamental habit and lifestyle changes in consumers by offering eco-friendly options. This 'clean and green' approach to consumption is our guiding star and we believe it will be beneficial to the environment and our planet in the long run.

* McKinsey & Company / Global Fashion Agenda, *Fashion on Climate*, 2020
** https://www.accenture.com/_acnmedia/ PDF-130/Accenture-Retail-Research-POV-Wave-Seven.pdf
*** GMI

Strategy

»Polygiene shall be the leading global brand in stays fresh technologies, leading a sustainability leap towards less waste through changed consumer behaviors«

We believe in long-term relationships and work with our partners from development and manufacturing all the way to the end-consumer. We add value to our partners' brands and products, not just through our technological innovations, but also via the Polygiene brand that creates consumer interest, demand and purchase.

Our stays fresh technologies are embedded into materials during the manufacturing process and becomes an intrinsic part of the manufactured product, providing odor control, protection against viruses and bacteria, and ensuring that products stays fresh longer.

This means we're an ingredient brand – invisible to the naked eye – but adding considerable value to a product and delivering credible benefits to the end-user.

We work with apparel, home textile and gear brands across their entire value chain – from development and manufacturing to marketing, distribution and customer support. We have a global network of regional offices, distributors and agents.

We work closely with our partners to ensure that proper and effective treatment is carried out. We also make sure we comply with both quality and environmental requirements. But as a branded solution, we do not just deliver the technology; we also provide extensive co-branding and marketing support to our partner brands.

Together with our partners, we ensure that we communicate effectively to build the Polygiene brand. Creating preference among consumers means that we have to educate them to appreciate the benefits of our technology – odor control, protection against viruses and bacteria, and its positive effects on the environment because Polygiene treated items do not require frequent washing, and therefore last longer.

From the start, we have been focused on building the Polygiene brand and have managed to create consumer awareness. Brand recognition also increases the perceived value of Polygiene-treated products and creates a point of differentiation for them. We work closely with our partners to help them leverage the Polygiene brand. For Polygiene-treated products, we provide hang tags and sew-in labels that communicate the benefits of our technology. We also help with messaging and communication including Public Relations, retail and sales staff training, sales material, events, digital sales campaigns and social media.

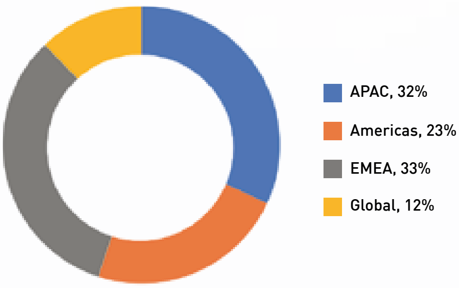
But our best brand advocates are the happy and satisfied consumers who experience the benefits of Polygiene first-hand and spread the word to friends and family.

Going forward, ingredient brands like Polygiene are expected to take about 70–80 % of the addressable market. Which means that a brand that is able to establish itself as the leader in its category will benefit from a winner-takes-all market dynamics.

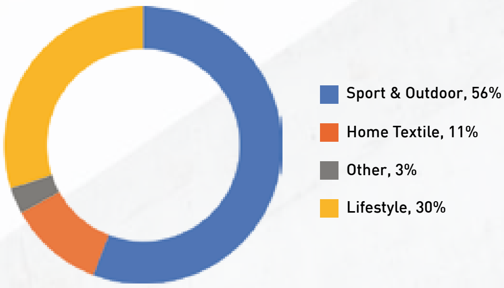
Based on Polygiene's total offering with its unique combination of technology and brand building in close cooperation with partners, we expect to achieve robust organic growth in line with our vision, mission and strategy.

POLYGIENE SALES

Sales by geographic distribution, % *



Sales by segment, %



** Based on location of customers headquarters/purchasing office*

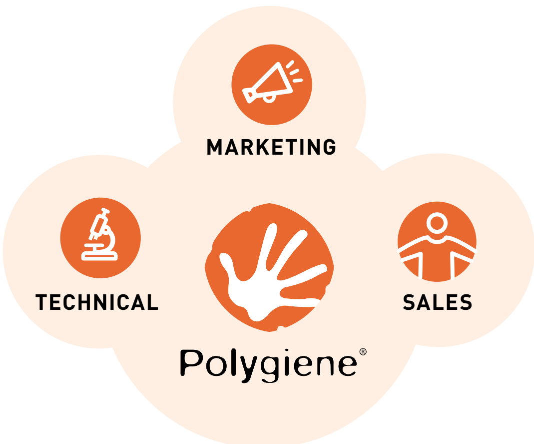
POLYGIENE – SUCCESS FACTORS

- **We have a vision more relevant than ever**
- **We have more than 16 years' experience and valuable knowledge in the industry**
- **We are a trustable and reliable partner in every sense**
- **We build an ingredient brand that differentiate us from the competition**
- **We offer a strong product portfolio of comprehensive technologies**
- **We add real value to our partners´ products and collaborate with more than 200 global premium brands**
- **We support a lean delivery process that enables a scalable business model**
- **We are an excellent global team and in addition we also have an extensive network of agents and distributors**

How we work

We offer an ingredient brand that through functional chemistry helps our customer to create added value to the consumers making a smaller CO_2 footprint. Our value propositions of Innovation, Trust, Know-how, Quality and Service are aligned to our customers' needs. They are designed and managed to create value for them and their products.

When we create value for our customers, we create value for ourselves. Our success can be attributed not just to our innovative technologies and our brand, but also to our commercial commitment to our partners.



TRINITY BUSINESS MODEL
We support our partners with three critical pillars – Technical, Marketing and Sales. We call this our Trinity Business Model.

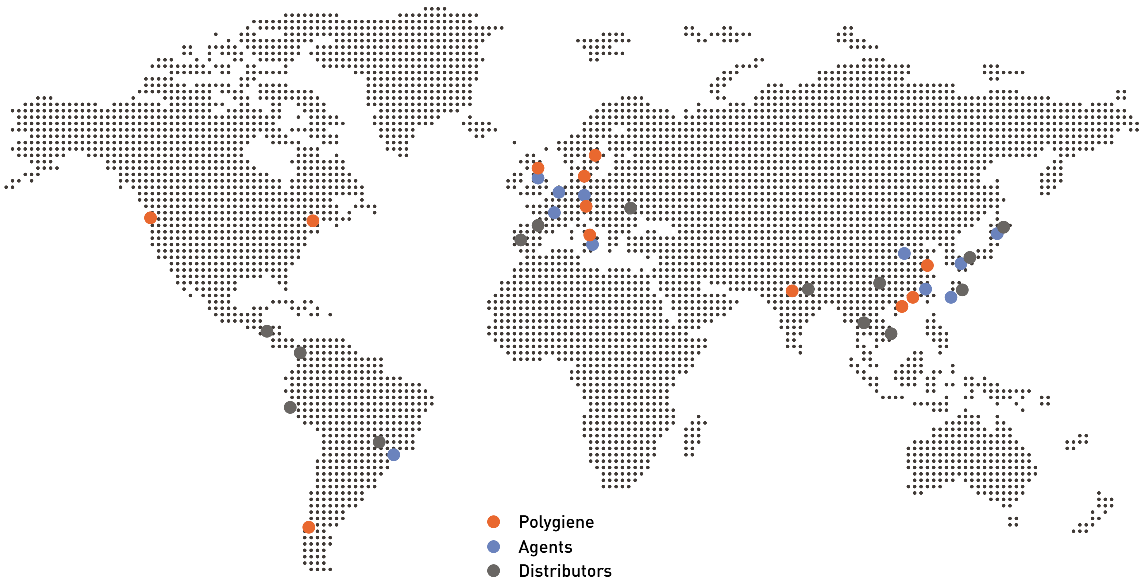
Sales
Our Commercial team serve our brand partners based on their specific demand. We offer a full-service approach meaning that we support them all the way from the start when signing the agreement to the finishing line when the product is sold to the end-consumer. Initially the focus is on identifying opportunities, define project plans and coordinate the application process. After the functional performance is delivered, the commercial team engage the marketing people to secure the co-branding and the communication. The sales managers do follow-ups and evaluate the joint business to constantly improve the relationship, and grow the business.

Technical
Our Technical team works closely with our partners to ensure that proper and effective treatment is carried out. We ensure compliance with quality and environmental requirements, and give updated advice on regulations and demands in the different markets. We also help our partner with mill certification programs, testing and hands-on support. We are always available to answer questions and resolve issues. As the market leader it is vital that we stay committed to drive long-term product development and innovation. We see this as an important investment for our continued success.

Marketing
Our Marketing team works closely with our partners to help them leverage the Polygiene brand and helps provide hang tags and sew-in labels that communicate the benefits of our technologies. We also help with messaging and communication including Public Relations, retail and sales staff training, sales material, events, digital sales campaigns and social media. Our team is committed to educating end-consumers to appreciate the benefits of our technology and create preference for our brand. We routinely conduct market research across geographies and consumer categories to understand the needs of consumers, learn what the market trends are and get a better understanding of consumer drivers.

