Polygiene AB (publ.)

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1 october–31 december 2018

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Polygiene®
STAYS FRESH

Contents

Q4 in brief

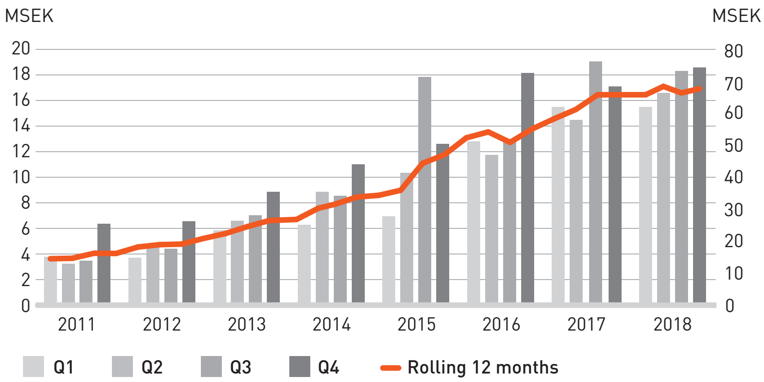
Streamlining operations and a positive year-end

- The operating income increased with 9,2% during the fourth quarter compared to the same period the last year and amounted to MSEK 18.6 (17.1). Year 2018 was amounted to MSEK 69.0 (66.1).
- Operating profit/loss (EBIT) for the period, excluding the sales of the Protective Surfaces business area amounted to MSEK 0.5 (0) and for the whole year, to MSEK -2.8 (-6.1).
- As part of a streamlining of the business, the Protective business area has been divested, which brought in revenue of MSEK 10.6.
- The cash flow of the fourth quarter amounted to MSEK -6.2 (-4.5).
- The company's operating organisation was consisted with 18 (18) people in the end of the quarter.

Key ratios	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Net sales, MSEK	18.6	17.1	69.0	66.1
Operating profit EBIT, MSEK	11.0	0	7.8	-6.1
Operating margin EBIT, %	36.8	0	9.5	-9.0
Adjusted operating profit, MSEK	11.0	0.7	7.8	-3.6
Adjusted operating profit, %	36.8	3.9	9.5	-5.4
Profit after tax, MSEK	8.9	-0.2	5.9	-5.4
Operating margin after tax, %	29.7	-1.2	7.2	-8.0
Earnings per share, SEK	0.43	-0.01	0.29	-0.26
Cash flow, MSEK	-6.2	-4.5	-7.2	-9.1

Adjusted operating profit is after foreign exchange effects and withholding tax.

Net sales per quarter and rolling 12 months



Significant events in brief

Events during Q4 2018 (October-December)

- Polygiene, the world-leading provider of odor control technology and Stays Fresh solutions, is opening a subsidiary, Polygiene Hong Kong Ltd, in Hong Kong, China. This is done with the aim to further strengthen the presence of the company in one of the leading and most dynamic markets in the world.
- Yonex co., Ltd, the world leading manufacturer of golf, tennis and badminton equipment and apparel, have signed an agreement to use Polygiene Stays Fresh Technology in their products.
- Polygiene opens up the home textile market in the US with new partner Sunham Home Fashions. Sunham Home Fashions is one of the largest importers of home textile products in the United States.
- Polygiene enters Brazil, the fifth largest textile producer in the world, with two Sao Paolo based key representatives brought on board to launch the global leader in Stays Fresh technology.
- The business category of Protective Surfaces is sold off as part of a streamlining of the business

Significant events after Q4

- The new product, Polygiene Odor Crunch will be presented at ISPO, the world's largest trade fair for sporting goods and sportswear, taking place Feb 3-6 in Munich, Germany.
- With the appointment of Vishal Bhandari, Technical Director covering South Asia, Polygiene is strengthening its technical support organization in the important Asian market.
- Positive cash flow in January and February.

Message from the CEO

Streamlining operations and a positive year-end

Total operating income for the last quarter of 2018 amounted to MSEK 18.6 (17.1), which corresponds to an increase of 9.2%. Operating profit excluding the sale of the Protective Surfaces business area was positive MSEK 0.5 (0.0), but with a negative cash flow of MSEK -6.2 (-4.5). The sale of Protective Surfaces generated other income of MSEK 10.6.

Ulrika Björk
CEO Polygiene AB

Fourth-quarter growth forecasts were higher than the business result of 9.2% due, in part, to a dip in growth (-3.7%) in the previous quarter. However the quarterly result of MSEK 18.6 represents the second-best quarter in company history and, in light of that, I am satisfied our year-end results. We generated a positive operating profit of MSEK 0.5 despite some extraordinary expenses and investments (MSEK -1.1) during the final months of the year. Cash flow was strongly negative, primarily due to the above-mentioned expenses and late payments from customers. Accounts receivable has been reconciled in early 2019 and the receivables account is once again filled. The sale of the Protective Surfaces business area will contribute to positive cash flow during the first quarter of 2019.

