

Polygiene AB (publ.)

Annual Report 2017



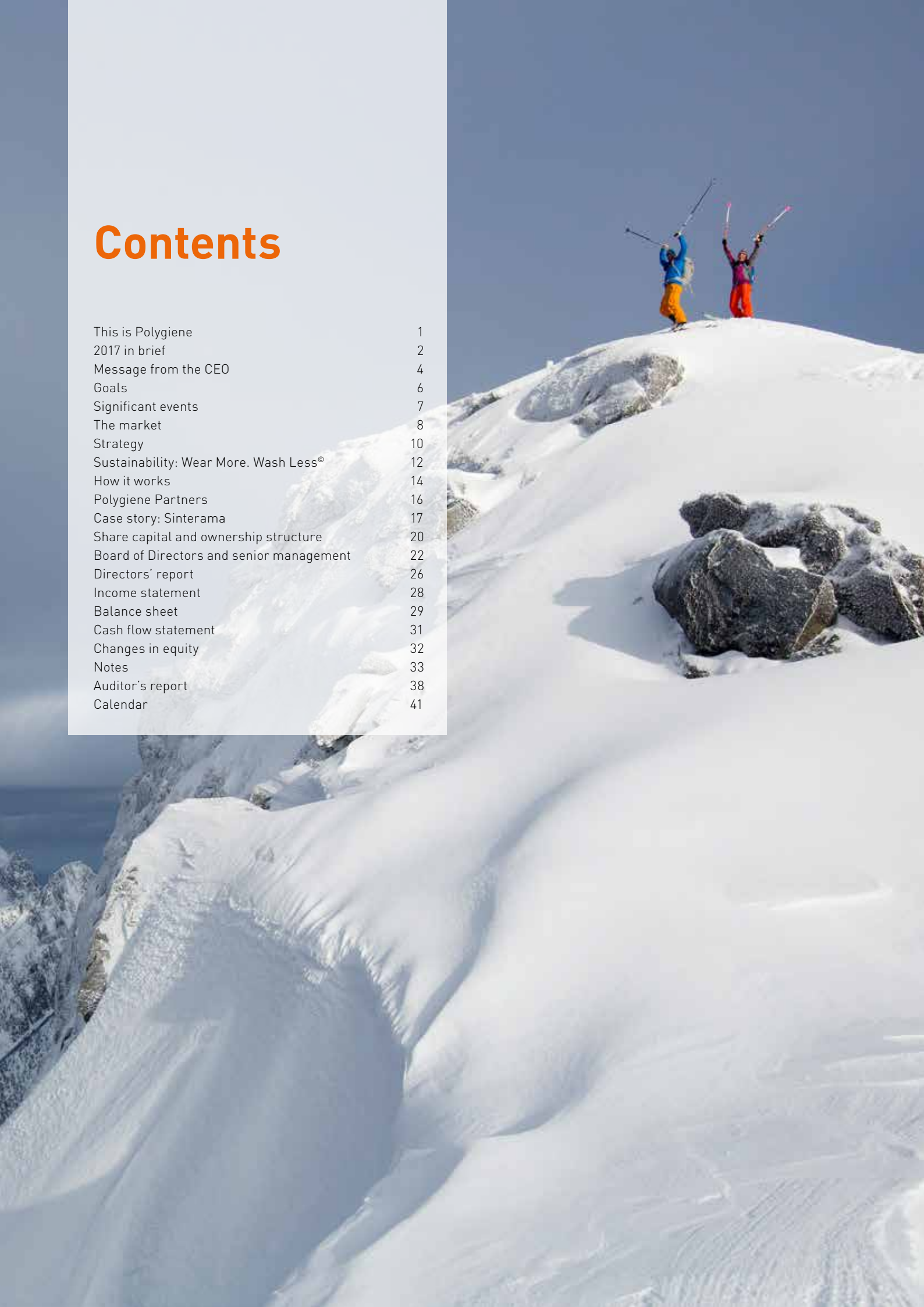
polygiene.com/ir



Polygiene®
STAYS FRESH

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This is Polygiene

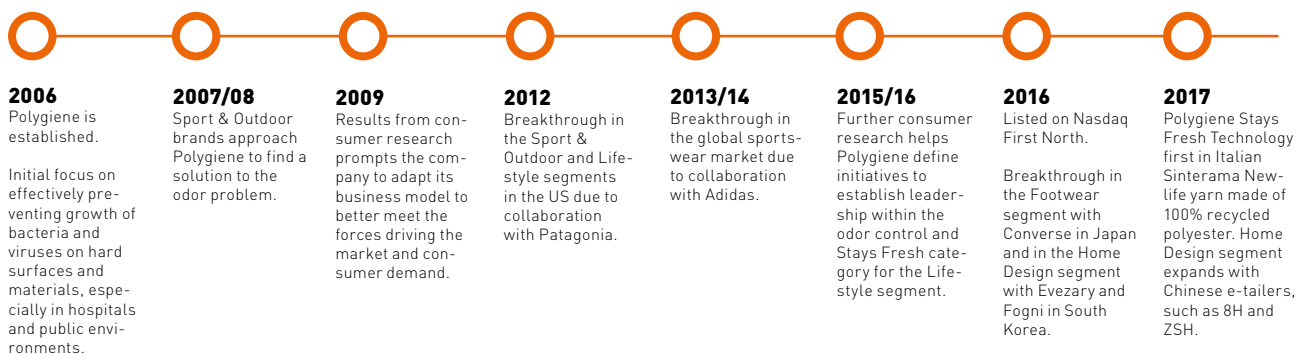
As the world-leading provider of odor control and Stays Fresh Technology for clothing, equipment, textiles and other materials, Polygiene helps people stay fresh and confident whatever they do and wherever they are. The company has more than 140 partners around the globe representing various segments, such as Sport & Outdoor, Lifestyle, Home Design, Footwear, Workwear and Protective Surfaces. Polygiene treatment provides natural odor control that lasts the lifetime of the material.

Thanks to odor control, clothing lasts longer and can be washed less, which helps reduce the overall environmental impact. In addition to strengthening its global ingredient brand, Polygiene also aims to drive change in consumer behavior and encourage consumers to Wear More. Wash Less®, which is one of the company's core concepts for sustainability.

A significant asset, the Polygiene brand has been built by actively working with the entire value chain – from development and manufacturing to marketing, distribution and customer support. Polygiene is continuously working on increasing the awareness of its brand, which is essential for achieving its future goals.



Polygiene Timeline



2017 in brief

Net sales in 2017 amounted to MSEK 75.7 (61.6), which corresponds to an increase of 23 (20) percent. During the year, aggressive initiatives were launched to increase growth in 2018 and beyond.

Investments primarily were made in human resources, branding and marketing activities. Profit after tax amounted to MSEK -5.4 (-3.2) and cash flow from operating activities amounted to MSEK -6.3 (-11.1).

Key recruitments

In January, Polygiene appointed Nick Brosnan, with a public relations background from Backbone Media in Wyoming, to lead the company's marketing efforts in Europe. This new role is in line with the strategy of strengthening commercial activities in the region and is based at Polygiene's headquarters in Malmö.

Ulrika Björk was appointed in May as the new Chief Financial Officer (CFO) for Polygiene AB. Prior to joining Polygiene, Ulrika was CFO for Hemmakväll, Sweden's largest home entertainment chain. Earlier in her career, she held various positions with increasing responsibility within IKEA and Stena Line. She succeeded Jan Bertilsson who played a central role in listing the company on Nasdaq First North in 2016.

Judd Salvas was appointed as Sales Director for North America in August. Judd is based in Park City, Utah, and is responsible for Polygiene's commercial activities in North America.

In December, Ulrika Björk was appointed the new Chief Executive Officer and Board member of Polygiene AB (publ). She succeeds Christian von Uthmann who assumed the role of Vice President, New Ventures & Strategies for Polygiene AB.

Other significant events this year

Daniel Oelker was elected to the Board of Directors at the Annual General Meeting in May. Richard Tooby assumed the role as Chair of the Board after Lennart Holm who continues to serve as Board Member. Mikael Bluhme resigned.