INNOVATION TRUST QUALITY KNOW-HOW SERVICE

Regions



We are a lean and focused company with a global reach. We have dedicated teams for our partners in Americas, EMEA and APAC. Our partners get their own dedicated team within Technical, Marketing and Sales. We have our own employees in North and South America, China, India, Germany, UK and Sweden.

We also have representatives in countries all over the world. We work with over 200 global premium brands and have distribution centers in strategic locations close to textile mills and processors. With a global technical support team in place, partners can get support no matter where they are located.

EMEA
Haymo Strubel
VP Commercial Operations

"Despite the pandemic, 2020 was an outstanding year for Polygiene in EMEA. However, some of our best and long-standing partners were forced to close many stores and reduce business with retailers. Partners that switched quickly to online sales have seen growth on the other hand, especially in Sports & Outdoor. We have also seen huge interest in our Polygiene ViralOff technology from many different sectors in the region. Going forward, we expect to further grow in EMEA as classic business recovers and the interest in ViralOff continues."

APAC
Peter Sjösten
VP Commercial Operations

"Despite the pandemic situation, 2020 was a good year for us in the APAC region. Our business grew more than 40 %. In China, we are starting to gain momentum with our subsidiary, supported by a complete technical, marketing and commercial team. We have also made inroads into two new countries – Thailand and India where sales are already picking up. Going forward, we see substantial potential in the APAC region."

AMERICAS
Hans Bergman
VP Commercial Operations

"Polygiene Americas confidently entered 2020 with an ambition of growing existing accounts while securing business from large prospective clients. These hopes were crushed as the Corona pandemic became the new normal in March of 2020. However, by adapting quickly, our team capitalized on the needs that the pandemic triggered and overall Americas saw an over 30 % growth in 2020. Two new global leaders within their categories, Dr. Scholl and Caterpillar Workwear, were added to Polygiene's growing list of brands."

Partners

EMEA

TOMMY HILFIGER | AIRINUM | Rab THE MOUNTAIN PEOPLE | MAMMUT SWISS 1862 | DIESEL

adidas | Rockay | GIRAV | SALEWA | JSP

AMERICAS

SITKA | FORLOH | CATERPILLAR | ATHLETA | ELEMENT

Eddie Bauer EST. 1920 | FOSSIL | GREGORY | WARRIOR | Dr. Scholl's

APAC

8小时好睡眠 | evezary GOOD BEDDING | Kathmandu | ITOKI | GOLDWIN JAPAN

KAILAS | DESCENTE | HJC HELMETS | Champion JAPAN | ROYAL ENFIELD

This is a small selection of all of our brands. For full partner list - visit polygiene.com/partners

Our three technologies
- creating value through innovation and growth

The 'buy more, discard more' approach to consumption has led to a throwaway culture. Simply put, we buy too many things and discard them way too early. This constant pursuit of all things new is escalating every day. In the process, it is both creating a lot of waste and it is draining our planet of its resources.

We have a solution that can slow this down. Our stays fresh technologies solutions keep apparel, footwear, home textile, gear fresh and hygienic by neutralizing odors and eliminating microbes. This means they need less washing, maintenance, and will last longer.

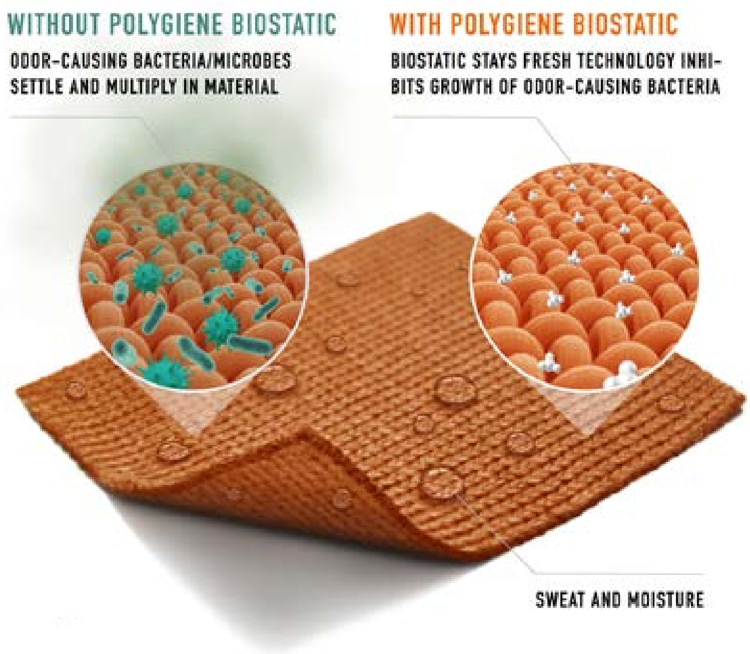
This is how we make less count for more:
- Our innovations benefit our customers and ultimately the end consumers
- There's tremendous potential for growth as more and more people become aware of the wastefulness and environmental impact of their actions
- We change the way we all view products – from fast consumables to durables. Which is part of the solution for a more sustainable textile industry

At present, we have three efficient technologies:

POLYGIENE BIOSTATIC
Protection against sweat odors

Sweat, heat, and humidity are breeding ground for odor-causing bacteria. This treatment makes it impossible for bacteria to multiply. The result – it stops the odor at the source to make your clothes and footwear stay fresh. And the best part is that it works for the entire life of your apparel or footwear.

Polygiene BioStatic is bluesign® approved, the textile industry's demanding environmental certification with a life-cycle approach. It also has Oeko-tex Eco Passports approval, it's registered under the EU Biocidal Product Directive (BPD) and approved by the US Environmental Protection Agency (EPA). It also meets the requirements of REACH, the EU's chemicals legislation.



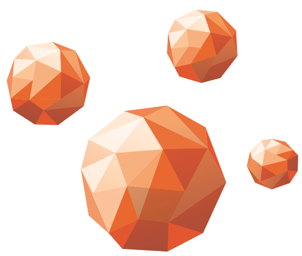
During the 2020 Covid-19 pandemic several partners have used our Polygiene ViralOff treatment on their facemasks. To aviod washing and create a sustainable product.

POLYGIENE ODORCRUNCH

Sand-based odor absorber

Polygiene OdorCrunch is an odor control solution based on sand and water. Odors such as cooking fumes and cigarette smoke tend to stick to garments. When a garment is treated with this technology, odor molecules get 'crunched' and cracked into smaller odorless molecules and the odor is eliminated. The production technology is patented and no waste is accumulated during the production process.

Polygiene OdorCrunch is not a biocide and is not liable under the BPR (Biocidal Product Regulation). OdorCrunch is a bluesign approved product and has an Oeko-tex Eco Passports approval, it is also registered under REACH. It also won the SOG (Scandinavian Outdoor Group) Sustainability award 2019.



POLYGIENE VIRALOFF

NEW TECH

Reduction of viruses in the material

Polygiene ViralOff came about as a response to the Covid-19 situation in 2020. The technology is a wash durable treatment tested on the Corona virus SARS-CoV-2, showing a reduction of over 99% according to ISO test standard 18184:2019*. ViralOff is a durable and always-on treatment. It does not affect the skin as it does not interfere with natural bacteria flora that reside on the skin. When we developed ViralOff, we had two criteria we wanted to satisfy. Firstly, we should be able to show a genuine antiviral effect that could be tested by a standard test. This would enable our partners to make factual, professional claims. Secondly, this treatment should be viable for application on products where an antiviral effect would be relevant. Today that includes products in the care segments, as well as products for the public in environments where additional protection is needed. ViralOff is a durable and always-on treatment. It does not affect the skin as it does not interfere with natural bacteria flora that reside on the skin. It is also certified by Oeko-tex® Eco Passports. The active ingredient is a biocide – silver chloride, which is not classed as nano-silver.

Polygiene ViralOff can be used in almost any product including personal protection equipment and scrubs for healthcare workers, doctors, nurses and first responders. For consumers at large, it can be used on any item where antiviral functionality is relevant – facemasks, gloves, bedsheets, even furniture and handheld devices. An added advantage is that it also prolongs the life of the treated products because it does not need to be cleaned as much as regular products. Of course, we don't make any health claims. ViralOff is not intended to prevent disease, it is used for protection of the treated product.

Every year, Scandinavian Outdoor Groups renowned jury reviews new products and technologies in various categories, and this year Polygienes ViralOff was named the best new technology of the year, and the overall winner in 2020.

ViralOff
POLYGIENE TECHNOLOGY

* Reduces over 99% of selected viruses in 2 hours. Tested by international test standard ISO18184:2019 (SARS-CoV-2, H3N2, H1N1). Polygiene ViralOff does not prevent diseases but protects the treated material.