After years of robust growth, we experienced slow growth during 2018. This was primarily due to reduced sales to some of our brand partners where we have not been sufficiently successful in creating added value and thereby growth. This is largely why we reviewed and revised our sales and marketing strategies during the year. Furthermore, we have also seen a temporary reduction in inventory among our distributors, which has a temporary, negative impact on our revenues.

The positive news is that we have improved cost control and budget responsibility, which has resulted in a more active and noticeably improved allocation of our resources. We will always be willing to invest in new projects that drive our business forward; it is therefore important to curb operating and administrative costs in favor of projects that can generate revenue going forward.

Streamlining operations

During the year, major focus has been placed on streamlining operations and exiting those business segments that do not contribute in a meaningful way to our long-term plan. For more than a dozen years, the Protective Surfaces business area has served Polygiene well, providing a stable foundation upon which our core business was able to thrive. However, the protective surfaces arena has never been a priority for Polygiene, nor has it been the focal point of our sales or marketing activities. A decision was therefore made to divest the business segment to our close partner Addmaster (UK) Ltd; the transaction closed on December 27, 2018. The purchase price amounted to MSEK 10.6 and these monies will go exclusively toward strategic investments aimed at increasing the pace of our growth journey. The sale frees up time for administrative staff but does not generate any direct cost savings per se.

New markets and a major breakthrough in Home Textiles in the US

There were no new hires during the fourth quarter. However, on January 1, 2019, we expanded the team with a new technical director, Vishal Bhandari, who is based in India. As we anticipate robust growth within Home Textiles, it makes strategic sense for business to allocate technical expertise where major production occurs. In addition, India is one of the countries in the world where the economy and welfare is growing exponentially, which means that eventually we will also have a market for local Indian brands.

In December, Polygiene Hong Kong Ltd was established, marking the beginning of an exciting growth journey in China in the coming years. Going forward, this expansive region promises to be very interesting and much of our future investments will take place here.

Our investment in Brazil, which we have previously spoken about, has begun to yield results. During the quarter, the first agreements were signed with new brand partners. The region is interesting in many ways, and I look forward with confidence to following developments there during 2019.

The fourth quarter also delivered a breakthrough in the home textiles segment in North America. We are now collaborating with Sunham Home Fashions, one of the largest importers of home textiles in the United States. The company produces collections for more than 100 well-known brands and for some 40 large retail chains including Macy's, Nordstrom, Bloomingdale's and Walmart. I am convinced that we will see large volumes here in the future, perhaps in the order of magnitude of our important Chinese home textile partners.

Another bit of interesting news was the partnership with the world leader Yonex, the iconic global sport brand known especially within tennis and badminton circles. We look forward to a strong, long-term collaboration with the licensee in Japan; our partnership is an important prerequisite for growth.

At the end of the year, we released a new issue of the Polygiene News, where we describe in more detail all the exciting activities that took place during the quarter and all the new brand partners who came on board. You can find Polygiene News on our website: www.polygiene.com

The silver debate in Sweden

Around the world 10.75 kilos of garments per person, on average, are discarded every year. The cost of manufacturing new textiles comes at an enormous cost on the environment; 4% of all freshwater goes towards new production. Manufacturing a single T-shirt uses more than 2,000 liters of water. However, this represents only a third of the total water consumption of a garment's lifetime; the end consumer is responsible for the other two-thirds, washing the garment until it is discarded.

In recent years, the environmental debate has increasingly called for completely new solutions – both technical solu-

tions and changes in consumer behavior – to meet the challenges we face. We at Polygiene are driving our vision forward: "wash 50% less, let the garments live twice as long". A study in the UK showed that 42% of the garments were thrown away because they no longer fit and 26% because the owner grew tired of them. Two-thirds of our clothing, provided it is fresh and whole, should therefore end up in the second-hand market to find new owners.

The environmental benefits of what Polygiene can offer are considerable despite the fact that there is, as with all production processes, some environmental impact that occurs during the manufacturing stage. Taking a broader perspective, the long-term, positive effect is much, much larger. Unfortunately, the debate in Sweden has focused around the "cost", which is relatively very, very small. Internationally, ideas and innovations are welcomed as part of the solutions to the global challenges we face. During the quarter, Polygiene has participated around the world in panel discussions and various workshops on the issue.

2018 in brief

My first year as CEO of Polygiene has been fantastic and at times turbulent and challenging. I have had time to get to know the company, the business and all my colleagues in a completely new way than in my previous role as CFO. These insights have given me the opportunity and courage to restructure and lay the foundation for a new Polygiene.

During the year, several strategic changes have taken place in virtually all areas, and a thorough evaluation has been made of the entire company. We charted changes that are necessary for us to implement in order to achieve our long-term goals within the timetable we set. New strategies and plans have been developed by the management team that I appointed during the first quarter last year.

Above all, changes have taken place in how we choose our brand partners, in which segments they are active, and the priority we assign various marketing activities linked to our customer segments. We have redirected our efforts and developed a much more conscious, thoughtful marketing plan and will strategically invest in creating added value for our brand partners and in actively building the Polygiene brand.