The company set new financial goals of net sales of at least MSEK 400 by 2022 with an EBIT of more than 20%.

The company changed its Certified Advisor to Erik Penser Bank AB.

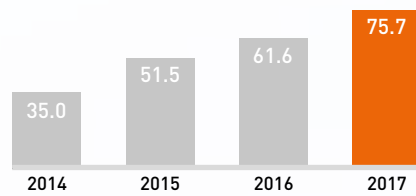
Polygiene was recognized as a Gazelle company, one of Sweden's fastest growing companies, by Swedish business daily Dagens Industri.

We started to distribute News, a newsletter for analysts, shareholders and others interested in following the company's development. It also serves as an important channel to share news with our international agents and distributors and enables everyone from our global organization to share news.

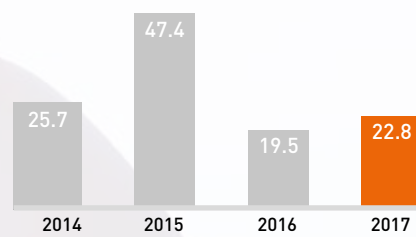
We also produced the book *Älska att svettas* (Love to sweat) about climate-smart clothing and how to influence consumers through their choices of and care for clothing, which is in line with our Wear More. Wash Less® concept.



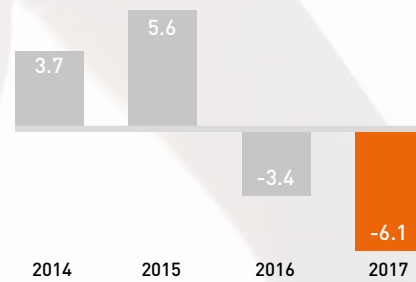
Net sales, MSEK



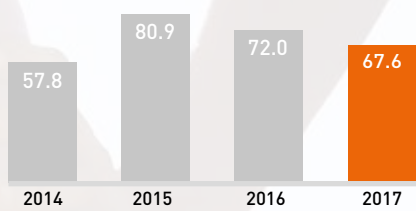
Net sales, growth (%)



Operating profit (EBIT), MSEK



Equity/assets ratio (%)



Message from the CEO

Polygiene experienced continued growth in 2017. Growth occurred both through existing and new customers, which is a clear sign that market maturity is increasing. Several brands in our market segments see odor control as a growth area.

At the same time, the year was characterized by further strategic investments, which had a short-term, negative influence on our results. Investments were aimed at strengthening ties to key people as well as at conducting strategic market research to demonstrate the customer and consumer benefits of our product concept. We have also worked continuously to expand our offering with new products.

Survey results indicated that confidence in our brand has increased and the potential for the company's products are greater than we could previously confirm. We could also see that the positive signs for further growth had intensified. Net sales for the year were MSEK 75.7 (61.6) corresponding to a growth rate of 23 (20) percent, which shows we continue to have strong growth. Profit after tax ended at MSEK -5.5 (-3.1). The adjusted profit before tax was MSEK 0 (0.3). Exchange rate adjustments and withholding tax were excluded in the adjusted financial statement to achieve a fair presentation and a comparison between the periods.

Organization

Over the past two years, we have focused on building a fast-growing company. During 2017, the organization has expanded, primarily within sales and marketing. The number of full-time employees has increased in 2017 from 10 to 13 at the end of the fiscal year. In 2018, this work has continued, and two new employees have been added to our sales organization and a new Chief Marketing Officer has been recruited.

A main focus area for my role as CEO is to become an even more sales-driven organization based on increasing awareness throughout our company as well as creating a more efficient sales process. I am fortunate to have the assistance of a strong and competent management team responsible for making and implementing decisions in their respective areas of responsibility. Polygiene is a distinctive ingredient brand whose growth is closely aligned with that of our customers. Our marketing strategy therefore focuses on providing both our customers and end consumers strong arguments to understand the benefits of the odor control function. Customer trust is the basis for an even stronger market position in the future.

We, in the management team, have paved the way for a strong, transparent corporate culture based on sound values, commitment and trust. It is a challenge to manage a team scattered all over the world but, with the help of a clear division of responsibilities, modern communication technology and a strong corporate culture, we will succeed.

Sport & Outdoor

Growth has continued during 2017 in Sport & Outdoor, which is our primary market segment. I am especially pleased with the collaboration started at the end of 2016 with Australian compression clothing company 2XU. In less than a year, they have sailed up as one of our top five brands. By 2022, we aim to generate about MSEK 172 from the Sport & Outdoor segment, a three-fold increase over the current level. Our strategy is continued growth with current partners as well as expanding with new partner brands that are both strategically important brands as well as volume brands.

Home Design

2017 saw a major breakthrough in Asia for the Home Design segment due to partnership with the Chinese e-tailer ZSH. Sales grew sharply compared to other segments, partly due to the amount of fabric treated per unit and partly due to the sheer size of the population in China. Success in Asia has provided strategic insights into how to open up the Home Design markets in North America and Europe in 2018. By 2022, we aim to generate approximately MSEK 65 from this segment.

Footwear

Footwear is one of the most important focus areas as we continue on our company's growth journey. There is enormous potential for Polygiene should we succeed in breaking through on a broad scale in the shoe segment. The market for shoes, however, is vastly different from, and more complex than, the market for the textile industry. It is therefore important to map and understand the value chain. In January 2018, Adidas launched a Polygiene-treated terrain shoe, which provided us with firm footing in this segment. The addressable market for odor control in Footwear is huge and

“We are now laying the foundation for continuous growth and profitability by establishing a strong, transparent and results-oriented company culture that is built on sound values, commitment and trust”

estimated at 450 million pairs of shoes per year. By 2022, we aim to generate approximately MSEK 62 from this segment.

Lifestyle

This segment encompasses fashion, shirts, pants, jackets, underwear, socks and travel products. We have already established partnerships with several Athleisure brands, which combine the comfort of workout clothing with the looks of cutting-edge fashion. This bodes well for Polygiene to take the next step to partnering with pure fashion brands. The timing is right for Polygiene’s WearMore. WashLess® concept with its focus on sustainability, environment and saving time to be embraced by this segment. Conditions are therefore very good for Lifestyle to become one of our dominant segments in the future. Our goal is to generate approximately MSEK 93 from this segment by 2022.

Workwear

Workwear is the segment that holds the least potential for the Polygiene according to a market analysis conducted last spring. While the perceived value of odor control in workwear to consumers is high, the market is relatively small. We will therefore focus on caring for our current customers and also work to develop collaborations with a few strategic partners. By 2022, we aim to generate approximately MSEK 8 from this segment.

Looking forward

During 2018, our main priority is to improve profitability and capitalize on previous investments in our organization, the market and R&D. It may take some time before we are able to see the effect of the investments we made, but we should see a change already in the coming year. Our objective is to be able to report profitability in 2018. Our analysis indicates that our structure, our organization and our working methods support our long-term financial goals of MSEK 400 million in net sales by the year 2022. Together with our partners, we will continue to conduct activities that build our brand. And finally, we will strengthen our team and create a good corporate culture based on sound values.

I am convinced that we have all the prerequisites to continue our fantastic journey, building a world-leading company with odor control and Stays Fresh solutions. I would like to thank everyone who works at Polygiene for your great efforts in 2017 as well as our shareholders and partners for your continued confidence in 2018.