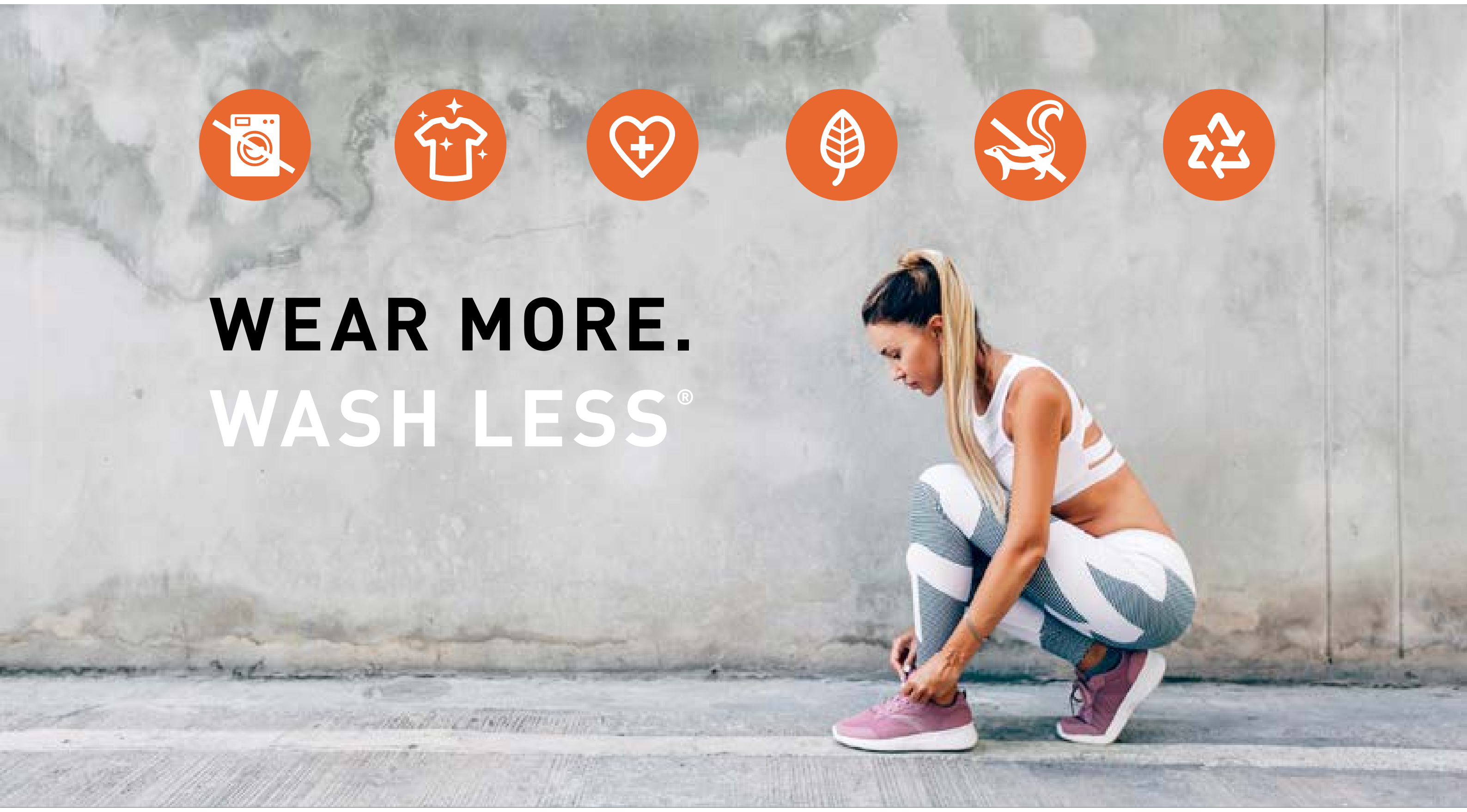
Polygiene – part of the solution

The apparel industry is among the most environmentally demanding on the planet. It may appear far-fetched, but the clothes we wash each week are responsible for environmental pollution. Every time, we launder clothing, detergent residue and microfibers wash right out into our rivers and oceans. Washing clothes is also resource intensive – it takes a lot of water and power. And lastly and most importantly frequent washing shortens the life of your clothes.

Sustainability has always been a business driver for us at Polygiene. It has prompted all our innovations, promoting lower energy and water use, less waste and a reduced environmental footprint. Or as we summarize it: Wear More. Wash Less.

Around the world, consumers are becoming more environmentally conscious. They want to support brands that are aligned with their personal values. To stay relevant, more and more brands are now embracing environmental responsibility. The Lifestyle and Sport & Outdoor industry is no different. It too has tuned in to consumer conversations around sustainability and is stepping up its game to offer eco-friendly alternatives to conscious consumers who want to pick 'clean and green'.

This is great news for us. Because our technology and products help our partner brands make their products viable for conscious consumers.



»Clothes and products that last longer is essential for the environment - CO_2 emissions and over-use of resources, are significantly reduced«

Our treatment not only neutralizes odor causing bacteria, and microbes, but it lasts for the life of the treated item. The treatment is applied at the manufacturer's facility during product finishing, which also minimizes the environmental impact since no additional step in the process is added, nor is any additional energy and water required. The life of the product is also prolonged because it doesn't need to be washed frequently. Consumers get the most out of the apparel, while having to wash it less often. Also, products can be sold on the second-hand market and at the end of life, they can be recycled.

Additionally, prolonging the lifetime of a product has a huge impact on the environment. Studies show that when doubling the lifetime of a garment, the carbon (CO_2) footprint is in principle halved (49 %)*. Increasing the lifetime of products and garments is therefore key in reducing the strain on the environment. So, keeping products in use for longer - buying fewer, but of better quality, is a win-win situation both for consumers and the planet.

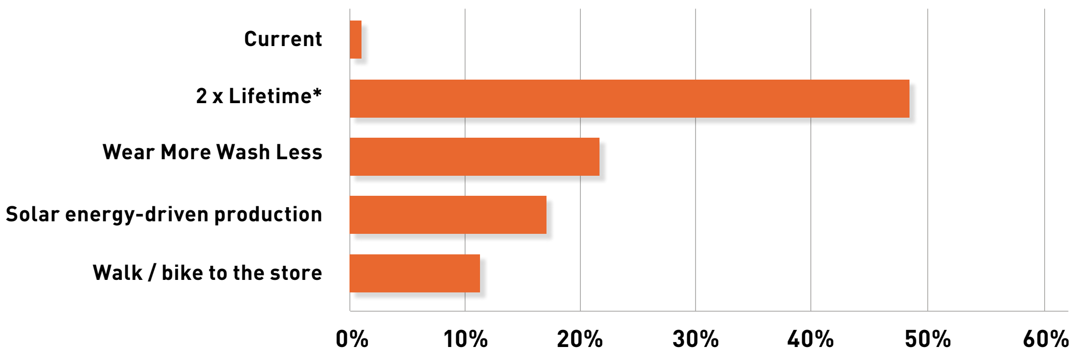
Our call to action - Wear More. Wash Less is exactly in line with this reasoning and in the study the environmental gain of less washing and longer life of garments is in line with a change to solar energy at upstream operations. As a consumer it can be difficult to influence the source of energy used at the production site, but making use of the garments you already have, is something everybody can do.

Our technologies live up to international standars

- Oeko-tex® Eco passport
- Bluesign® – Polygiene BioStatic and OdorCrunch
- Member ZDHC – Zero Discharge of Hazardous Chemicals
- Compliance with regulations in Europe, the US and Asia
- Compliance with REACH, the EU chemicals legislation

* Study "Royal Academy of Engineering Sciences (IVA), 2020. Sustainability in textiles from a consumer perspective. Independent appendix to Resource-efficient textiles in Sweden - Textiles from waste to resources, an industry report from the IVA project Resource efficiency and circular economy (ReCE). THEME: CLIMATE RESOURCES MAY 2020."

REDUCTION POTENTIALS OF CO_2 FOR A T-SHIRT



Studies show that when doubling the lifetime of a garment, the carbon (CO_2) footprint is in principle halved (49 %).

*Skip 1 of 2 washes and let hang dry.

Polygiene acquires Addmaster

This brings together two leading companies to create a powerhouse capable of dominating the category. Our combined technologies will now allow our customers to access the performance benefits of antimicrobial, antibacterial and anti-odor efficacy for both soft and hard surfaces.

The acquisition of British Addmaster Holdings Limited, which, happened on January 8, 2021, is a milestone in our history. From a strategic perspective, the acquisition makes perfect business sense, given the synergies that exist between the companies. For more than a decade, Polygiene and Addmaster have fostered a strong partnership. Now, we can strengthen our position and dominate the market with a complete offering. This is a winning formula for value creation for our customers and our stakeholders.

The two companies complement each other very well, and like Polygiene, Addmaster has completed a year of strong growth with fantastic results. Intensive work to integrate the two companies has already begun. We are now poised to take advantage of the synergies resulting from the process. This primarily means broadening the Polygiene range to cover materials other than textiles as well as leveraging the global sales network, one of Polygiene's strengths.

About Addmaster

Founded in 2000, Addmaster is a specialist when it comes to antimicrobial technology and hard surfaces. They have a range of products for this kind of applications, found in consumer products, public and industrial spaces as well as in hospital environments. They have customers in a wide range of sectors such as the F&B industry, water appliances such as piping and filtering, as well as health and personal care.

As the leading supplier of technically innovative additives for the plastics, paper, paints and coatings industries, they offer an extensive resource center for master batches, compounds and liquid or powder dispersions for any application. Today the product portfolio consists of Biomaster – antimicrobial technology, Verimaster – brand protection and product verification, Scentmaster – flavor and scent master batches, and Masterpiece – bespoke service to create adapted additive solutions.