New this year is a larger R&D investment than ever before in the company's history. We have signed a temporary short-term contract with Daniel Röme, who has a PhD in organic chemistry. Daniel will drive product development and innovation, both areas in which he has vast experience. He is also a member of the Board of Directors at Polygiene.

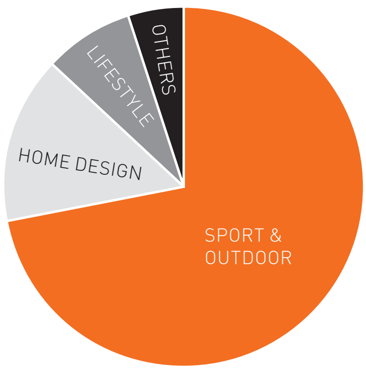
An exciting future ahead

It is impossible to order a new corporate culture or to teach values; these must grow forth organically from the organization itself over time. I can honestly say that today we are a completely different company than we were just a year ago. We are an incredibly tight, focused team united by a single and common goal: to build Polygiene into a successful company and one that is several times larger than it is today. The motivation and all the conditions are in place, and I am very positive about the future of Polygiene. The energy level is high, and the year has begun with a flying start which I hope will last throughout 2019.

Ulrika Björk, CEO

Polygiene in brief

As the world-leading provider of odor control and Stays Fresh Technology för clothing, equipment, textiles and other materials, Polygiene helps people stay fresh and confident whatever they do and wherever they are. Today the company has more than 140 global partners, covering a wide range of segments such as sports and outdoor, lifestyle and fashion, as well as home products and protective surfaces. With the aim to build growth as a global ingredient brand, Polygiene also wants to drive change in consumer behavior under the motto Wear More. Wash Less©. The strong brand is a major asset and the ongoing work with brand building and awareness is a key factor in reaching the future targets.

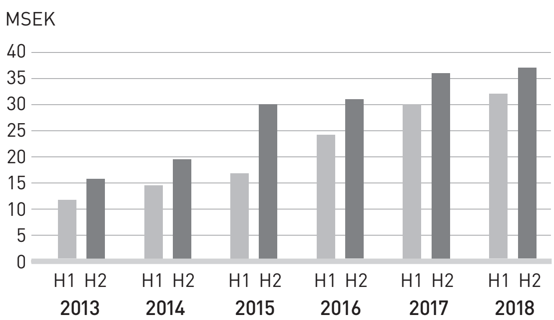


Operations

Approximately 72% of the turnover 2018 came from Sport & Outdoor, 15% from Home Design, 8% from Lifestyle and the other 5% from Protective, Footwear and Workwear. 2022 the estimation is that Lifestyle and Footwear will grow.

Partners

Polygiene currently has over 140 partner brands globally within the segments of Sport & Outdoor, Lifestyle, Home Textiles, Footwear, Workwear and Protective surfaces. A global selection is presented here, see full partner list.



Net sales first/second half of the years 2012–2017

This six-year period shows steady growth and a stronger second half of the year. The seasonal fluctuations might be less pronounced as new partners from segments with less seasonal variations are added.

400

MSEK IN NET SALES BY 2022

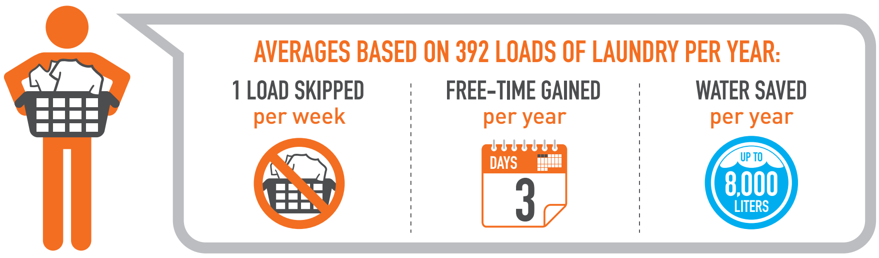
Financial targets

Based on a study of the addressable market within odor control and Stays Fresh-solutions and the annual potential of over 1.8 billion products, the financial targets that must be met by 2022 are net sales in excess of 400 MSEK and an EBIT margin of more than 20%.

Wear More. Wash Less©

Polygiene Stays Fresh Technology

Today consumers can reduce their environmental impact simply by washing less frequently. Polygiene makes this possible by controlling odor in textiles. If garments are worn a bit longer and washed a bit less, we extend both the life of the garment and save water, energy and time. Or as we say it: Wear More. Wash Less©.



Save time

What would you do with three extra days? If one load of wash is skipped every week during a year, the time saved is three days to spend on something you love to do. Studies show that time is seen as a new currency today.