Ulrika Björk
CEO Polygiene AB

Age: Turns 50 in August

Family: Boyfriend and four kids (26, 23, 16, 14 years old)

City: Helsingborg, Sweden

Career: Background as CFO

Leisure: Family, travel, food and wine

Sport: Running, sailing, skiing

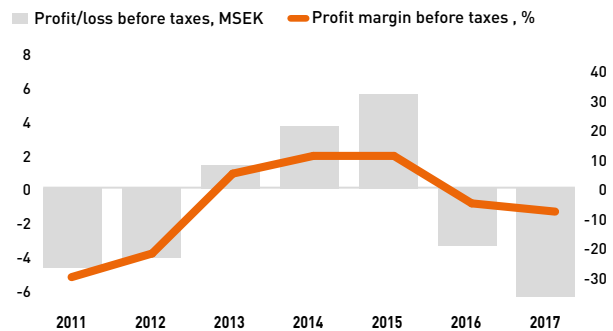
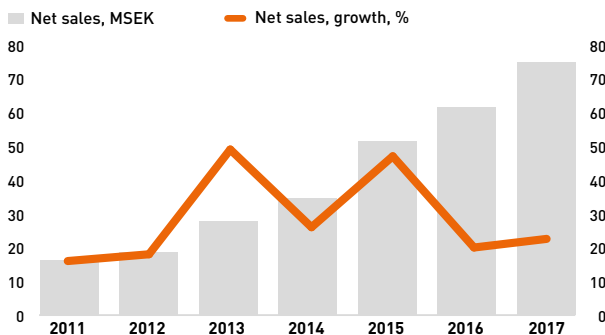
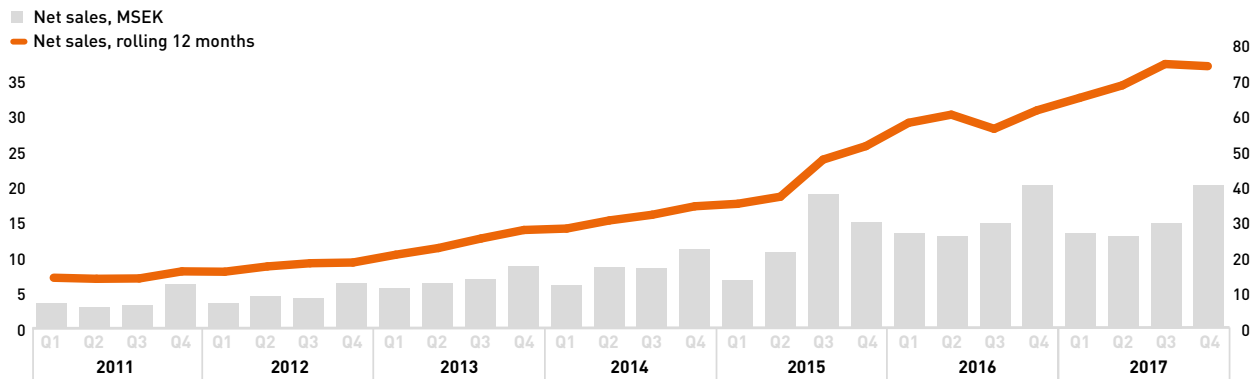
Goals

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

The Board and senior management have as goals that, by 2022, the company's net sales will exceed MSEK 400 with an EBIT of more than 20%. This corresponds, on average, to a 40% increase in annual net sales and is contingent upon successful entry into new segments.

Vision

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



Significant events

New partnerships and segments

- Polygiene and Italian yarn producer Sinterama introduced the first 100% recycled polyester fiber with odor control technology.
- 2XU extended its range of Polygiene-treated workout and compression clothing.
- TMF Quality Cycling Pads launched Polygiene-treated chamois cycling pads for cycling shorts.
- UK trail running equipment manufacturer Montane launched six lightweight backpack models treated with Polygiene Stays Fresh Technology.
- Hanesbrands Japan chose Polygiene for several product lines in its Champion athletic wear collection.
- Korean women's activewear brand Andar introduced Polygiene to its athleisure collections.
- Chinese towel manufacturer ZSH expanded its collection of Polygiene-treated towels sold through major Chinese e-commerce portals.
- Polygiene strikes a strategic alliance with China's leading mattress and bedding e-commerce company 8H.
- Electronics giant Olympus incorporated Polygiene technology into its hygienic dictaphones.
- Chinese designer sports brand Particle Fever, partially owned by Alibaba, introduced Polygiene to its entire unisex and men's clothing lines.
- Polygiene entered new partnership with Korean work glove manufacturer ECO Tech.
- Book launch for *Älska att svettas* (Love to Sweat) highlighted how consumers can become climate protectors by washing clothing less. Sustainability expert Steve Richardson spoke at major trade shows on the topic, Wear More. Wash Less® – Sustainable Textile Use.
- Polygiene was recognized in 2017 as a Gazelle company, one of Sweden's fastest growing companies, by the Swedish financial newspaper *Dagens Industri*.

Expanding reach with social media

Social media played a significant role during 2017 in broadening Polygiene's reach. Activities included:

- *Social media contests* – With its EU and US brand partners, Polygiene held contests such as the Athleta Eco-Adventure Instagram Contest and La Sportiva's Wear More. Wash Less® Campaign.

- *YouTube campaign for odor-sensitive consumers in Japan* – Three short films for Sport & Outdoor, Lifestyle and Home Design were produced by Japanese directors in collaboration with Polygiene and distributed via YouTube to predetermined target groups. After two weeks, consumers in Japan had fully viewed the films 300,000 times and partially viewed them a million times.
- *Media events* – Several events were held where journalists and bloggers had the opportunity to test Polygiene and Polygiene-treated partner products first-hand and to learn more about odor control from Polygiene and its brand partners. One such event was a Deer Valley bike event conducted in August in conjunction with the Outdoor Retailer trade show in Salt Lake City.

Polygiene and 2XU

Founded 2005 in Melbourne, Australia, 2XU has grown into one of the world's most renowned compression wear brands. With the addition of Polygiene, 2XU provides compression wear that stays fresh. 2XU compression wear is designed and tested in consultation with sports scientists and industry experts, and backed by independent, scientific research by the Australian Institute of Sport and other leading research teams.

With Polygiene Stays Fresh Technology, the compression quality in the products and the products themselves last longer because the garments do not need to be washed as often. 2XU compression helps reduce muscle fatigue, soreness, damage and the risk of over-use injuries as well as helps facilitate muscle recovery.



The market

Development is driven by a confluence of factors, where a more affluent middle class, such as those in China and India, has more time and money to spend on their appearances, fitness and health. This is due to the underlying global health trend. More consumers also want easy-care clothing that stays fresh after use, and the global production of synthetic materials, especially polyester, is increasing.

Another factor that is influencing demand is the desire among consumers to be both climate-smart and resource-efficient. Polygiene-treated clothing lasts considerably longer and requires less washing than untreated garments. This not only reduces the environmental impact from manufacturing, but also saves consumers time because clothing does not require frequent washing.

Market size

The market potential for Polygiene Stays Fresh Technology is estimated at a total of 84 million yards of textiles per year according to a 2017 survey. This conservative assessment of the size of the odor control market takes into consideration the total market of Sportswear, Leisurewear and Workwear, Footwear and Home Design, which corresponds to more than 1800 million yards of textiles per year.

Our five-year goal is to continue to grow within the Sport & Outdoor segment, but also to gain ground in the Fashion, Leisurewear, Footwear and Home Design segments. Market segmentation in terms of millions of yards of textiles can be defined as: Sportswear: 450 million; Fashion: 660 million; Workwear: 48 million; Footwear: 450 million; and, Home Design: 200 million. For more details, please visit: ir.polygiene.com. Penetration of the odor control market will continue to increase. Environmental arguments are a driving force for odor control in all market segments. Two of the most convincing environmental benefits are: (1) how often a garment must be washed and (2) how long a product lasts before it must be discarded. Less frequent washing, of course, translates into longer product lifetime, which in turn has greater environmental benefits.

Consumers are also becoming actively engaged in looking for new sustainable solutions.

Consider, for instance, how Tesla quickly became a symbol for sustainable development as well as a new type of status symbol. Polygiene can, in a similar manner, change the way consumers use clothing, shoes and other products. We

believe that the cautious attitude that is sometimes shown towards new technology will be replaced by an understanding of how attractive it is to choose “the Tesla of textiles”. To test these assumptions, Polygiene conducted a worldwide study of consumer demand for odor control towards year-end. Over 4,000 consumers, representing the adult population in the United States, Japan, Germany and the United Kingdom, were asked about products across several market segments – from shirts, sweaters and underwear to socks, towels and bedding.