Share capital, the share and ownership structure

Share capital
At the end of the year 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. Polygiene 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 2020 was 34,158,958 shares, corresponding to an average of 135,016 shares per trading day. The share price at the end of the period was SEK 38.30, corresponding to market capitalization of MSEK 785,8. Highest and lowest prices during the period were SEK 40.00 and 4.59, respectively.

Outstanding warrants
Warrants 2018/2021, 2019/2022 and 2020/2023
In June 2018, Polygiene issued 228,000 warrants to staff and contracted consultants, which entitle holders to subscribe for an equivalent number of shares. These warrants may be exercised during the period from 1 to 30 June 2021 and have an exercise price of SEK 16.50 per share. In 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. A third corresponding program was implemented in June 2020 when another 300,000 warrants were issued. The warrants may be used during June 1 to June 30, 2023 and have the exercise price of SEK 22.36 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 2020 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,(alternatively through the conversion of convertibles and/or the exercise of warrants) 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.

Decision on new share issue and non-cash issue of shares
On December 30, 2020, an extra General Meeting was held where a decision was made on a directed new issue of 10,256,411 shares and a non-cash issue of 4,564,174 shares, which in total corresponds to a dilution of approximately 70 %. This was implemented in January 2021.

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 2020, Polygiene had 3,434 (819) shareholders. The table below shows the 10 largest shareholders as of 31 December 2020.

Shareholders	Shares	Percent
Håkan Lagerberg*	2,346,573	11.4%
Lloyd Fonds AG	1,200,000	5.8%
Svanberg & Co Invest	998,914	4.9%
Avanza Pension	957,102	4.7%
JPM Chase NA	840,000	4.1%
Jonas Wollin*	813,000	4.0%
SIX SIS AG	700,017	3.4%
Clearstream Banking S.A.	568,717	2.8%
Nomura Securities CO Ltd	460,100	2.2%
Mats Georgson	455,135	2.2%
Other	11,176,442	54.5%
Total	**20,516,000**	**100%**

Dividend policy

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

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

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

Polygiene March 2016 - December 2020

Board of Directors, auditor and senior managment

Board of Directors
The Board of Directors of Polygiene currently consists of five 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 19 May 2021. 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 Polygiene).

Jonas Wollin, Ebba Fåhraeus, Martin Kössler, Håkan Lagerberg and Johan Thiel are, in the Board's opinion, independent in relation to Polygiene. 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 MSEK 3,000,000 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 Polygiene.

Board of Directors

Name	Position	Born	Elected	Holdings*
Jonas Wollin	Chairman	1964	2011	813,000
Ebba Fåhraeus	Member	1963	2019	12,000
Martin Kössler	Member	1965	2018	10,000
Håkan Lagerberg	Member	1968	2019	2,346,573
Johan Thiel	Member	1964	2020	25,000

* Refers to personal holdings and those of associated natural persons and legal entities as of 31 December 2020.
Source: Data from Euroclear and data known to Polygiene.

Board of Directors

Jonas Wollin

Chairman

Chairman of the Board since 2018, Board member since 2011. Born 1964 – has long experience as entrepreneur in the textile industry.

Education: Business studies at Hvitfeldtska Upper Secondary School.

Current assignments: Chairman and CEO of Rudholm Group Holding AB, Chairman of Rudholm & H.K AB, Bamatex AB, Simplicity AB, IBD Sweden AB, Svensk Knalle Handel AB and Marketplace Borås Economic association, Board Member of Borås Ridhus AB, Rudholm Group Property AB, Borås Stad Textile Fashion Center AB, Etikettgruppen Svenska AB, MUJ Invest AB, Portas AB, R. Scandinavia AB, Inkubatorn i Borås AB, Kaponjären 1 AB, Kaponjären 2 AB, WooCode AB and InkInvest AB.

Previous assignments (last five years): Chairman of 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 and Borås Näringslivs Economic Association.

Holdings in Polygiene: 813,000 shares.

Ebba Fåhraeus

Member

Board member since 2019. Born 1963 - analytical and pro-active business developer with international experience within marketing and business development at a strategic level in public companies.

Education: MBA from Stockholm Business School.

Current assignments: CEO of SmiLe Incubator, Chairman of AcuCort AB, Board member of Coala-Life AB, Carasent ASA and Prevas AB.

Previous assignments (last five years): Board Member of Arc Aroma Pure AB, Sensodetect AB, GeccoDots AB, SISP Development AB, Faculty of Medicine at Lund University and Chairman of Connect Skåne.

Holdings in Polygiene: 12,000 shares.

Martin Kössler

Member

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

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

Current assignments: CEO, international Capacity Building Company, Board member of USWE Sports AB, Huginvest AB, MUJ Invest AB and Helping You Grow International Business AB.

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

Holdings in Polygiene: 10,000 shares.

Håkan Lagerberg

Member

Board member since 2019. Born 1968 - has international experience from 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 Lund University and Masters degree in International Trade Law from Turin University in Italy.

Current assignments: CEO for Swedencare AB, Chairman of One CC AB, Board member of Swedencare AB, HAOLAG AB, Mastan AB, Fuerte Holding AB and Vitrosorb AB.

Previous assignments (last five years): -

Holdings in Polygiene: 2,346,573 shares.

Johan Thiel

Member

Board member since 2020. Born 1964 - has a strong entrepreneurial background and broad experience of creating growth and business benefits for both shareholders and customers/consumers.

Education: Frans Schartau: Economics, Michaël Berglund: Board Value, Professional Board of Directors Work, BTS: Business Management.

Current assignments: CEO for Trifilon AB, Chairman of Inuheat Group AB, Board member of Qlucore AB, Audiodo AB, LightLab Sweden AB and Marsblade AB.

Previous assignments (last five years): CEO for MIPS AB

Holdings in Polygiene: 25,000 shares.

Auditor

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: 88,400 shares, 100,000 warrants 2018/2021, 100,000 warrants 2019/2022 and 100,000 warrants 2020/2023.

Nina Forsvall
CFO

Born 1965, employed since 2020. Nina has a B.Sc Business and Economics from Lunds University. She has held various positions within Finance and HR and has a broad experience from building structure and processes in fast growing companies. Nina has previously worked at Awapatent AB, Ipendo AB, Donya Labs AB and most recently at Bühler Nordic.

Holdings in Polygiene: 60,000 shares, 37,500 warrants 2020/2023.

Andreas Holm
CCO, acting CMO

Born 1972, employed since 2020. Andreas has an MBA from Henley Management College. He previously worked as Sales Director at Thule Group AB, Marketing Manager at DaimlerChrysler AS and did run his own company focusing on sportswear clothing.

Holdings in Polygiene: 3,300 shares.

Dane Momcilovic
CTO

Born 1976, employed since 2020. Dane holds a Master of Science Degree in Chemical Engineering and a Doctor Degree in Analytical Chemistry from Lunds University (Lunds Tekniska Högskola). He previously worked as Group R&D Manager at Diab Group AB and as CTO at Nexam Chemical AB.

Holdings in Polygiene: 27,300 shares.

Daniel Röme
CTIO

Born 1976, member of the Board from May 2018 – May 2020 and operational in the company since January 2019. Daniel holds a PhD in Chemistry and a Master of Science in Chemistry from Lunds University (Lunds Tekniska Högskola). He has experience of working in leading positions within innovation and business- and product development. Daniel has previously worked at Perstorp AB and Nexam Chemical AB and is currently a consultant in his own company, Rome Consulting AB, with assignments for various companies.

Holdings in Polygiene: 233,661 shares.

Directors' Report 2020

The Board of Directors and CEO of Polygiene AB (publ), 556692-4287, domiciled in Malmö, Sweden, hereby present the consolidated Annual Report for the 2020 financial year.

The Group
Polygiene is a group that operates in stays fresh solutions for consumers. This means that products stay fresh from odor, bacteria and viruses. 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 Shanghai Ltd is involved through sales and invoicing of royalty.

The subsidiary Polygiene Services AB is involved in subscription, acquisition and transfers of warrants and other securities.

Polygiene (HK) Limited is dormant.

The Group will be termed as Polygiene.

Market and sales
Polygiene's sales currently take place within different segments and the three largest are:
- Sport & Outdoor
- Lifestyle
- Home Textile

The largest segment was Sport & Outdoor with 56 (73) % of the net sales. Lifestyle had 30 (12) % and Home Textile 11 (12) %. The largest market was Asia Pacific with 33,2 % of the net sales. 2019 was EMEA the largest with 41,5 %.

Comments on the financial development in 2020
2020 compared to 2019.

Revenue
Polygiene's net sales in 2020 amounted to MSEK 83.9 (68.8), representing an increase of 21.9 (-0.3) %. Other operating income amounted to MSEK 3.3 (2.6) and consists of positive exchange-rate differences.

Expenses
Operating expenses in 2020 amounted to MSEK 88.3 (77.9), representing an increase of 13.3 (5.0) %. Cost of goods sold amounted to MSEK 27.4 (21.0) which provides a gross margin of 67.3 (69.4) %. Other external operating expenses for the year amounted to MSEK 37.1 (37.7). These expenses consisted of:

- Variable selling costs, MSEK 12.4 (12.4), which consist mainly of commissions to agents and distributors
- Marketing costs, MSEK 4.6 (5.9). A more effective marketing strategy has resulted in reduced costs. Covid-19 is also the reason for lower costs as many fairs and exhibitions have been canceled
- Administrative expenses, MSEK 13.2 (13.1). It contains MSEK 2.6 non-recurring costs of the aquisition os the subsidiary Addmaster
- Contracted consultants MSEK 6.9 (6.3)

During the year, a number of recruits were made in the Group and personnel expenses amounted to MSEK 17.1 (15.3). Other operating expenses amounted to MSEK -5.0 (-2.6) and consist of negative exchange rate differences.