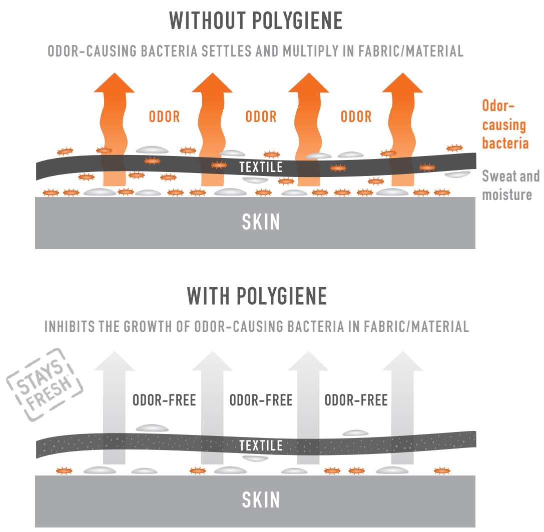
Stays Fresh

Polygiene – a global partner

Polygiene focuses mainly on manufacturers of leading premium brands and their customers, and actively works throughout the entire value chain–from development and manufacturing, to marketing, distribution and customer support. Polygiene has a global network of agents, distributors and regional offices.

How it works

Polygiene's method is based on treatment of materials to reduce bacterial growth, which is the source of odors mainly in synthetic materials. To a great extent, Polygiene's solutions are based on silver salt made from recycled silver which remains effective throughout the product's lifetime.The solutions can be applied into fibers as well as fabrics and other materials.



Financials trends

Net revenues and profit

Net revenues and Gross Margin
Q4 net revenues for the group totalled SEK 18.6 million (17.1), for an increase of 9.2 per cent over the same quarter the previous year. The full year 2018 totalled SEK 69.0 million (66.2) showing growth of 4.4 per cent over 2017. Other operating income for the quarter totalled SEK 11.4 million (0.1) for the sale of operating segment Protective and positive exchange rate differences.

Gross margins for the quarter reported at 63.3 per cent (65.4) which is somewhat lower than the same period the previous year. Full year gross margin was 65.6 per cent (67.9), which matches the forecast. Cost of sold goods totalled SEK -6.8 million (-5.9) for the quarter.

Costs
Other external expenses for the period totalled SEK -8.9 million (-7.2), which is an increase of 24 per cent over the same period the previous year. These costs include:

- *Selling expenses* -2.7 million (-1.7) where -1.5 million (-0.9) are variable. Variable expenses include commissions to agents and distributors. Distribution costs in China have increased and certain costs were taken over from Marketing, resulting in the higher costs here compared to the previous year.
- *Marketing expenses* -1.5 million (-2.5). Lower costs resulted from allocations to Sales and improved efficiency in marketing activities.
- *Administrative expenses* SEK -2.6 million (-1.5). Cost increases are primarily due to non-recurring expenses and increased consulting costs.
- *Technology and development* SEK -0.8 million (-0.3). Increased costs for testing related to Odor Crunch and new recruitment to Technology/R&D.
- *Contracted consultants* SEK -1.3 million (-1.2).

Staff costs totalled SEK -4.5 million (-3.3), where the increase is partially due to salary levels and partially due to reallocation of board of director fees

Foreign withholding tax totalled SEK 2.0 million (-0,7). Foreign withholding tax is a type of deduction at source that Polygiene can recover when previous tax loss carry forwards are utilised. Since Polygiene has shown negative figures previously during the year the company has applied the precautionary principle and the withholding tax was recognized as an expense was recognized as expense during the year. When Polygiene now shows a profit for the full year, withholding taxes can be recovered and capitalized.

Depreciation on intangible assets totalled SEK -0.2 million (-0.2).

Other operating expenses relate to exchange rate differences and totalled SEK -0.4 million (0.1) for the quarter.

Profit
Operating profit (EBIT) totalled SEK 11.0 million (0), corresponding to operating margins of 36.8 (0) per cent. Profit after taxes totalled SEK 8.9 million (-0.2). EBIT the full year was SEK 7.8 million (-6.1) for an operating margin of 9.5 (-9.0) per cent. Profit/loss after tax was SEK 5.9 million (-5.4).

Financial position

Financial non-current assets
Financial non-current assets at the period end were MSEK 7.0 (6.2) and are deferred tax assets related to tax loss carry forwards arising in previous years and withholding tax for the year. The total tax loss carry forwards at the period end were MSEK 20.3.

Intangible non-current assets
SEK 0.6 million was invested during the period in brand registrations and a new ERP.

Equity
Equity totalled MSEK 41.8 (35.9) at the period end. The equity/assets ratio as of 31/12/2018 was 76.1 (67.6) %.

Cash flow and liquidity
Cash flow from operating activities amounted to MSEK -4.5 (-3.2) for Q4 2018. Negative cash flow is primarily due to unpaid trade receivables within the quarter. Instead, these were paid in Q1 2019.

Cash and cash equivalents for the group totalled MSEK 3.7 (10.9) at the period end.

Staff

The company operating organisation at the period-end included 18 staff, of which 14 (18) were employed and 4 (4) are contracted consultants.