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

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

Survey results show the value that Polygiene adds to a product is significant. We also modeled the effect of adding Polygiene functionality without increasing the price, which generally boosted product appeal, making it realistic to expect a two-fold increase in sales.

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



Climate-smart use with Polygiene

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

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

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

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

Strategy

Strategy

Polygiene focuses primarily on premium brand manufacturers and their customers, working actively with the entire value chain – from development and manufacturing to marketing, distribution and customer support. Polygiene has a global network of agents, distributors and regional offices.

Polygiene not only delivers odor control technology, but also delivers market support. On the technology side, we ensure that proper and effective treatment is carried out and that we comply with both quality and environmental requirements.

Together with our partners, we also ensure that we communicate and build the brand. Creating demand requires consumers to understand and to appreciate the benefits of odor control. From the start, we have been focused on building the Polygiene brand, which has paid off through consumer brand awareness. According to a 2017 market survey of 4,000 consumer worldwide, brand awareness among the adult populations in key markets such as the United States, Japan, Great Britain and Germany is at an impressive 5%. Those surveyed know the Polygiene brand and what the brand promises to deliver.

Brand recognition has been accomplished in close collaboration with our brand partners, our customers. This success has been achieved, in part, through co-branding Polygiene-treated products with hang tags and sew-in labels and, in part, through aggressive communications including public relations, retail and sales staff training, sales material, events, digital sales channels and social media.

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

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

Polygiene: A powerful and complete odor-control solution

In addition to its odor-control solutions, Polygiene also delivers:

- Training programs adapted to specific applications as well as for durability and performance testing
- Brand development for product and functionality: hang tags, sew-in labels and product care labels
- Brand training for sales force and launch support
- Commercial training
- Customer reviews, public relations/media, internet and social media support



Point-of-sale (POS) material



Hang tags

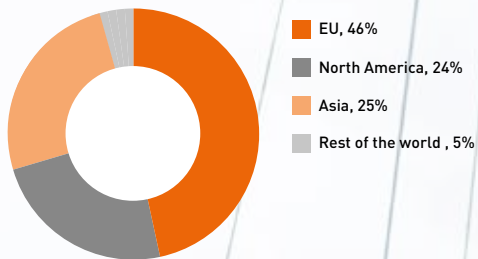


Sew-in labels

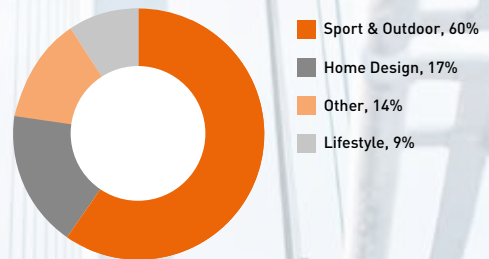


Product care labels

Sales by geographic distribution, %*



Sales by segment, %



* Based on location of customer headquarters/purchasing office



Sustainability

Wear More. Wash Less[®]

Polygiene-treated products do not need to be washed as often and last longer, which has a positive impact on the environment as well as for the consumer who saves both time and resources. We call it: Wear More. Wash Less[®].



Polygiene is working in close collaboration with leading brands that focus on the production of sustainable, climate-smart outdoor, sport and lifestyle clothing to reduce the environmental impact through the sustainable use of textiles. Polygiene's functionality and strong environmental arguments are great assets for these companies.

Reduced environmental impact

A garment treated with Polygiene remains odor free and can therefore be used several times before it is washed. Without excessive washing and bacterial growth, the material also lasts longer, which means that treated products do not need to be prematurely discarded due to odor. This prolongs the garment's lifetime and reduces the use of energy and water.

Through its sustainable technologies for odor control, Polygiene plays an important role in reducing the environmental footprint for clothing and gear as well as other products and materials.

According to an independent life-cycle analysis, using a Polygiene-treated product more than once after washing drastically reduced the environmental impact of the garment compared to the environmental impact of an untreated garment that was washed after each use.

Easy-to-care-for garments and time saved

Polygiene-treated garments are easier to care for and stay fresh without requiring frequent washing, which saves time. In today's society where time can be considered the new currency, easy-to-care-for clothing is considered a big benefit.

Recycled silver and environmentally conscious application

To neutralize odor in textiles, Polygiene has developed a treatment where the active ingredient is a naturally occurring silver salt, made of recycled silver already in circulation. The salt is applied at the manufacturer's facility during fabric finishing, which also minimizes the environmental impact since the use of additional energy and water is not required.



Source: "Well Dressed"

© Polygiene AB

Wear More. Wash Less®



AVERAGES BASED ON 392 LOADS OF LAUNDRY PER YEAR :

LOADS SKIPPED
per week



FREE-TIME GAINED
per year



WATER SAVED
per year



© Polygiene AB

Wear More. Wash Less®

Wash smart

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

Save time

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

Wear More.
Wash Less®

Polygiene Stays Fresh Technology



How it works

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



Certifications and membership

The additives used by Polygiene are manufactured in the EU and Japan with minimal use of resources and meet stringent environmental regulations. The company and its products are approved for use by the US Environmental Protection Agency (EPA) and comply with the EU Biocidal Products Regulation (BPR). Furthermore, the company holds all major industry-specific approvals and certifications, such as Oeko-Tex® and bluesign®.

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

Polygiene contributes to climate-smart clothing

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

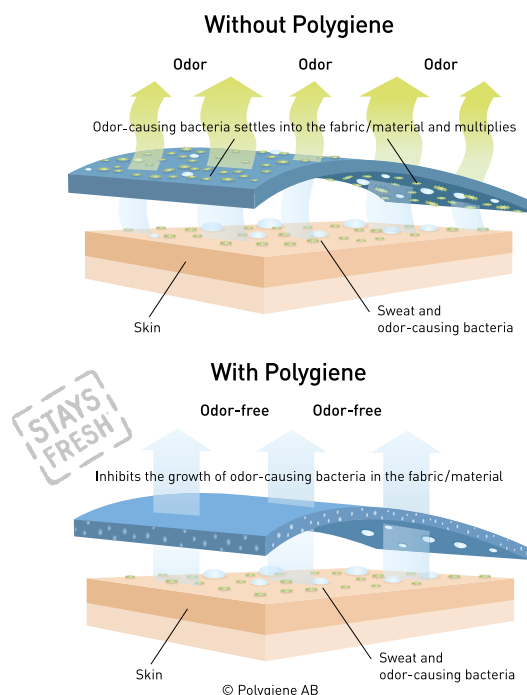


2XU Compression Reflect pants treated with Polygiene.



What is odor control?

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



Polygiene Partners

Through its unique offer and consistent work methods, Polygiene has continuously built the odor control market while, at the same time, won market share. Today the

company is the leading odor control supplier for premium brands. Polygiene currently has more than 140 brands as partners worldwide.

North America



Europe



Asia / Australia / New Zealand





Newlife from Sinterama and Polygiene

Polygiene, along with the Italian company Sinterama, Europe's leading polyester yarn manufacturer, has developed a completely new type of yarn. Polygiene odor control technology has been integrated for the first time in a fiber called Newlife, a synthetic yarn made of 100% recycled polyester.

The new durable and sustainable yarn opens up new opportunities for both brands in the workwear and the health care uniforms segments as well as the possibility to expand into other segments in the future.

Sinterama Newlife yarn is a unique, complete and certified material made of 100 percent recycled polyester fiber yarns from PET bottles that have been transformed into a polymer through an advanced mechanical process. The fiber is then spun into exclusive yarns in Italy.

“We are proud of our collaboration with an innovation leader such as Polygiene. Our partnership fits perfectly with Sinterama's tradition and strategy of constant innovation to provide our customers with sustainable products with features that enhance the end-user experience.”