Profit/loss of the period
The profit before tax in 2020 of the Group was MSEK -1.1 (-6.6). This is equivalent to an operating margin of

Multi-year overview

Group	**2020**	**2019**	**2018**	**2017**	**2016**
Net sales (TSEK)	83,932	68,803	69,039	66,152	61,557
Profit before tax (TSEK)	-1,086	-6,623	-2,807	-6,109	-3,397
Total assets (TSEK)	57,636	45,062	49,719	53,101	57,318
Equity/assets ratio (%)	47.7	64.8	73.6	67.6	72.0

Parent Company	**2020**	**2019**	**2018**	**2017**	**2016**
Net sales (TSEK)	80,032	68,803	69,039	66,152	61,557
Profit before tax (TSEK)	-452	-6,730	2,545	-6,109	-3,397
Total assets (TSEK)	57,247	43,682	49,673	53,101	57,318
Equity/assets ratio (%)	49.0	66.3	73.6	67.6	72.0

-1.2 (-9.2) %. Without the non-recurring costs of the aquisition of Addmaster, EBIT would have been positive and amounted to MSEK 1.5. The profit after tax of the Group was MSEK -1.7 (-5.2). The Parent Company´s earnings affects the deferred tax asset by MSEK 0.5 (1.5).

Balance sheet

Total assets as of 31 December 2020 amounted to MSEK 57.6 (45.1). Trade receivables amounted to MSEK 28.6 (20.9) as of 31 December 2020. Cash and cash equivalents amounted to MSEK 4.5 (4.9). Polygiene's equity/assets ratio was 47.7 (64.8) % at year end 2020.

Polygiene had a taxable deficit of MSEK 25.1 (25.5) 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 5.3 (5.8) was recognized in 2020. The deferred tax asset has decreased in comparison with the previous year when a recalculation has been made with the new tax rate that applies from 2021-01-01, of 20.6 (21.4) %.

Cash flow

Cash flow from operating activities were positive at MSEK 2.9 (8.5). Cash flow from the investing activities were negative -4.0 (-6.7) mostly due to investments in R&D and development of current ERP- and CRM-system.

Organization

At year-end 2020, Polygiene's operational organization, regardless of degree of service, consisted of 27 (25) people, of whom 19 (17) were employees and 8 (8) were contracted consultants. The operating organization amounts to 24.1 (20.3) fulltime services.

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 2020 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 22-24.

Other significant events during the financial year

The Covid-19 situation has affected the whole world. Polygiene has initially seen a delay in order bookings during the first quarter and a complicated logistics chain with increased freight costs as a result. At the same time, there has been a growing interest in Polygienes product which has antiviral properties.

As a result, Polygiene has launched a new brand, ViralOff, and seen an increased flow of incoming inquiries regarding, among other things, treated protective equipment, face masks, etc., which can generate increased sales in the future.

Other significant events after the financial year

In early 2021, Polygiene acquired all outstanding shares and completed the acquisition of the UK based additive company Addmaster, a leading global supplier of antibacterial additives for hard surfaces. See more information about the acquisition in note 29.

Risks and uncertainty factors

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

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

Polygiene 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. See more about financial risks in note 30.

Reporting currency

Polygiene's reporting currency is Swedish kronor (SEK).

Future outlook

The Group has continued to aim to reach net sales of over MSEK 330 by 2022.

Allocation of profit

Proposal for allocation of the Parent Company's profit/losses:

Available for distribution by the Annual General Meeting (TSEK)	
Retained losses	-30,617
Share premium reserve	54,761
Profit for the year	-944
	23,200

The Board of Directors proposes that	
the following amount be carried forward	23,200
	23,200

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

Statements of profit or loss

TSEK	Note	Group 2020-01-01 2020-12-31	Group 2019-01-01 2019-12-31	Parent Company 2020-01-01 2020-12-31	Parent Company 2019-01-01 2019-12-31
Operating income etc.					
Revenue	2	83,932	68,803	80,032	68,803
Other operating income		3,323	2,562	3,322	2,562
Total operating income etc.		**87,255**	**71,365**	**83,354**	**71,365**
Operating expenses					
Goods for resale		-27,399	-21,039	-27,389	-21,039
Other external expenses	3, 4	-37,064	-37,740	-34,236	-38,431
Personnel expenses	5, 6, 8	-17,083	-15,346	-16,159	-15,346
Depreciation, amortization and impairment of tangible and intangible fixed assets		-1,752	-1,192	-1,005	-656
Other operating expenses		-5,008	-2,619	-5,007	-2,619
Total operating expenses		-88,306	-77,936	-83,796	-78,091
Operating profit		**-1,051**	**-6,571**	**-442**	**-6,726**
Gain (loss) from financial items:					
Interest expense and similar items		-35	-52	-10	-4
Profit after financial items		**-1,086**	**-6,623**	**-452**	**-6,730**
Tax expense	9	-650	1,452	-492	1,442
Profit for the year		**-1,736**	**-5,171**	**-944**	**-5,288**
Earnings per share, SEK		**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Basic earnings per share, before and after dilution	10				
From continuing operations		-0.08	-0.25	-0.05	-0.26
Total		**-0.08**	**-0.25**	**-0.05**	**-0.26**

Statements of financial position

ASSETS (TSEK)	Note	Group 2020-12-31	Group 2019-12-31	Parent Company 2020-12-31	Parent Company 2019-12-31
Fixed assets					
Intangible fixed assets	11				
Development and similar work		2,788	715	2,788	715
Software and licenses		1,713	1,815	1,710	1,815
Total intangible fixed assets		**4,501**	**2,530**	**4,498**	**2,530**
Tangible fixed assets					
Other tangible fixed assets		64	–	49	–
Right to use leased objects	4	543	1,265	–	–
Total tangible fixed assets		**607**	**1,265**	**49**	–
Financial fixed assets					
Participation in group companies	14	–	–	50	50
Foreign withholding tax	12	7,396	5,235	7,396	5,235
Deferred tax assets	13, 16	5,299	5,801	5,299	5,791
Total financial fixed assets		**12,695**	**11,036**	**12,745**	**11,076**
Total fixed assets		**17,803**	**14,831**	**17,292**	**13,606**
Current assets					
Inventories etc.					
Finished products and goods for resale		2,687	1,027	2,687	1,027
Total inventories etc		**2,687**	**1,027**	**2,687**	**1,027**
Current receivables					
Trade and other receivables	13, 17	28,635	20,937	28,827	21,356
Contract and other receivables	13, 18	2,955	1,862	2,955	1,862
Prepaid expenses and accrued income		1,078	1,496	3,700	1,496
Total current receivables		**32,668**	**24,295**	**35,482**	**24,714**
Cash and cash equivalents	13, 19, 22	**4,478**	**4,909**	**1,786**	**4,335**
Total current assets		**39,833**	**30,231**	**39,955**	**30,076**
TOTAL ASSETS		**57,636**	**45,062**	**57,247**	**43,682**

Statements of financial position

		Group		Parent Company	
EQUITY AND LIABILITIES (TSEK)	**Note**	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Equity					
Restricted equity					
Development fund		2,788	715	2,788	715
Share capital	20	2,052	2,052	2,052	2,052
Total restricted equity				**4,840**	**2,767**
Non-restricted equity	32				
Share premium		54,761	54,761	54,761	54,761
Profit (loss) brought forward		-30,711	-23,266	-30,617	-23,256
Profit (loss) for the year		-1,736	-5,171	-944	-5,288
Share warrants		326	116	–	–
Total non-restricted equity				**23,200**	**26,217**
Total equity		**27,480**	**29,207**	**28,040**	**28,984**
Long term liabilities					
Overdraft facility		1,151	–	1,151	–
Leasing office premises	4	–	168	–	–
Total long term liabilities		**1,151**	**168**	**1,151**	**0**
Current liabilities					
Advance payments from customers	13	231	75	231	75
Trade and other payables	13, 21	21,379	10,400	21,342	10,400
Leasing office premises	4	513	1,006	–	–
Contract and other liabilities	13	1,631	45	1,564	45
Accrued expenses and deferred income		5,251	4,161	4,919	4,178
Total current liabilities		**29,005**	**15,687**	**28,056**	**14,698**
Total liabilities		**30,156**	**15,855**	**29,207**	**14,698**
TOTAL EQUITY AND LIABILITIES		**57,636**	**45,062**	**57,247**	**43,682**

The Group's statements of change in equity

2019 Incoming balance (TSEK)	Note	Share capital	Development fund	Share premium	Profit (loss) brought forward	Total equity
2019-01-01		2,052	-	54,817	-20,267	36,602
Provisions		-	715	-	-715	-
Adjustments		-	-	-	-2,284	-2,284
Warrants		-	-	60	-	60
Transactions with owners		-	-	-	**-2,284**	**-2,224**
Fixed profit of the year		-	-	-	-5,171	-5,171
Total comprehensive income for the year		-	-	-	**-5,171**	**-5,171**
Outgoing balance 2019-12-31		**2,052**	**715**	**54,877**	**-28,437**	**29,207**