Income statement

Income statement in brief, TSEK	Note	Parent company/ Oct–Dec 2018	Parent company/ Oct–Dec 2017	Parent company/ Full year 2018	Parent company/ Full year 2017
Operating revenue					
Net sales	8	18,645	17,080	69,039	66,152
Other operating income		11,382	89	13,043	1,234
Total operating revenue		**30,027**	**17,169**	**82,082**	**67,385**
Operating expenses					
Costs of goods sold		-6,848	-5,918	-23,717	-21,261
Other external expenses		-8,936	-7,154	-35,077	-32,845
Personnel expenses		-4,546	-3,298	-14,309	-13,260
Withholding tax		1,984	-699		-2,495
Depreciation and write-downs		-246	-186	-798	-186
Other operating expenses		-395	64	-398	-3,439
Total operating expenses		**-18,987**	**-17,191**	**-74,299**	**-73,486**
Operating profit/loss		**11,040**	**-22**	**7,783**	**-6,101**
Profit from financial items					
Interest expenses and similar items		–	-1	-2	-8
Profit after financial items		**11,040**	**-23**	**7,781**	**-6,109**
Tax income for the period		-2,133	-186	-1,874	700
Profit/loss for the period		**8,907**	**-209**	**5,907**	**-5,409**
Earnings per share (after tax)		**0,43**	**-0,01**	**0,29**	**-0,26**

Balance sheet

Balance sheet in brief, TSEK	Note	Group 2018-12-31	Parent company 2017-12-31
ASSETS			
Fixed assets			
Intangible assets	9	4,123	2,533
Financial assets	10	6,999	6,287
Total fixed assets		**11,122**	**8,820**
Current assets			
Finished items and items for sale		497	313
Trade receivables		26,054	31,699
Other current assets		13,596	1,339
Cash and cash equivalents		3,696	10,930
Total current assets		**43,843**	**44,281**
TOTAL ASSETS		**54,965**	**53,101**
TOTAL EQUITY AND LIABILITIES			
Equity		**41,848**	**35,885**
Liabilities			
Accounts payable		8,143	12,150
Other current liabilities		4,974	5,066
Total short-term liabilities		**13,117**	**17,216**
Total liabilities		**13,117**	**17,216**
TOTAL EQUITY AND LIABILITIES		**54,965**	**53,101**

Statement of changes in equity

Statement of changes in equity, TSEK	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017
Equity at period start	32,941	36,094	35,885	41,293
New share issues and warrants			56	
Transactions with the owners	**32,941**	**36,094**	**35,941**	**41,293**
Annual earnings	8,907	-209	-5,907	-5,409
Total annual earnings	**8,907**	**-209**	**-5,907**	**-5,409**
Equity at period end	**41,848**	**35,885**	**41,848**	**35,885**

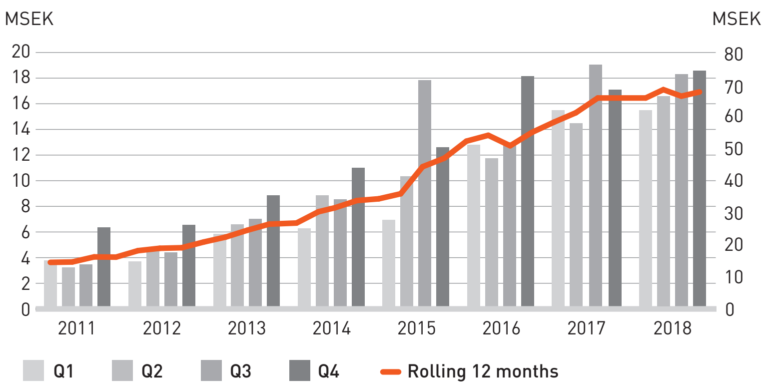
Cash flow statement

Cash flow statement, TSEK	Group Oct–Dec 2018	Parent company Oct–Dec 2017	Group Full year 2018	Parent company Full year 2017
Profit/loss before financial items	11,040	-22	7,782	-6,101
Depreciation	246	186	798	186
Depreciation interest received				-8
Interest paid		-1	-2	
Paid income tax	-2,133		-1,874	
Cash flow from operating activities before changes in operating capital	**9,153**	**163**	**6,704**	**-5,923**
Changes in working capital				
Increase/decrease in inventory	262	-78	-184	-94
Increase/decrease in current receivables	-10,414	-4,456	-6,611	-1,498
Increase/decrease in current liabilities	-3,504	1,144	-4,099	1,191
Cash flow from operating activities				
Net cash flow from current activities	**-4,503**	**-3,227**	**-4,190**	**-6,324**
Investment activities				
Acquisition of shares in subsidiaries, after deduction of liquid assets		-50		-50
Acquisition of intangible assets	-621	-1,184	-2,388	-2,719
Acquisition of financial assets	-1,071		-712	
Cash flow from investing activities	**-1,692**	**-1,234**	**-3,100**	**-2,769**
Financing activities				
New share issue			56	
Cash flow from financial activities	**0**	**0**	**56**	**0**
Annual cash flow	**-6,195**	**-4,461**	**-7,234**	**-9,093**
Cash and cash equivalents at period start	9,891	15,391	10,930	20,023
Cash and cash equivalents at period end	**3,696**	**10,930**	**3,696**	**10,930**