Guglielmo Fiocchi, CEO, Sinterama





Share capital, the share and ownership structure

Share capital

Polygiene's share capital totals SEK 2,051,600, allocated to 20,516,000 outstanding shares. The Polygiene Articles of Association provide that the share capital shall be not less than SEK 1,300,000 or more than SEK 5,200,000, and total outstanding shares shall be not less than 13,000,000 and shall not exceed 52,000,000. Par value for each share is SEK 0.10. The company has a single class of shares, and every share carries equal rights to dividend and excess after liquidation, and entitles the holder to one vote per share. Polygiene shares are not, nor have they been, subject to offers based on mandatory bids, right of redemption, or right of sell-out. The shares are also not the subject of a take-over bid. The shares have been issued in compliance with Swedish law and are denominated in Swedish kronor. There are no legal limitations to the right to transfer the shares.

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 2017 was 5,479,266 shares, corresponding to an average of 21,917 shares per trading day. The share price at the end of the period was SEK 11.45, corresponding to market capitalization of MSEK 234.9. Highest and lowest prices during the period were SEK 14.00 and 10.30, respectively.

Outstanding warrants

Warrants 2015/2018

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

Board authorizations to issue shares and warrants

At the end of 2017 the Board had no authorization to decide on share issues, warrants or convertible debentures.

Development in the share capital

Since the establishment of the company in November 2005, Polygiene's share capital has changed as presented in the table below. Since the establishment of the company and up to and including 2013, Polygiene has conducted a number of new share issues for a total amount of more than MSEK 40. In order to enable greater investment in 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 2017 Polygiene had 752 (767) shareholders.

The table below shows the 10 largest shareholders as of 31 December 2017.

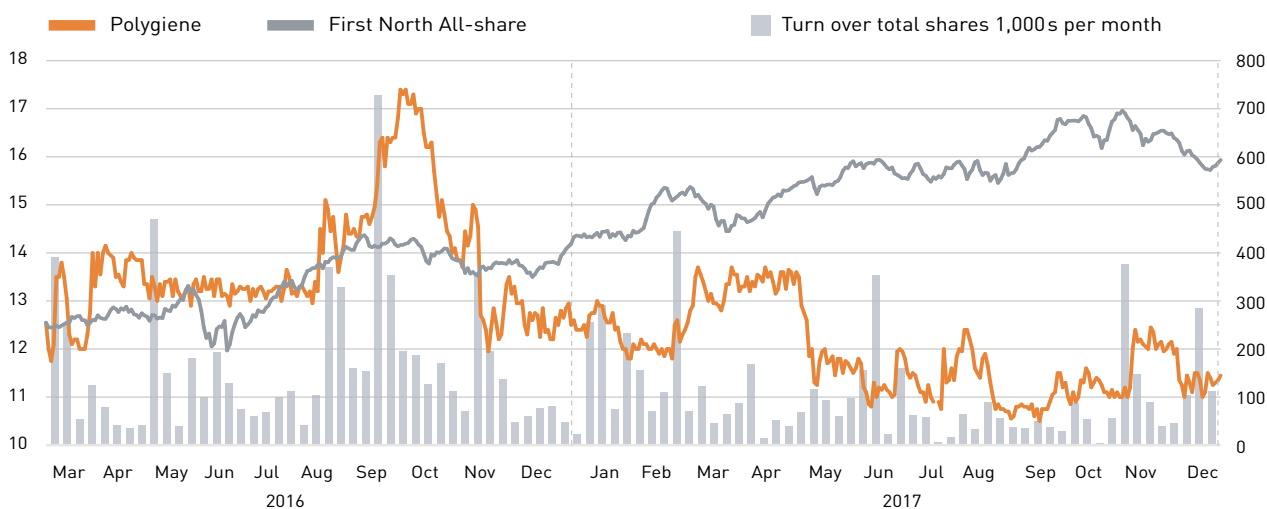
Shareholders	Shares	Percent
Richard Tooby*	2,065,800	10.1%
JP Morgan Bank Luxembourg	1,415,661	6.9%
Erik A i Malmö AB	1,348,800	6.6%
Clearstream Banking S.A. Luxembourg	1,161,193	5.7%
JPM Chase NA	940,000	4.6%
Aktia Fund Management	846,008	4.1%
Jonas Wollin*	813,500	4.0%
Lennart Holm*	800,220	3.9%
Mats Georgson*	707,000	3.4%
Christian von Uthmann*	668,978	3.3%
Other	9,748 840	47.5%
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.

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 regis-



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	0	66,207	46
2012	Capital reduction	-1,721,382	1,324,140	0	66,207	20
2012	New share issue	287,460	1,611,600	14,373	80,580	20
2013	New share issue	20,000	1,631,600	1,000	81,580	20
2015	Share split 200:1	—	1,631,600	16,234,420	16,316,000	0.10
2015	New share issue	300,000	1,931,600	3,000,000	19,316,000	0.10
2016	New share issue	120,000	2,051,600	1,200,000	20,516,000	0.10

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

from dividend payments to shareholders who are not tax residents of Sweden.

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

Shareholder agreements

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

Board of Directors, senior management and auditors

Board of Directors

The Board of Directors of Polygiene currently consists of six members elected for the period up to the end of the next Annual General Meeting.

According to Polygiene’s Articles of Association, the Board of Directors must have no less than three and no more than ten members, with a maximum of ten deputies. The current Board of Directors was elected for the period until the end of the next Annual General Meeting, which will take place on 4 May 2018.

All members of the Board of Directors, except Chairman Richard Tooby, are, in the Board’s opinion, independent in relation to larger shareholders (which refers to shareholders who directly or indirectly own 10 percent or more of the shares or votes in the company). Jonas Sjögren, Richard

Tooby and Jonas Wollin are, in the Board’s opinion, independent in relation to the Company. Daniel Oelker, Mats Mats Georgson and Lennart Holm cannot be considered to be independent of the Company, due to their consulting assignments for the Company. Via his wholly-owned company Rudholm & Haak (HK) Ltd, Jonas Wollin is a supplier to Polygiene. Rudholm & Haak (HK) Ltd supplies products to Polygiene for a value of approximately MSEK 2.6 excluding VAT per annum. However, the value of the products that Rudholm & Haak (HK) Ltd supplies to Polygiene as a proportion of total company sales for Rudholm & Haak (HK) Ltd is considered relatively small. Therefore, despite the actual relationship of Jonas Wollin’s company to Polygiene, he is still considered to be independent in relation to the company.

Board of Directors

Name	Position	Born	Elected	Holdings*
Richard Tooby	Chairman	1969	2015	2,065,800 shares
Lennart Holm	Member	1960	2015	800,220 shares, 80 000 TO 2015/2018
Mats Georgson	Member	1968	2008	707,000 shares
Jonas Sjögren	Member	1974	2016	250,000 shares
Jonas Wollin	Member	1964	2011	813,500 shares
Daniel Oelker	Member	1961	2017	80,271 shares

* Refers to personal holdings and those of associated natural persons and legal entities as of 31 December 2017. TO 2015/2018 represents warrants series 2015/2018 where each warrant gives entitlement to subscribe for 1 share.

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

Board of Directors



Richard Tooby
Chairman

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

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

Primary occupation: Board positions and venture capital investments.

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

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

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 2,065,800 shares

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



Lennart Holm
Member

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

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

Primary occupation: Entrepreneur.

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

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

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 800,220 shares, 80,000 warrants 2015/2018.

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



Jonas Wollin
Member

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

Education: Business studies at Hvitfeldtska Upper Secondary School.

Primary occupation: Entrepreneur.

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

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

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 813,500 shares.

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



Mats Georgson

Member

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

Education: Ph.D., Marketing and Communication science, University of Connecticut, USA, and B.A., Communication and Media Studies, Stockholm University. Ten years as an academic lecturer at Stockholm University in marketing and brand-related subjects.

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

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

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

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

Holdings in Polygiene: 707,000 shares.

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



Jonas Sjögren

Member

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

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

Primary occupation: CEO/Group President of POC.

Other current assignments: Board Member of PlayAd Media Group and InCoax Networks Europe.

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

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 250,000 shares

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



Daniel Oelker

Member

Born 1961, Board Member since October 2017 – has vast experience from the Swedish multinational export industry through various management positions in communication, branding, strategy and distribution.

Education: MBA, Lund University, MA Communication, Journalist.

Primary occupation: Management consultant.