2020 Incoming balance (TSEK)	Note	Share capital	Development fund	Share premium	Profit (loss) brought forward	Total equity
2020-01-01		2,052	715	54,877	-28,437	29,207
Provisions		-	2,073	-	-2,073	-
Adjustments		-	-	-	-200	-200
Warrants		-	-	210	-	210
Transactions with owners		-	-	**210**	**-200**	**10**
Fixed profit of the year		-	-	-	-1,736	-1,736
Total comprehensive income for the year		-	-	-	**-1,736**	**-1,736**
Outgoing balance 2020-12-31	20	**2,052**	**2,788**	**55,087**	**-32,446**	**27,480**

The Parent Company's statements of change in equity

2019 Incoming balance (TSEK)	Note	Share capital	Development fund	Share premium	Profit (loss) brought forward	Net profit (loss) for the year	Total equity
2019-01-01		**2,052**	**-**	**54,817**	**-26,174**	**5,917**	**36,556**
Provisions		-	715	-	-715	-	-
Transfer previous year´s profit		-	-	-	5,917	-5,917	-
Adjustments		-	-	-	-2,284	-	-2,284
Net profit (loss) for the year		–	-	-	-	-5,288	-5,288
Outgoing balance 2019-12-31		**2,052**	**715**	**54,817**	**-23,256**	**-5,288**	**28,984**

2020 Incoming balance (TSEK)	Note	Share capital	Development fund	Share premium	Profit (loss) brought forward	Net profit (loss) for the year	Total equity
2020-01-01		**2,052**	**715**	**54,817**	**-23,256**	**-5,288**	**28,984**
Provisions		-	2,073	-	-2,073	-	-
Transfer previous year´s profit		-	-	-	-5,288	5,288	-
Net profit (loss) for the year		-	-	-	-	-944	-944
Outgoing balance 2020-12-31	20	**2,052**	**2,788**	**54,817**	**-30,617**	**-944**	**28,040**

Cash flow statement

		Group		Parent Company	
Operating activities (TSEK)	**Note**	**2020-01-01 2020-12-31**	**2019-01-01 2019-12-31**	**2020-01-01 2020-12-31**	**2019-01-01 2019-12-31**
Operating profit		-1,051	-6,521	-442	-6,726
Non-cash adjustment	25	379	638	-152	-14
Interest paid		-35	-52	-10	-4
Income tax paid		-158	1,452	-	1,442
Cash flow from operating activities before changes in working capital		**-865**	**-4,483**	**-604**	**-5,302**
Changes in working capital:					
Change in inventories		-1,660	-530	-1,660	-530
Change in trade and other receivables		-8,373	10,109	-10,767	9,689
Change in trade and other payables		13,815	3,408	13,357	1,581
Net cash flow from continuing operations		**2,917**	**8,504**	**326**	**5,438**
Net cash flow from operating activities		**2,917**	**8,504**	**326**	**5,438**
Investing activities					
Acquisition of intangible fixed assets		-1,819	-676	-1,813	-676
Acquisition of tangible fixed assets		-72	-1,984	-52	–
Acquisition of financial assets		-2,151	-4,051	-1,669	-4,041
Disposal of financial assets		-	14	-	14
Cash flow from investing activities		**-4,042**	**-6,697**	**-3,534**	**-4,703**
Financing activities					
New shares issue		209	60	-	-
Overdraft facilities		1,151	-	1,151	-
Amortiziation of leased object		-666	-654	-	-
Cash flow from financing activities		**694**	**-594**	**1,151**	-
Cash flow for the year		**-431**	**1,213**	**-2,549**	**735**
Cash and cash equivalents at the beginning of the year		4,909	3,696	4,335	3,600
Cash and cash equivalents at year-end		**4,478**	**4,909**	**1,786**	**4,335**

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 200 global partners in many segments Including Sports & Outdoor, Lifestyle, Home Textile, Footwear and Workwear. 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 Polygiene 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 2020 were approved and authorised for issue by the Board of directors on April 22 2021.

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.

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.

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 2020. 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

Accounting 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 segments.

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. The transaction price is normally determined by a fixed price per amount of chemistry. Royalty revenues are recognized as revenue on the date customer production using the Group's chemicals is completed. The transaction price is a fixed price per quantity of finished fabric or the number of garments produced or in another equivalent way; The cost for these chemicals are simultaneously recognized in the income statement. Invoices of 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, which is typically when the related goods are sold.

Intangible assets
Initial recognition of intangible assets
R&D
Contains costs of development.

Software
Contains mainly development of current CRM- and ERP-system. 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.

Intangible fixed assets are amortised during 5 years.

Leased assets
The Group as lessee
For all agreements, 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 report of financial statement. 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 report of financial statement 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 it 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 depreciation. Revenue exchange rate differences, and depreciation are recognized in the statement of profit or loss. Any gain or loss when the asset is removed from the report of financial statement are recognized in the statement of profit or loss.

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.

Some of the 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.

Some of the trade receivables and accounts payables are netted since ther relate to the same party and will be settled net.

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 Company are recorded separately within equity.

Post-employment benefits and short-term issued warrants
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.

Warrants
Employees, or by the Group 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/Scholes-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. The Board judges that some of the withholding tax can be refunded and this part is reported as a financial fixed asset.

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 ÅRL and 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 statement of profit or loss and the report of financial statement 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
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
Some of the trade receivables and accounts payables are netted since they relate to the same party and will be settled net.

Note 2

REVENUE

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

Group			**2020**
Primary geograpic markets	**Goods**	**Royalty**	**Total**
APAC	15,895	11,971	27,866
EMEA	16,709	9,862	26,571
Americas	12,262	6,990	19,252
Global	10,204	39	10,243
Total	**55,070**	**28,862**	**83,932**

Group			**2019**
	Goods	**Royalty**	**Total**
APAC	15,628	8,259	23,887
EMEA	18,333	10,250	28,583
Americas	4,887	10,954	15,841
Global	435	57	492
Total	**39,283**	**29,520**	**68,803**

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

Goods tranferred at a point in time:	**2020**	**2019**
Goods	55,070	39,283
Royalty	28,862	29,520
Total	**83,932**	**68,803**

The Group's revenue disaggregated by segments	**2020**	**2019**
Sport & Outdoor	52,038	48,372
Lifestyle	19,304	5,770
Home Textile	8,393	10,276
Other	4,197	4,385
Total	**83,932**	**68,803**

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	
	2020	**2019**	**2020**	**2019**
Grant Thornton Sweden AB				
Audit engagement	340	327	340	327
Tax consultancy	–	–	–	–
Other services	–	163	–	163
Total	**340**	**490**	**340**	**490**

Note 4

LEASES

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

	2020-12-31	**2019-12-31**
Short-term	513	1,006
Long-term	–	168
Total	**513**	**1,174**

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, 2020 amounted to TSEK 22. Total cash flow for leasing for the financial year ended December 31, 2020 amounted to TSEK 694 (2019: TSEK 654).

Future minimum lease fees as of 2020-12-31 are as follows:

	Minimum lease payments due			
	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
2020-12-31	513		–	**513**
2019-12-31	1,006	168	–	**1,174**

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:

	2020-12-31	**2019-12-31**
Short-term lease agreement	17	24
Total	**17**	**24**

Right to use leased objects

The movements in the net carrying amount of advance

cont. note 4

cont. note 4

payments for intangible fixed assets are as follows:

Right to use leased objects	Group 2020-12-31	Group 2019-12-31
Accumulated cost brought forward	1,984	1,984
Acquisitions	17	-
Accumulated cost carried forward	**2,001**	**1,984**
Accumulated depreciation brought forward	-719	–
Depreciation for the year	-739	-719
Accumulated depreciation carried forward	-1,458	-719
Carrying amount	**543**	**1,265**

Note 5

EMPLOYEE BENEFITS EXPENSE

Expenses recognised for employee benefits are analysed below:

	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Salaries -board and managing director	2,209	2,127	2,209	2,127
Salaries and wages - other employees	10,847	9,529	9,783	9,529
Pensions, defined contribution plan - board and managing director	425	429	425	429
Pensions, defined contribution plan - other employees	871	530	802	530
Other statutory social security contributions	2,730	2,430	2,672	2,430
	17,082	**15,045**	**15,891**	**15,045**

	Basic salary/ Board fee	Total
Jonas Wollin, Chairman of the board	225	225
Martin Kössler, Board member	125	125
Johan Thiel, Board member	125	125
Håkan Lagerberg, Board member	125	125
Ebba Fåhraeus, Board member	125	125
Ulrika Björk, CEO	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			
	2020-12-31		2019-12-31	
	Average number of employees	**whereof men**	**Average number of employees**	**whereof men**
Sweden	13	4	8	2
EU	1	1	1	1
Other	5	3	4	3
Total	**19**	**8**	**13**	**6**

	Parent Company			
	2020-12-31		2019-12-31	
	Average number of employees	**whereof men**	**Average number of employees**	**whereof men**
Sweden	13	4	8	2
EU	1	1	1	1
Other	3	3	3	3
Total	**17**	**8**	**12**	**6**

Note 7

SPLIT BY GENDER

The Board includes 1 (2019: 1) women.