Multi-year overview

Multi-year overview	Oct–Dec 2018	Oct–Dec 2017	Full year 2018	Full year 2017	Full year 2016
Net sales, TSEK	18,645	17,080	69,039	66,152	55,407
Sales growth, %	9	44	4	19	18
Operating profit/loss EBIT, TSEK	11,040	-22	7,783	-6,101	-3,392
Profit after tax, TSEK	8,907	-209	5,907	-5,409	-3,164
Operating margin EBIT, %	37	0	9	-9	-6
Operating margin after tax, %	30	-1	7	-8	-6
Cash flow, TSEK	-6,195	-4,461	-7,234	-9,093	-7,522
Equity, TSEK	41,848	35,885	41,848	35,885	41,293
Balance sheet total, TSEK	54,965	53,101	54,965	53,101	57,318
Equity/assets ratio, %	76,1	67,6	76,1	67,6	72,0
Number of shares at period-end, thousands	20,516	20,516	20,516	20,516	20,516
Average no. of shares at period-end, thousands	20,516	20,516	20,516	20,516	19,716
Earnings per share, SEK	0.43	-0.01	0.29	-0.26	-0.16
Cash flow per share, SEK	-0.30	-0.22	-0.35	-0.44	-0.38
Equity per share, SEK	2.04	1.75	2.04	1.75	2.01
Share price at period end, SEK	5.60	11.45	5.60	11.45	12.50

Net sales per quarter and rolling 12 months



Additional information and notes

Note 1. Nature of operations

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

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.

Note 2. General information and compliance with IAS 34

This interim report presents the period from 1 October to 31 December 2018 and is prepared in SEK, the parent's functional currency. The interim report was prepared according to IAS 34 Interim Financial Reporting.

As of 2018, the parent will publish consolidated financial statements. This first consolidated financial statement, as of 31 December 2018, will be prepared in compliance with IFRS. This interim report for the group is thereby also prepared in compliance with IFRS.

Since this is the first year Polygiene prepares consolidated financial statements, figures for the interim reported periods in 2017 and calendar year 2017 are included for comparison to this interim report.

Interim financial reporting for the group now changes from reporting financial statements under K3 in compliance with RFR 2 (Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board). These changes to accounting and valuation policies have not impacted the group profit/loss or equity.

The group is now applying for the first time IFRS 9 Financial Instruments and och IFRS 15 Revenue from Contracts with Customers.

All other changes and interpretations applied for the first time in 2018 have no impact on this interim report. The group has not previously applied in published document any standards or similar not yet in force.

All group operations are conducted in a single segment.

This interim report does not contain all the information required for financial reporting under IFRS and should therefore be considered jointly with the annual financial statements for fiscal year 2017 except description of the basic regulatory frameworks applied. Complete additional information under IFRS will be published in our 2018 annual financial reporting.

The interim report has not been subject to general auditing by the group's auditors.

The interim report for the quarterly period 1 October to 31 December 2018 was approved for publishing by the board of directors on 27 February 2019.

Note 3. Significant Accounting and valuation policies of the parent

This interim report was prepared in compliance with IFRS, which agrees with the accounting and valuation principles and differs from those applied in the parent's 2017 annual report, which complied with K3.

In connection with preparing these consolidated financial statements in compliance with IFRS for this first time, items in the income statement have undergone review. As previously communicated, amounts for Net revenues, Merchandise, and Other external expenses were adjusted. Foreign withholding tax which the company is currently able to demand repayment of, has been capitalized and trade receivables were netted against trade payables since they relate to the same party. Foreign withholding tax was separately recognized in the income statement in previous quarters Foreign withholding tax is broken out from Other operating expenses in each of the reported periods.

The most important reporting and valuation policies are summarized below per IFRS as applied in the group.

Financial instruments

Financial assets and liabilities are recognised when the company becomes a party to the contractual terms of the instrument. In these first financial statements, all financial assets have been classified as measured at amortised cost.

The classification of 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 day of the first financial year subsequent to the change to the business model.

A financial asset will be measured at amortised cost if both the following conditions are met and the asset is not determined to be measured at fair value through profit and loss:

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

After they are first recognised, financial assets are measured at amortised cost applying the effective interest method. Amortised cost is reduced for depreciation. Revenue, exchange rate differences, and depreciation are recognized in profit/loss. The gain or loss that arises when a financial instrument is derecognized in the statement of financial position recognised in the income statement.

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

Loss provisions for trade receivables are always measured at the amount equal to the expected credit loss for the remaining lifetime.