Other current assignments: –

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

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 80,271 shares

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

Senior Management



Ulrika Björk
CEO and former CFO

Born 1968, employed since 2017 – holds a civil economics degree in from Lund University. Ulrika has previously been CFO at Hemmakväll AB, Head of Finance at Stena Line Travel Group AB, Controller at Kemira Kemi AB and held various position at IKEA.

Other current assignments: –

Previous assignments (last five years): Adjunct Board Member of Hemmakväll AB, Board Member of Stena Line Travel Group AB, FeriDe Reisen GmbH and Best Travel A/S.

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 30,000 shares.



Christian von Uthmann
VP New Ventures & Strategies

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

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

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

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 668,978 shares, 40,000 warrants 2015/2018.



Peter Sjösten
CCO

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

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

Previous assignments (last five years): –

Bankruptcy, compulsory liquidation, or similar: –

Holdings in Polygiene: 603,000 shares, 20,000 warrants 2015/2018.

Senior Management

Name	Position	Born	Employed	Holdings*
Ulrika Björk	CEO and former CFO	1968	2017	30,000 shares
Christian von Uthmann	VP New Ventures & Strategies	1963	2006	668 978 shares, 40 000 TO 2015/2018
Peter Sjösten	CCO	1955	2010	603 000 shares, 20 000 TO 2015/2018

* Refers to personal holdings and those of associated natural persons and legal entities as of 31 December 2017. TO 2015/2018 represents warrants series 2015/2018 where each warrant gives entitlement to subscribe for 1 share.

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

Auditors

The auditor for Polygiene is Ernst & Young Aktiebolag with Johan Thuresson as Chief Auditor. Johan Thuresson is a Certified Public Accountant and member of FAR, the professional institute for authorized public accountants and advisers, and was elected to serve until the end of the Annual General Meeting which will take place on 4 May 2018.

Directors' Report 2017

The auditor for Polygiene is Ernst & Young Aktiebolag with Johan Thuresson as Chief Auditor. Johan Thuresson is a Certified Public Accountant and member of FAR, the professional institute for authorized public accountants and advisers, and was elected to serve until the end of the Annual General Meeting which will take place on 4 May 2018.

The company

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

Market and sales

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

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

The largest segment during the year was Sport & Outdoor with 60 (72) percent of the net sales. The largest market is the EU with 46 (57) percent of the net sales.

Comments on the financial development in 2017

2017 compared to 2016

Revenue

The company's net sales in 2017 amounted to MSEK 75.7 (61.6), representing growth of 23 (20) percent. The increase primarily relates to increased sales to existing customers, but also to sales to several new customers. Other operating income amounted to MSEK 1.1 (3.6) and consists of positive exchange-rate differences.

Expenses

Operating expenses in 2017 amounted to MSEK 82.9 (68.5), representing an increase of 21 (45) percent. Cost of sales amounted to MSEK 33.0 (26.0) which provides a gross margin of 56 (58) percent. External operating expenses for the year amounted to MSEK 30.6 (28.3). These expenses consisted of:

- Sales costs, MSEK 7.2 (6.6), of which MSEK 3.6 (3.3) were variable
- Public relations and marketing campaigns, MSEK 11.4 (9.6)
- Administrative expenses, MSEK 6.3 (6.9)
- Technology and development expenses, MSEK 1.1 (1.1)
- Contracted consultants, MSEK 4.6 (4.1)

During the year, several key positions were filled and personnel expenses amounted to MSEK 13.1 (10.5). Other operating expenses amounted to MSEK 5.9 (3.7) and consist of negative exchange rate differences and recognized foreign tax at source, called withholding tax.

Multi-year overview

	2017	2016	2015	2014	2013
Net sales (TSEK)	75,680	61,557	51,511	34,957	27,804
Profit before tax (TSEK)	-6,109	-3,397	5,641	3,683	1,418
Total assets (TSEK)	53,101	57,318	50,468	16,176	9,770
Equity/assets ratio (%)	67.6	72.0	80.9	57.8	40.1

Profit/loss before tax

The loss before tax in 2017 was MSEK –6.1 (-3.4). This is equivalent to an operating margin of –8.1 (-5.5) percent. The profit after tax was MSEK –5.4 (-3.2) and was affected by recognition of deferred tax of MSEK 0.7 (0.2).

Balance sheet

Total assets as of 31 December 2017 amounted to MSEK 53.1 (57.3). Trade receivables amounted to MSEK 31.7 (29.9) as of 31 December 2017. The increase is a consequence of the increase in net sales during 2017, as well as extended credit terms for certain large customers. Cash and cash equivalents totaled MSEK 10.9 (20.0) as of 31 December 2017. Polygiene's equity/assets ratio was 67.6 (72.0) percent at yearend 2017.

The company had a taxable deficit of MSEK 28.3 (25.1) at the end of the year. It is assessed that this deficit can be utilized in the coming years, so that a deferred tax asset for a further MSEK 0.7 (0.2) was recognized in 2017.

Cash flows

Cash flows from operating activities were negative at MSEK –6.3 (-11.1), due to the negative result as well as the increase in trade receivables. Cash flows from the investing activities were negative -2.8 (0) due to investments in intangible fixed assets.

Organization/personnel

At yearend 2017, Polygiene's operational organization consisted of 18 (18) people, of whom 14 (14) were employees and 4 (4) were contracted consultants.

Share

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 2017 amounted to SEK 2,051,600, comprising 20,516,000 outstanding shares in a single class of shares.

For further information about the share, see Share capital and ownership on pages 18–19.

Other significant events during the financial year

On December 28, 2017, Ulrika Björk was appointed as the new CEO for the Company.

Risk and uncertainty factors

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

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

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

Reporting currency

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

Future outlook

The Company has as its objective to achieve net sales of more than MSEK 400 with a pre-tax profit margin of at least 20% by 2022.

Allocation of profit

Proposed allocation of profit

Available for distribution by the Annual General Meeting (TSEK)

Retained losses	-15,519
Share premium reserve	54,761
Profit for the year	-5,409
	33,833

The Board of Directors proposes that

The following amount be carried forward	33,833
	33,833

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

Income Statement

TSEK	Note	2017-01-01- 2017-12-31	2016-01-01- 2016-12-31
Operating income, etc.			
Net sales	1	75,680	61,557
Other operating income	2	1,102	3,574
		76,782	65,131
Operating expenses			
Cost of goods sold		-33,045	-26,049
Other external expenses	3, 4	-30,590	-28,313
Personnel expenses	5	-13,128	-10,505
Depreciation and write-downs		-186	0
Other operating expenses	6	-5,934	-3,656
		-82,883	-68,523
		-6,101	-3,392
Profit/loss from financial items			
Other interest income and similar items		0	0
Interest expenses and similar items		-8	-5
		-8	-5
		-6,109	-3,397
Profit/loss before tax			
Tax on the profit for the year	7	700	233
		-5,409	-3,164
Profit for the year			
Profit per share, SEK		-0,26	-0,16
Profit per share after full dilution, SEK		-0,26	-0,16
Average number of outstanding shares		20,516,000	19 716 000
Average number of outstanding shares after full dilution		20,766,000	20 766 000

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

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

As the result for 2017 is negative, dilution has no effect on the profit per share.