Note 8

SHARE-BASED EMPLOYEE REMUNERATION

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 Group.

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 Group.

The corresponding program was implemented in June 2020 with the name Program 3. At that time, the Parent Company issued 300,000 warrants. The premium of the warrant amounted to SEK 0.7 / warrant and the exercise price is set at SEK 22.36. The calculation is made by PWC, which is independent of the company. The warrant program is valid between June 2020 and June 2023. It is not linked to the participant's employment or involvement in the Group.

cont. note 8

cont. note 8

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

	Number of shares		
Group	**Program 1**	**Program 2**	**Program 3**
Granted	228,000	300,000	300,000
Outstanding 31 december 2020	**228,000**	**300,000**	**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.

	Program 1	**Program 2**	**Program 3**
Grant date	**2018-06-15**	**2019-06-07**	**2020-06-04**
Share price at date of grant (SEK)	8.25	6.44	15.50
Warrant life	3 year	3 year	3 year
Fair value per option at grant date (SEK)	0.26 kr	0.20 kr	0.70 kr
Exercise price at date of grant (SEK)	16.50 kr	12.90 kr	22.36 kr
Exercisable from	2021-06-01	2022-06-01	2023-06-01
to	2021-06-30	2022-06-30	2023-06-30
Weighted average remaining contractual life	2.4 year	2.4 year	2.4 year

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 20.6 % (2019: 21.4 %) and recorded tax expense in profit or loss as follows:

	Group	
	2020	**2019**
Net profit for the year before tax	-1,086	-6,623
Domestic tax rate for the Parent Company	20.6 %	21.4 %
Expected tax expense	-42	-1,200
Non tax-deductible expenses	250	2
Effect of changed tax rate	442	-254
Current tax expense in profit or loss	**650**	**-1,452**
Income tax on profit for the year consists of:		
Deffered tax assets on losses carried forward not previously recognised	650	-1,452
Income tax expense in profit or loss	**650**	**-1,452**

	Parent Company	
	2020	**2019**
Net profit for the year before tax	-452	-6,730
Domestic tax rate for the Parent Company	20.6 %	21.4 %
Expected tax expense	-42	-1,190
Non tax-deductible expenses	250	2
Effect of changed tax rate	284	-254
Income tax expense in profit or loss	**492**	**-1,442**
Income tax on profit for the year consists of:		
Deffered tax assets on losses carried forward not previously recognised	492	-1,442
Income tax expense in profit or loss	**492**	**-1,442**

Note 10

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 2020 or 2019.

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	**2020**	**2019**
Weighted average number of shares used in basic earnings per share	20,516,000	20,516,000
Weighted average number of shares used in basic earnings per share	**20,516,000**	**20,516,000**

Note 11

INTANGIBLE FIXED ASSETS

The movements in the net carrying amount of advance payments of development assets are as follows:

Group	**2020-12-31**	**2019-12-31**
Accumulated cost brought forward	894	–
Acquisitions	2,497	894
Accumulated cost carried forward	3,391	894
Accumulated depr. losses brought forward	-179	–
Depreciation for the year	-424	-179
Accumulated depreciation carried forward	-603	-179
Carrying amount	**2,788**	**715**

cont. note 11

cont. note 11

The movements in the net carrying amount of advance payments of software and license are as follows:

	2020-12-31	2019-12-31
Accumulated cost brought forward	3,764	6,265
Acquisitions	474	452
Reclassification	–	-2,953
Accumulated cost carried forward	4,238	3,764
Accumulated depr losses brought forward	-1,949	-2,142
Reclassification	–	670
Depreciation for the year	-576	-477
Accumulated depreciation carried forward	-2,525	-1,949
Carrying amount	**1,713**	**1,815**

The movements in the net carrying amount of advance payments development assets are as follows:

Parent Company	2020-12-31	2019-12-31
Accumulated cost brought forward	894	–
Acquisitions	2,497	894
Accumulated cost carried forward	3,391	894
Accumulated depr. losses brought forward	-179	–
Depreciation for the year	-424	-179
Accumulated depreciation carried forward	-603	-179
Carrying amount	**2,788**	**715**

The movements in the net carrying amount of advance payments of software and license are as follows:

	2020-12-31	2019-12-31
Accumulated cost brought forward	3,764	6,265
Acquisitions	470	452
Reclassification	–	-2,953
Adjustment	-1,158	–
Accumulated cost carried forward	3,076	3,764
Accumulated cost brought forward	-1,949	-2,142
Reclassification	–	670
Depreciation for the year	-575	-477
Adjustment	1,158	–
Accumulated cost carried forward	-1,366	-1,949
Carrying amount	**1,710**	**1,815**

Note 12

WITHHOLDING TAX

The movements in the net carrying amount of advance payments of withholding tax are as follows in the Group and the Parent Company:

	2020-12-31	2019-12-31
Accumulated cost brought forward	5,235	2,636
Balanced withholding tax during year	2,161	2,599
Accumulated cost carried forward	7,396	5,235
Carrying amount	**7,396**	**5,235**

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

Financial assets	2020-12-31	2019-12-31
Amortised costs		
Foreign withholding tax	7,396	5,235
	7,396	**5,235**
Trade receivables	28,635	20,937
Contract assets and other receivables	4,033	3,358
Cash and cash equivalents	4,478	4,909
	44,542	**34,439**

Financial liabilities	2020-12-31	2019-12-31
Amortised costs		
Prepayment customers	231	75
Contract liabilities and other payables	8,546	5,212
Trade and other payables	21,379	10,400
	30,156	**15,687**

Parent Company

Financial assets	2020-12-31	2019-12-31
Amortised costs		
Shares in subsidiary	50	50
Foreign withholding tax	7,396	5,235
	7,446	**5,285**
Trade receivables	28,827	21,356
Contract assets and other receivables	6,655	3,358
Cash and cash equivalents	1,786	4,335
	44,714	**34,334**

Financial assets	2020-12-31	2019-12-31
Amortised costs		
Prepayment customers	231	75
Contract liabilities and other payables	7,634	4,223
Trade and other payables	21,342	10,400
	29,207	**14,698**

Note 14

PARTICIPATIONS IN GROUP COMPANIES

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

		Share, %		
Name/domicile	**Reg no**	**2020**	**2019**	**2018**
Polygiene Services AB	559129-0936	100	100	100
Polygiene Shanghai Ltd	91310115	100	100	-
Polygiene (HK) Limited	70113300	100	100	-

	Parent Company	
Changes during year:	**2020-12-31**	**2019-12-31**
Accumulated cost brought forward	50	50
Accumulated cost carried forward	**50**	**50**

Note 15

PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES

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

Namn	**Reg no**	**Andel %**
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

2020 **Changes during year**	**2020-01-01**	**Profit or loss**	**2020-12-31**
Unused tax losses carried forward	5,801	-502	5,299
	5,801	**-502**	**5,299**

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**

Parent Company

2020 **Changes during year**	**2020-01-01**	**Profit or loss**	**2020-12-31**
Unused tax losses carried forward	5,791	-492	5,299
	5,791	**-492**	**5,299**

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**

Note 17

TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Group		Parent Company	
	2020-12-31	**2019-12-31**	**2020-12-31**	**2019-12-31**
Trade receivables	38,037	26,962	38,229	27,381
Currency adjustment of receivable	-2,171	-737	-2,171	-737
Allowance for credit losses	-205	-50	-205	-50
Trade receivable	35,661	26,175	35,853	26,594
Trade receivables net	**35,661**	**26,175**	**35,853**	**26,594**
Setoff against accounts payable	-7,026	-5,238	-7,026	-5,238
Non-financial assets	**-7,026**	**-5,238**	**-7,026**	**-5,238**
Total	**28,635**	**20,937**	**28,827**	**21,356**

Trade receivables consist of unpaid invoices for sale to other companies. Some of the trade receivables and trade payables are netted since ther realte to the same party and will be settled net. Total credit exposure is TSEK 38,229.

Note 18

CONTRACT AND OTHER RECEIVABLES

Contract and other receivables consist of:

	Group		Parent Company	
	2020-12-31	**2019-12-31**	**2020-12-31**	**2019-12-31**
Contract receivables	1,456	764	1,456	764
Other	1,499	1,098	1,499	1,098
	2,955	**1,862**	**2,955**	**1,862**

Note 19

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	Group		Parent Company	
Cash at bank and in hand	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
- SEK	1,388	545	1,026	390
- EUR	274	933	274	933
- USD	186	2,634	186	2,634
- GBP	150	228	150	228
- HKD	–	419	–	–
- CNY	2,330	–	–	–
	4,328	**4,759**	**1,636**	**4,185**

Note 20

EQUITY

Share capital

The share capital of the Parent Company consists only of fully paid ordinary shares with a nominal (par) value of SEK 0.10 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of the Parent Company.