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

Leasing

IFRS 16 Leasing replaces IAS 17 as of 1 January 2019. The new standard means that the majority of leased assets are recognized in the statement of financial position. The only exemptions are short-term and low-value leases. Implementing IFRS 16 is anticipated to impact the year-end close since all lease agreements in the group will be capitalized, whereby an asset (the right to use the leased object) and a financial liability to pay the lease agreement will be recognized. This will impact the statement of financial position and key ratios such as the Equity ratio. The contract anticipated to have the greatest single impact is the leasing agreement related to our main office premises in Malmö As of 31 December 2018 the future minimum lease payments for non-cancellable lease contracts totalled SEK 2.3 million (undiscounted value).

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. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise 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 transfers control of the assets to the customer. Royalty revenues are recognized as revenue on the date customer production using the group's chemicals is completed and can be calculated on the quantity of finished cloth or total quantity of garments produced. The cost for these chemicals are simultaneously recognised in the income statement. Invoices for transferred products or services shall be paid when the customer receives the products.

Transactions in foreign currencies

Monetary assets and liabilities in foreign currencies have been translated to the balance sheet date exchange rate. Exchange rate differences arising in settlement or translation of monetary items are recognized in the income statement in the financial year in which they arise as either an operating item or financial item depending on the underlying business transaction.

Note 4. Significant estimates and assessments

When interim reporting is prepared, the board of directors must, in accordance with applicable accounting and valuation principles, make certain estimates, assessments, and assumptions that affect the reporting and valuation of assets, provisions, liabilities, income, and expenses. Actual outcome may vary from these estimates and assessments and the amounts very rarely equal the estimated outcome.

The estimates, assessments made in the interim report, including assessment of the most important sources of uncertainty are the same as those applied in the 2017 annual reports. The only difference is that estimation of provisions for deferred tax assets, which are determined by using a weighted average tax rate calculated annually.

Polygiene has made the assessment that the buyer of the operating segment Protective will achieve the contracted minimum revenue levels, and which dictates the contracted consideration.

Note 5. Significant events and transactions during and after the period.

Polygiene has chosen to concentrate on our core operations, textiles and have therefore disposed the operating segment Protective.

A subsidiary was started in Hong Kong in the fall.

Polygiene has entered the Brazilian market, which is the fifth largest textile producer in the world.

On 3 February 2019 the new product Odor Crunch was introduced at ISPO, the largest trade fair for sports equipment and sports clothing.

Note 6. Seasonality and cyclicality

Historically sales are higher during the second half of the year.

Note 7. Contingent liabilities

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

Note 8 Net sales by geographical area

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

TSEK 18-12-31	Goods	Royalty	Total
Primary geographic markets			
Asia	4,338	2,180	**6,518**
Europe	3,366	1,684	**5,050**
North America	2,882	4,121	**7,003**
Rest of the world	63	11	**74**
	10,649	**7,996**	**18,645**

TSEK 17-12-31	Goods	Royalty	Total
Primary geographic markets			
Asia	3,992	2,260	**6,252**
Europe	4,232	1,809	**6,041**
North America	2,994	1,764	**4,758**
Rest of the world	14	15	**29**
	11,232	**5,848**	**17,080**

Note 9 Other intangible assets

Changes in the presented value for intangible assets are:

TSEK	Group 18-12-31	Parent company 17-12-31
Opening acquisition value	**5,644**	**1,158**
Acquisitions	621	2,719
Closing accrued expenses	**6,265**	**3,877**
Opening accumulated depreciation	**-1,896**	**-1,158**
Annual depreciation	-246	-186
Closing accumulated depreciation	**-2,142**	**-1,344**
Recognized value	**4,123**	**2,533**

Note 10 Financial assets

TSEK	Group 18-12-31	Parent company 17-12-31
Deffered tax assets		
Opening balance	6,223	5,523
Used during the year	-1,874	700
Closing balance	**4,349**	**6,223**
Withholding tax		
Opening balance	–	–
Change during the year	2,636	–
Closing balance	**2,636**	**–**
Deposits		
Opening balance	14	14
Change during the year	0	0
Closing balance	**14**	**14**
Recognized value	**6,999**	**6,237**

Share capital, the share and ownership structure

Share capital

Equity in Polygiene totals SEK 2,051,600 allocated to 20,516,000 outstanding shares. The company has a single share class, and each share carries an equal right to dividend. Par value for each share is SEK 0.10.

In 2015, the Company issued 250,000 warrants to staff, members of the board and the board chair, which entitle the holders to subscribe to an equivalent number of shares. These warrants may be used during the period between December 1 and December 31, 2018, and have an exercise price of SEK 15.00 per share.

In June 2018, the company issued 228,000 warrants to staff, which entitle the holders to subscribe to an equivalent number of shares. The warrants may be used during period from June 1 to June 30, 2021, and have the exercise price of SEK 16.50 per share.

For more information on the development of share capital, please refer to the Polygiene AB Annual Report 2017.

Shares

Shares in Polygiene AB (publ.) have been listed on Nasdaq First North, Stockholm, since March 14, 2016.