Balance Sheet

TSEK	Note	2017-12-31	2016-12-31
ASSETS			
Fixed assets			
Intangible assets			
Other intangible assets	8	2,533	0
		2,533	0
Financial assets			
Shares and share units in the Group company	9	50	0
Holdings in affiliated companies	10	0	0
Deferred tax asset	11	6,223	5,523
Other non-current receivables	12	14	14
		6,287	5,537
Total fixed assets		8,820	5,537
Current assets			
Inventories, etc.			
Finished items and items for sale		313	218
		313	218
Current receivables			
Trade receivables		31,699	29,927
Current tax assets		211	206
Other receivables		390	491
Prepaid expenses and accrued income		738	916
		33,038	31,540
Cash and cash equivalents			
Cash and cash equivalents	13	10,930	20,023
		10,930	20,023
Total current assets		44,281	51,781
TOTAL ASSETS		53,101	57,318

Balance Sheet, continued

TSEK	Note	2017-12-31	2016-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	14	2,052	2,052
		2,052	2,052
Unrestricted equity			
Share premium reserve		54,761	54,761
Retained earnings		-15,519	-12,356
Profit for the year	15	-5,409	-3,164
		33,833	39,241
Total equity		35,885	41,293
Current liabilities			
Advance payments from customers		63	50
Accounts payable		12,150	9,089
Other liabilities		392	527
Accrued expenses and prepaid income	16	4,611	6,359
		17,216	16,025
TOTAL EQUITY AND LIABILITIES		53,101	57,318

Cash Flow Statement

TSEK	2017	2016
Profit/loss before financial items	-6,101	-3,392
Depreciation	186	0
Other non-cash items		
Interest received	0	0
Interest paid	-8	-5
Cash flow from operating activities before changes in operating capital	-5,923	-3,397
Increase/decrease in inventory	-94	7
Increase/decrease in current receivables	-1,498	-14,146
Increase/decrease in current liabilities	1,191	6,400
Cash flow from operating activities	-6,324	-11,136
Investments in intangible fixed assts	-2,719	0
Retention of subsidiaries	-50	0
Cash flow from investing activities	-2,769	0
Financing activities		
New share issue	0	3,600
Option premiums	0	14
Cash flow from financing activities	0	3,614
Change in cash and cash equivalents	-9,093	-7,522
Cash and cash equivalents at the beginning of the year	20,023	27,545
Cash and cash equivalents at the end of the year	10,930	20,023

Changes in equity

TSEK	Share capital	Share premium reserve	Retained earnings	Profit for the year
Opening balance 2016-01-01	1,932	51,267	-21,527	9,171
New issue	120	3,480		
Option program		14		
Allocation of previous year's result			9,171	-9,171
Profit for the year				-3,164
Opening balance 2017-01-01	2,052	54,761	-12,356	-3,164
Allocation of previous year's result			-3,164	3,164
Profit for the year				-5,409
Closing balance 2017-12-31	2,052	54,761	-15,519	-5,409

Supplementary Info and Notes

GENERAL INFORMATION

Accounting policies

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

Valuation principles

Receivables

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

Other assets, provisions and liabilities

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

Revenue recognition

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

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

Intangible assets

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

The following useful lives are applied:

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

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

Leasing

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

Inventories

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

Income tax

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

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

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

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

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

Receivables and liabilities in foreign currency

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

Assessments and estimates

Assessments and estimates are made on an ongoing basis according to historical outcomes and expectations of future

development that can be considered reasonable in the prevailing conditions. The company had a taxable deficit of MSEK 28.3 (25.1) at yearend. Since it is assessed that this deficit can be utilized in the coming years, a deferred tax asset totaling MSEK 0.7 (0.2) was recognized in 2017.

Definitions of key ratios

Operating profit, EBIT

Profit before interest and tax.

Equity/assets ratio

Equity as a ratio of total assets.

Note 1 Net sales of brands by geographical area and segment

%	Ratio of total sales	
	2017	2016
Geographical area*		
EU	46	57
North America	24	25
Asia	25	17
Rest of the world	5	1
*) Location of customers' head office/purchase office		
Segment		
Sport & Outdoor	60	72
Lifestyle	9	10
Home Design	17	9
Footwear	0	1
Other	14	8

Note 2 Other operating income

TSEK	2017	2016
Exchange rate gains	1 102	3 574
Recovered trade receivables	0	0
Total other operating income	1 102	3 574

Note 3 Leasing agreements – Operational leasing

TSEK	2017	2016
The Company's leasing charges during the year amounted to	469	353
Future minimum leasing charges for non-terminable leasing agreements fall due for payment as follows:		
Within one year	414	323

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

Note 4 Audit fees

TSEK	2017	2016
Auditing, EY	276	368
Tax advice, EY	178	141
Total audit fees	454	509

Note 5 Personnel and related parties

Average number of employees

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

	2017	2016
The average number of employees was	13	10
– of whom women	6	4
– of whom men	7	6

Salaries, remuneration, etc.

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

TSEK	2017	2016
Board of Directors		
Richard Tooby, Chairman	100	131
Lennart Holm	282	230
Mikael Bluhme	0	131
Mats Georgson	131	131
Per Palmqvist Morin	0	50
Jonas Sjögren	148	66
Jonas Wollin	100	131
Daniel Oelker	125	0
CEO		
Salary and remuneration	1,325	1,338
Pension costs	459	364

* Some Board Members have invoiced their fees and then also include social security contributions.

Note 5 continued

	2017	2016
Total for the Board of Directors and CEO	2,570	2,572
Other employees		
Salaries and remuneration	7,381	5,435
Pension costs	1,041	814
Total other employees	8,422	6,249
Social security expenses	2,528	2,183
Total for the Board of Directors, CEO and other employees	13,520	11,004

Gender distribution of the Board of Directors and Executive Management

	2017	2016
Number of members of the Board of Directors	6	6
– of whom women	0	0
Number of other executive positions, including the CEO	3	3
– of whom women	1	0
Pension obligations to the Board of Directors and CEO	0	0

The new CEO is entitled to severance pay equivalent to nine months' wages.

During the year, consulting fees in addition to Director's fees was paid to members of the Board of Directors for a total of TSEK 1,021 (549), distributed as follows:

Lennart Holm Development AB	TSEK 251 (148)
Georgson Strategy AB	TSEK 975 (280)
Per Morin KPM Consulting AB	TSEK 0 (121)

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

Rudholm & Haak (HK) Ltd	TSEK 2,587 (1,907)
Polygiene Ltd	TSEK 2,784 (2,358)

Note 6 Other operating expenses

TSEK	2017	2016
Foreign withholding tax charged	2,495	2,046
Exchange rate losses	3,439	1,610
Total other operating expenses	5,934	3,656

Note 7 Tax on the profit for the year

TSEK	2017	2016
Current tax	0	0
Deferred tax asset concerning tax losses carried forward	700	233
Reconciliation of effective tax		
Profit/loss before tax	-6,109	-3,397
Tax cost 22.00% (22.00%)	1,344	748
Tax effect of:		
Non-deductible expenses	-644	-515
Non-taxable income	0	0
Tax losses carried forward utilized for the year	0	0
Recognition of deferred tax asset not previously recognized	0	0
Total tax on the profit for the year	700	233

The company has a taxable deficit amounting to TSEK 28,289 (25,106). The booked deferred tax asset for taxable deficits amounts to TSEK 6,223 (5,523). The booked amount is estimated to be utilized during the coming years.

Note 8 Other intangible assets

TSEK	2017	2016
Opening acquisition value	1,158	1,158
Annual acquisition costs	2,719	0
Closing accumulated acquisition value	3,877	1,158
Opening amortization	-1,158	-1,158
Amortization for the year	-186	0
Closing accumulated amortization	-1,344	-1,158
Closing recognized value	2,533	0

Note 9 Shares and share units in the Group company

TSEK	2017	2016
Opening acquisition value	0	0
Annual acquisitions	50	0
Closing recognized value	50	0

Note 10 Holdings in affiliated companies

Company	Reg. no.	Registered office	Ownership interest	Voting share	2017-12-31	2016-12-31
					Recognized value	Recognized value
Polygiene Ltd	6803458	Nottingham, UK	49.0%	49.0%	0	0
Details of equity and results (SEK)						
Equity						1,114
Profit for the year						779,292

Details of equity and results based on Polygiene Ltd's most recently adopted annual accounts, 2017-12-31. Equity and the profit for the year are stated in full, irrespective of ownership. The profit for the year is the profit after financial items. The Company has no entitlement to distribution from the affiliated company.