Shares issued and fully paid:	**2020-12-31**	**2019-12-31**
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**

Note 21

TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Group		Parent Company	
	2020-12-31	**2019-12-31**	**2020-12-31**	**2019-12-31**
Trade payables gross	29,462	15,858	29,425	15,858
Currency adjustment of payables	-1,057	-220	-1,057	-220
Trade payables net	28,405	15,638	28,368	-15,638
Trade payables setoff against receivables	-7,026	-5,238	-7,026	-5,238
Total	**21,379**	**-10,400**	**21,342**	**-10,400**

Some of the trade receivables and account payables are netted since they relate to the same party and will be settled net.

Note 22

PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
For own provisions and liabilities:	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Company mortgage	5,000	-	5,000	-
Blocked cash equivalents	150	150	150	150

Note 23

RELATED PARTY TRANSACTIONS

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

	2020	**2019**
Polygiene Ltd	1,049	942
Rudholm & Haak (HK) Ltd	2,899	3,056
Rudholm & Haak AB	52	3
Rudholm & Haak India	19	5
RHG USA LCC (Rudholm Group)	145	153
Rudholm tekstil aksesuarlari sanayi ve tic Ltd	1	–

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

Note 24

POST-REPORTING DATE EVENTS

In early 2021, Polygiene acquired all outstanding shares and completed the acquisition of the UK based additive company Addmaster, a leading global supplier of antibacterial additives for hard surfaces. See more information in note 29.

Note 25

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	
	2020-12-31	**2019-12-31**	**2020-12-31**	**2019-12-31**
Depr., amort., and impairment of non-financial assets	587	705	-152	-14
Other adjustments	-208	-67	–	–
Total adjustments	**379**	**638**	**-152**	**-14**

Note 26

CONTINGENT LIABILITIES

The Board has not identified any contingent liabilities in the Group or Parent Company during the financial year.

Note 27

CONTINGENT ASSETS

The Board has not identified any contingent assets in the Group or Parent Company during the financial year.

Note 28

DEFINITON OF BUSINESS RATIOS

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

Operating profit, EBIT - Profit before interest and tax.

Note 29

BUSINESS ACQUISITION

Acquisition of Addmaster 2021

On January 8, 2021, the Group acquired 100 % of the shares in Addmaster Holdings Limited ("Addmaster"), a company based in Staffordshire, UK and received thus controlling influence in the company. Addmaster is a leading global supplier of anti-bacterial additives for hard surfaces and the acquisition was made to strengthen the Group's position in the market with a significant wider offer.

The total commercial purchase price, on a cash and debt-free basis, amounts to MGBP 33. The purchase price is paid partly with a cash payment of MGBP 22, with a supplement for interest and existing cash, and partly with a non-cash issue of 4,564,174 shares. The news about the acquisition was received positively by the market and the non-cash issue, which is recognized in the report of financial statement at the value of the Parent Company's shares at the time of the transaction, amounts to MSEK 147. Converted to SEK, the fair value of transferred renumeration amounts to a total of MSEK 451.

Fair value of transferred remuneration	
Amounts settled with cash and equivalents	303,439
Amounts settled with issued shares	147,423
Total	**450,862**

The acquisition analysis may be completed in the Q1 report of 2021. Based on an estimated result for the subsidiary for the full year 2020, net sales are estimated at MSEK 82.2 and operating profit EBIT MSEK 30.5 in 2020.

Total estimated acquisition costs	2,785

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	**USD**	**GBP**	**Other**
2020-12-31			
Financial assets	35,839	32	2,073
Financial liabilities	7,574	15,840	623
Total exposure	**43,413**	**15,872**	**2,696**
2019-12-31			
Financial assets	26,512	–	304
Financial liabilities	5,822	6,103	445
Total exposure	**32,334**	**6,103**	**749**

Parent Company	**USD**	**GBP**	**Other**
2020-12-31			
Financial assets	36,031	32	2,073
Financial liabilities	7,766	15,840	585
Total exposure	**43,797**	**15,872**	**2,658**
2019-12-31			
Financial assets	26,931	–	304
Financial liabilities	5,822	6,103	445
Total exposure	**32,753**	**6,103**	**749**

If the SEK had strengthened against the USD by 10 % (2019: 10 %) and GBP by 5 % (2019: 5 %) respectively then this would have had the following impact on the profit for the year:

	Profit for the year		
Group	**USD**	**GBP**	**Total**
2020-12-31	2,682	-772	1,910
2019-12-31	2,011	-258	1,753

Parent Company	**USD**	**GBP**	**Total**
2020-12-31	2,682	-772	1,910
2019-12-31	2,052	-258	1,794

If the SEK had weakened against the USD by 10 % (2019: 10 %) and GBP by 5% (2019: 5 %) respectively then this would have had the following impact on the profit for the year:

	Profit for the year		
Group	**USD**	**GBP**	**Total**
2020-12-31	2,438	-734	1,704
2019-12-31	1,943	-246	1,697
Parent Company	**USD**	**GBP**	**Total**
2020-12-31	2,438	-734	1,704
2019-12-31	1,975	-246	1,729

The lower sensitivity in changes in the currency rate in the profit of 2020 compared with 2019 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 2020 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 2020 and 1 January 2020 was determined as follows:

	Gross carrying amount	
Group	**2020-12-31**	**2019-12-31**
Trade receivables days past due		
Current	30,795	21,562
More than 30 days	4,388	2,337
More than 60 days	1,846	653
More than 90 days	1,008	2,410
Total	**38,037**	**26,962**

	Gross carrying amount	
Parent Company	**2020-12-31**	**2019-12-31**
Trade receivables days past due		
Current	30,987	21,562
More than 30 days	4,388	2,337
More than 60 days	1,846	653
More than 90 days	1,008	2,829
Total	**38,229**	**27,381**

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/loss brought forward are to be decided upon by the Annual General Meeting:

(TSEK)	2020-12-31
Share premium reserve	54,761
Profit/loss brought forward	-30,617
Profit/loss for the year	-944
	23,200
The board of directors propose that total profit/ loss brought forward is appropriated as follows:	**23,200**
	23,200

Note 33

AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 (including comparatives) were approved by the Board of directors on 22 April 2021.

Malmö 22 April 2021

Ulrika Björk
CEO

Jonas Wollin
Chairman

Håkan Lagerberg
Member

Ebba Fåhraeus
Member

Martin Kössler
Member

Johan Thiel
Member

Helsingborg 22 April 2021
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 2020. The annual accounts and consolidated accounts of the company are included on pages 22-48 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 2020 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 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the Parent Company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other 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 2 (2) 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 regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions. We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified. Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Polygiene AB (publ.) for the year 2020 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 22 April 2021
Grant Thornton Sweden AB

Per Kjellander
Authorized Public Accountant

Annual General Meeting and financial calendar

Annual shareholders' meeting

The annual shareholders' meeting of Polygiene will be held on Wednesday 19 May 2021. In light of the ongoing Covid-19 pandemic and in order to reduce the risk of infection spreading, Polygiene has decided that the annual shareholders' meeting will be held only by advance voting (postal vote) in accordance with temporary legislation. This means that the annual shareholders' meeting will be conducted without the physical presence of shareholders, proxies or external parties and that shareholders' exercise of voting rights at the annual shareholders' meeting can only take place by shareholders voting in advance in the order prescribed below. Information on the resolutions passed by the annual shareholders' meeting will be published on Wednesday 19 May 2021, as soon as the outcome of the advance voting is finally compiled.

Right to participate and notification

Shareholders wishing to participate in the annual shareholders' meeting by advance voting must

- partly be listed in the company's share register kept by Euroclear Sweden AB as of Monday 10 May 2021; and
- partly have notified their participation no later than Tuesday 18 May 2021 by casting their advance vote to the company in accordance with the instructions under the heading "Voting in advance" below so that the advance vote is received by the company no later than that day.

Trustee registered shares

Shareholders whose shares are trustee-registered in the name of a bank or other trustee must, to be able to exercise their voting rights at the annual shareholders' meeting by advance voting, request the trustee to register their shares in their own name with Euroclear Sweden AB (so called "voting rights registration"). Such voting rights registration must be implemented by the trustee no later than as of Wednesday 12 May 2021. Accordingly, shareholders must well in advance before this date notify their trustee of their request of such voting rights registration.

Voting in advance

Shareholders may exercise their voting rights at the annual shareholders' meeting only by voting in advance, so called postal voting in accordance with Section 22 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 companys' website (ir.polygiene.com). The advance voting form is considered as the notification of attendance to the annual shareholders' meeting. The completed voting form must be submitted to Polygiene no later than on Tuesday 18 May 2021. The completed and signed form shall be sent to Polygiene AB, Att. Emilié Fredriksson, Styrmansgatan 2, SE-211 18 Malmö, Sweden. A completed form may also be submitted electronically and is to be sent to emilie@polygiene.com. If a shareholder votes in advance through a proxy, a written and dated power of attorney signed by the shareholder must be attached to the form. A proxy form is available on the company's website (ir.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 advance voting form.

Financial Calendar	
• Annual Report 2020	April 23 2021
• Interim Report Q1 2021	May 6 2021
• Annual General Meeting 2021	May 19 2021
• Interim Report Q2 2021	August 26 2021
• Interim Report Q3 2021	November 4 2021
• Year End Report 2021	February 24 2022

Contacts

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