During the fourth quarter, the total number of shares traded was 1,204,950, which corresponds on average to 20,423 shares per trading day. The share price at the end of the period was SEK 5.60, which corresponds to market capitalization of MSEK 115. The highest and the lowest share prices during the period were SEK 8.00 and 5.06, respectively.

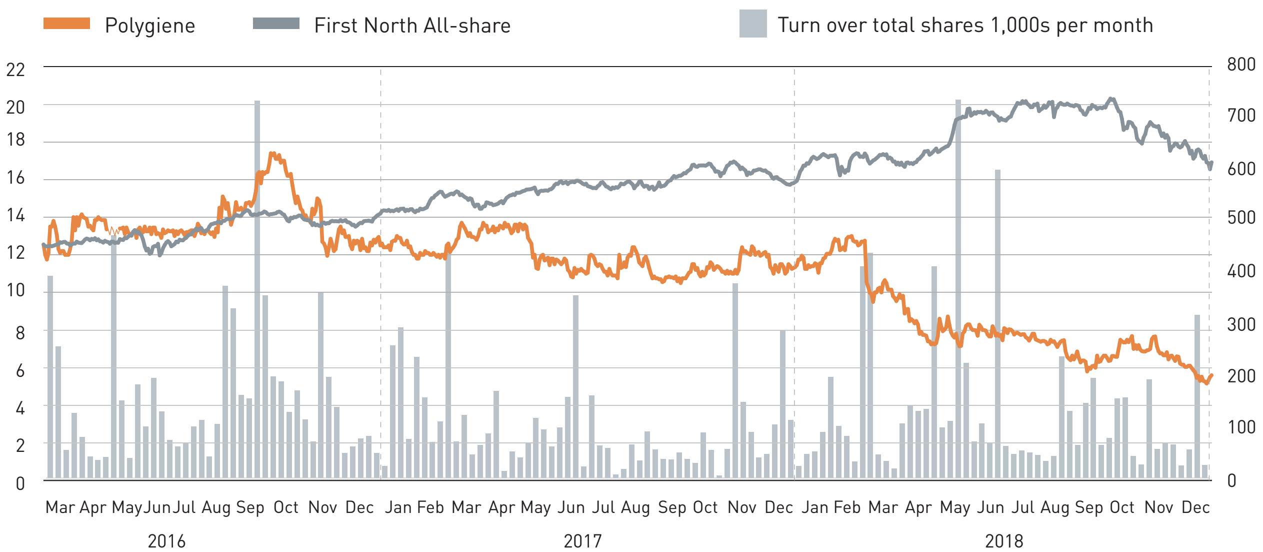
Ownership structure

The number of shareholders at the end of the period was 778 (752). The table below lists the 10 largest shareholders as of December 31, 2018.

Shareholders	Shares	Percent
SIX SIS AG	1,520,909	7.4%
Erik A i Malmö AB	1,348,800	6.6%
JPM Chase NA	940,000	4.6%
Jonas Wollin*	874,500	4.3%
Richard Tooby	858,372	4.2%
Lennart Holm*	850,620	4.1%
Aktia Fund Management	846,008	4.1%
Avanza Pension	744,227	3.6%
Mats Georgson*	728,000	3.5%
Clearstream Banking S.A. Luxembourg	606,675	3.0%
Other	11,197,889	54.6%
Total	**20,516,000**	**100,0%**

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

Polygiene 2018 January–2018 December



Risks and uncertainty factors

Company operations are affected by several factors which can involve risks to the company's operations and profit. For more information, please refer to the company's 2017 Annual Report.

Financial calendar

Interim Report Q1 2019	17 May
Annual General Meeting 2019	17 May
Interim Report Q2 2019	29 August
Interim Report Q3 2019	7 November

Definitions

Operating profit EBIT: Earnings before interest and tax.

Operating margin EBIT: Earnings for the period before interest and tax as a percentage of net revenues for the period.

Operating margin after tax: Earnings for the period after tax as a percentage of net revenues for the period.

Adjusted operating profit: Adjusted operating profit is after foreign exchange effects and withholding tax.

Earnings per share: Earnings for the period after tax divided by the average number of shares.

Equity/assets ratio: Equity in relation to balance sheet total.

Equity per share: Equity per share divided by the total number of shares outstanding at period end.

Cash flows per share: Cash flows for the period divided by the average total shares outstanding.

Contact information

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This information is information that Polygiene AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 08.00 CET on 28 February 2019.

About Polygiene
Polygiene is the world-leading provider of odor control technology and Stays Fresh solutions for clothing, sports equipment, lifestyle, textiles and other materials to help people stay fresh and confident. Polygiene brings the Scandinavian values of quality and care for the environment to life through its products and services. More than 140 global premium brands have chosen to use Polygiene Stays Fresh Technology in their products. Polygiene was established in 2006 and is listed on Nasdaq First North in Stockholm, Sweden.
Erik Penser Bank AB acts as its Certified Adviser, phone: +46 8 463 83 00, e-mail: certifiedadviser@penser.se

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