Note 11 Deferred tax asset

TSEK	2017-12-31	2016-12-31
Opening balance	5,523	5,290
Deferred tax reported in the profit for the year	700	233
Closing balance	6,223	5,523

Note 12 Other non-current receivables

TSEK	2017-12-31	2016-12-31
Deposit, office, Sanatus Fastigheter	14	14
Total other non-current receivables	14	14

Note 13 Cash and cash equivalents

TSEK	2017-12-31	2016-12-31
Available balances	10,930	20,023
Total cash and cash equivalents	10,930	20,023

Note 14 Share information

TSEK	2017-12-31	2016-12-31
Number/value at the beginning of the year	20,516,000	19,316,000
New share issue		1,200,000
Number/value at the end of the year	20,516,000	20,516,000
Listed value per share, SEK	0.10	0.10

The company has a single class of shares, and every share carries equal rights to dividend and excess after liquidation, and entitles the holder to one vote per share.

In 2014, Polygiene issued 1,200,000 warrants to staff and members of the board and the board chair, which entitle holders to subscribe for an equivalent number of shares. These warrants could be exercised during the period from 1 May to 31 August 2016 and had an exercise price of SEK 3.00 per share. All of the warrants were exercised.

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

Note 15 Allocation of profit**Profit available for allocation**

TSEK	2017-12-31	2016-12-31
Retained earnings	-15,519	-12,356
Share premium reserve	54,761	54,761
Profit for the year	-5,409	-3,164
	33,833	39,241
The Board of Directors proposes that the following amount be carried forward		
	33,833	39,241
	33,833	39,241

Note 16 Accrued expenses and prepaid income

TSEK	2017-12-31	2016-12-31
Accrued salaries	32	0
Accrued holiday pay	1,188	1,111
Accrued social security expenses	378	349
Accrued special payroll tax	334	318
Accrued commission tax	854	1,123
Other accrued expenses	1,825	3,458
Total accrued expenses and prepaid income	4,611	6,359

Note 17 Other significant events after the end of the financial year

On 1 January 2018, the Company will convert to IFRS and, beginning with first quarter 2018, will report according to the new principles in accordance with the new standard.

Malmö 13 April 2018

Ulrika Björk
CEO

Richard Tooby
Chairman of the Board of Directors

Lennart Holm

Mats Georgson

Jonas Sjögren

Daniel Oelker

Jonas Wollin

Our audit report was submitted on 13 April 2018
Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts

Opinion

We have audited the annual accounts of Polygiene AB (publ) for the 2017 financial year. The annual accounts of the company are included on pages 26–37 of 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 Polygiene AB (publ) as of 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that, at the Annual General Meeting, shareholders adopt the income statement and balance sheet.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility in accordance with these standards is described under Auditor's responsibility. We are independent in relation to Polygiene AB in accordance with generally accepted auditing standards in Sweden, and have otherwise fulfilled our professional ethical responsibility in accordance with these requirements.

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

Other information besides the annual report

This document also includes other information than the annual report, which can be found on pages 1-25. The Board of Directors and the CEO are responsible for this other information.

Our opinion concerning the annual report does not include this information and we do not express any statement of assurance concerning this other information.

In conjunction with our audit of the annual report our responsibility is to read the information identified above and to check whether to a material extent the information is not in accordance with the annual report. In this review we also take into account the knowledge we have otherwise obtained

during our audit and assess whether the information otherwise seems to include material misstatements.

If we conclude, on the basis of the work performed concerning this information, that the other information includes a material misstatement, we have an obligation to report this. We have nothing to report in this respect.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the presentation of the annual report and for presenting a true and fair view in accordance with the Annual Accounts Act. The Board of Directors and the CEO are also responsible for the internal control which they consider necessary to present an annual report that is free of material misstatement, whether this is due to fraud or error.

On the presentation of the annual report, the Board of Directors and the CEO are responsible for the assessment of the company as a going concern. Where appropriate, they must disclose any circumstances that might affect the ability to continue operations and to apply the going concern assumption. The going concern assumption is not applied, however, if the Board of Directors and CEO intend to dissolve the company, discontinue activities, or have no realistic alternative to this.

Auditor's responsibility

Our objectives are to obtain reasonable assurance concerning whether the annual report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing (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 the annual report.

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 in the annual report, 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 opinion. 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 internal control.
- Evaluate the appropriateness of the accounting principles applied and the reasonableness of the accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Draw a conclusion on the appropriateness of the Board of Directors and the CEO's use of the going concern basis of accounting in the presentation of the annual report and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 report concerning the material uncertainty or, if such disclosures are inadequate, to modify our opinion. 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 the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual report, including the disclosures, and whether the annual report represents the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors, among other matters, of the planned scope and timing of the audit. We must also report any significant audit findings, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinion

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the CEO of Polygiene AB (publ) for the 2017 financial year, as well as the proposal for allocation of the profit or loss of the company.

We ensure that the Annual General Meeting allocates the profit as proposed in the Directors' Report and grant discharge of the members of the Board of Directors and the CEO for the financial year.

Basis for opinion

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described under Auditor's responsibility. We are independent of Polygiene AB in accordance with generally accepted auditing standards in Sweden, and have otherwise fulfilled our professional 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 audit opinion.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for allocation of the company's profit or loss. The proposed allocation includes an assessment of whether the allocation is responsible in view of the requirements made by the nature of the company's activities, scope and risks concerning the size of the company's equity capital, consolidation requirement, liquidity and financial position.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes continuous assessment of the company's financial position and ensuring that the company's organization is designed to ensure the responsible control of the company's accounting, administration of funds and financial affairs in general. The CEO must ensure the ongoing administration in accordance with the Board of Directors' guidelines and instructions and, among other things, take the measures necessary to complete the company's accounting in accordance with statutory provisions, and so that administration of funds takes place on a responsible basis.

Auditor's responsibility

Our objective for the audit of the administration, and thereby our opinion concerning discharge of responsibility, is to obtain audit evidence in order to determine with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has taken any measures or is responsible for any omissions which may lead to a claim for indemnification against the company, or
- has in any other way acted in conflict with the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective for the audit of the proposal for allocation of the company's profit or loss, and thereby our opinion thereon, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Swedish 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 might lead to a claim for indemnification against the company, or that a proposal for allocation of the company's profit or loss is in conflict with the Swedish 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 review of the administration and the proposal for allocation of the company's profit or loss is primarily based on the audit of the annual accounts. The additional audit procedures performed are based on our professional assessment, according to materiality and risk. This entails that we focus our review on the measures, areas and circumstances that are significant for the activities, and where any deviations and infringements would be of particular importance to the company's situation. We review and examine any decisions taken, bases for decision, measures taken and other circumstances of relevance to our statement concerning discharge of responsibility. As the basis for our opinion concerning the Board of Directors' proposal for allocation of the company's profit or loss we have reviewed whether the proposal is in accordance with the Swedish Companies Act.

Malmö, 13 April 2018

Ernst & Young AB

Johan Thuresson

Authorized Public Accountant

Annual General Meeting and financial calendar

Annual General Meeting

The Annual General Meeting will be held on 4 May 2018 at Malmö Börshus, Skeppsbron 2 in Malmö, Sweden.

Right of participation and registration

Shareholders wishing to attend the Annual General Meeting must be registered in the shareholder register held by Euroclear Sweden AB by Wednesday, 27 April 2018; and also registered with the company by Wednesday, 27 April 2018, in writing to Polygiene AB, Attn. Kristian Populin, Stadiongatan 65, SE-217 62 Malmö, by e-mail to kp@polygiene.com or by telephone (+46) (0)739 360 096. Registration must include the full name, personal or business reg. no., shareholding, address and daytime telephone number, as well as, where relevant, details of any accompanying counsel (maximum two).

Nominee shares

To be entitled to attend the Annual General Meeting, shareholders whose shares are registered as nominee shares via banks or other portfolio managers must temporarily register the shares in their own name with Euroclear Sweden AB.

This re-registration must take place by no later than Wednesday, 27 April 2018, which entails that shareholders requiring this re-registration must notify the portfolio manager in good time before the aforementioned date.

Proxies, etc.

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

Financial Calendar

Interim Report Q1 2018	4 May 2018
Annual General Meeting 2018	4 May 2018
Interim Report Q2 2018	23 August 2018
Interim Report Q3 2018	8 November 2018
Year end Report 2018	February 2019

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